

The Effect Budget Satisfaction, and Organizational Fairness in Local Government Budget Participation Process

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— *Review of* —
**Integrative
Business &
Economics**
— *Research* —

ABSTRACT

This study describes the role of organizational justice, satisfaction and the performance of the budget in the participatory budgeting process. Research, which conducted at the local government organizations, found that there are various stages in the process of participatory budgeting both in the executive and legislative perspective as well as the perspective of superiors and subordinates. The researchers believe that there is a relationship between organizational, procedural fairness, budget satisfaction, and budget performance. Using analytical methods of exploratory factor analysis, the results of this study found that in the budgeting process, organizational fairness, budget satisfaction have significantly affected the performance of the budget. However, organizational fairness is more emphasized on procedural and distributional fairness, which have significant influence. This study implies that the relationship between the local government budgeting process and budget performance is significantly influenced by the behavior of the actors involved in it. Therefore the local government budgeting must be mediated by society watch through public hearings.

Keywords: Budget Participation, Organizational Fairness, and Performance

1. INTRODUCTION

Budget participation is a concept which emphasizes that in the preparation of the budget involves the participation of subordinates will make the execution of the budget more performing than when the budget drafted with conventional methods by creating a budget at the level of Strategic Planning and then carry out the management and operational levels. Preparation of the budget that includes the participation of a subordinate would give a better meaning for subordinates because it can perceived as non-intrinsic rewards and motivates them to work even harder which in turn resulted in higher budget performance. Some previous researchers as Brownell (1988) Chong

and Chong (2002) and Maiga (2005) which examines participation in the preparation of the budget found that there is a significant and positive relationship between budgetary participation and budget performance. Their research begins with the results of previous studies that look at that budget's participation not only generate budget performance, but also there are also the so-called behavioral tendencies create budgetary slack.

As research from Baiman and Evan (1983) found that participation in the creation of significant budgetary behavior budgeted income of lower order easily achieved and higher expenditure to be easy to spend it. Such behavior is not in conflict with the prevailing system of budgeting but such behavior there is behavior that hides information about the real capacity of the organization that is morally not right. Dissatisfaction with the determination of the budget is a symptom of a budget where revenues are set lower so it can more easily to achieve, so that when the budget considers as an achievement of performance, then the unit is considered outstanding organization will gain rewards. Moreover, in setting the budget, the actors making up the budget can be set budgets higher than the actual capacity, so even this leads to the easy implementation of the budget. Such behavior is said to be a behavior that does not give incentives to spur budget performance (Merchant, 1985; Dunk, 1993; Maiga 2005). The behavior of the actors may detriment the budget because they fail to optimize the organization resources, this behavior may be regarded as abuse the budget (Merchant, 1995).

Research on budgetary participation also brought inconsistent results. As proposed by Maiga (2005) that budgetary participation has a positive and significant relationship to the budget gap and is a disincentive to the performance of the budget, so Maiga (2005) investigated the influence of moral equity as a mediator variable in the relationship between budgetary participation and budget performance. The budget performance will be lower when the moral equity is low, while the opposite if the moral equity is high, then the lower budgetary slack occurs. This lower budget slack considered as higher budget performance.

However, some researchers then developed the concept of morality in the budgeting behavior. There are researchers (Maiga, 2005; Staley, Magner and Nace, 2007) who observed that aspect of morality can be measured by measuring about justice (fairness) Other studies (Staley, et al., 2007). The results of his findings suggest that the interaction between the budget fairness and supervisors the confidence level has a positive relationship, but then its influence on budgetary slack

is negative. This statement means that the higher the level of fairness and trust supervisors budget will reduce the tendency of the creation of budgetary slack and in turn improve the performance of the budget.

Then Maiga (2005) is more elaborate justice or fairness into procedural justice (Procedural Fairness) and distributional equity (distributional Fairness) were investigated by Maiga (2005). Other studies have also conducted an analysis of the behavior of the budget is Merchant (1985), Dunk (1987) and Maiga (2007) linking budgetary participation and job performance (job performance). Maiga (2007) found that the participation of the budget through the budget of justice and job satisfaction positively affects job performance.

The results of these studies provide reinforcement to the management accounting literature for the research proposed by Maiga (2005) observed the phenomenon of budgetary participation and budgetary slack in private organizations, while research conducted by Staley and Magner. (2007) implemented in governmental organizations. The study seems relevant to address the phenomenon of budgeting in government organizations which according to Hogue (2004) that the more the government organization that can claim to have the interests of the public budget. As the bureaucracy, political institutions and society (Hogue, 2004; Santiso, 2006; Acosta and Renzio, 2008).

In line with these studies, it seems that the implementation of the budget in local government in Indonesia has a wide range of phenomena are quite diverse. Based on the World Bank report (2007) that the performance of the budget implemented in Indonesia, still shows a variety of budgetary slack and it affects the performance of the budget. Research conducted by the World Bank (2007) shows that while the national government tried to cover the budget deficit by increasing debt, local governments still have the public funds that could be used to finance other than public spending, and still have a positive fiscal space. The study of the Asian Development Bank (2006), participation is still low budget resulting in the performance of the budget that does not result in optimal performance.

Based on the description above, this proposal aims to provide a theoretical analysis of the phenomenon of adoption of the budget on local governments in Indonesia. Based on the description above, this proposal aims to provide a theoretical analysis of the phenomenon of the budget process on local governments in Indonesia. Increasing concept of budget process is used to explain more about factors that involved in the process. In budget process, that occur what is called behavioral

factors of a human. These factors include budget fairness, satisfaction, and budget performance.

2. RESEARCH FRAMEWORK

Agency theory explains that information asymmetry affects systematically the relationship between budgetary participation and desire to create budgetary slack. A description of the information related to the existence of information asymmetry in the hands of subordinates can influence the decision-making process in the preparation of the budget (Baiman and Evan, 1983; Penno, 1984; Coughan and Schmidt, 1985). When subordinates have private information that can benefit the organization, the boss can not verify, without the involvement of subordinates in decision-making budget. This involvement provides the opportunity for agents to reject or accept the decisions contrary to the interests of the company. When the agent has the incentive and the opportunity to reject (e.g., private information), there arose the problem of moral hazard.

Waller (1988) suggested that the budget performance could be increased if the principal realized that the local information possessed by the subordinate. Therefore, before the budget is set, the information asymmetry should eliminate (Baiman, 1982), Chow (1988), Blanchard and Chow (1983) by involving subordinate in drafting the budget. While Waller (1988) argued that subordinates in the formation organization have more accurate information than their superiors about the factors that affect performance. Baiman and Evans (1983) suggested that companies that have a subordinate who has information such participation-based management control systems may be incorporated into the standard or budget so that it can be used in assessing performance.

Unfortunately, agents can store or hide information from the principal of their some or all of their local information, which can lead to the creation of budget slack (Christiansen, 1982; Baiman and Sivaramakrisnan, 1991). Argument of the agent blame or hide their private information that managers plan slack in their budget to enable the achievement of budget targets can be achieved and increase the tendency to compensate for their efforts. For example, Waller (1988) argued that if subordinates believe their private information communication can be used on standard-setting in the context of assessment information, they may have an incentive to deflect their communication to facilitate standard setting which is more easily achieved. This problem, Waller (1988), emphasize that it is very prominent if the subordinate

planning and budget process is based on participatory budgeting. As managerial compensation is based on the achievement of the budget and the information presented by the agent is likely to be used to evaluate their performance (Christensen, 1982; Baiman 1990), the prospect of dysfunction consequences arise from the presence of information asymmetry may not be simple. Young (1985) warned that the existence of private information relating to participation can be generated by subordinates tend to build superfluous important resources into the budget or by deliberately reducing the capability of the organization.

The study of this agent captures the shift behavior in response to incentives in a certain determination but does not provide a decisive test of self-interest model of simple or simple alternative utility functions. Luft (1997) questioned the general understanding of self-interest is a good approximation to the behavior and arguments that previous testing weak in distinguishing between self-interest with a model of ethical behavior. Thus, while studies based Agency theory giving out evidence for the existence of a preference for peace, but not giving out the different proofs of the existence of other significant preference.

Therefore, this study suggests that if managers tend to pursue personal interests or the interests of the organization depends on the level of moral equity. Ethical concerns typically arise in situations where personal interests conflict with the moral obligation to others (Bowie & Duska, 1990). DeGeorge (1992) asserts that the agents are motivated, ethical implement effective self-control and control not influence from the outside, and that researchers can utilize, promote and incorporate such motivation.

A person who fails to recognize the moral issue will fail to use moral decision-making schemata (Jones, 1991). Consideration of the budget slack from the perspective of ethical decision making, assuming that a person must be able to recognize that the creation of budgetary slack as a moral issue. Slack Creation may not be consistent with the role associated with the desired norms and virtues of professional managers, and the misallocation of resources that can be detrimental to other organizational units and investors (Merchant, 1995). Thus, the creation of budget slack is an ethical dilemma - a difficult situation with a moral component (Douglas & Wier, 2000). Opportunistic behavior, which is part of the agent, can be controlled in part by concerns about the agents' for their reputation or ethics (see Arrow, 1985, Baiman, 1990). The idea that the individual can be highly motivated to pursue the interests of the organization (i.e., without the prospect of interest myself) have shown in the literature. For example, in an experimental study, Stevens (2002)

examined the effects of two potential controls for opportunistic interests - the reputation and ethics. The results of this study provide strong evidence that the reputation and ethics reduce budget slack.

While the level of slack under the payment scheme that produces higher slack compared with previous experimental studies, the subject is still limiting the amount of slack in their budgets under the maximum, and thus failed to make their payments

This argument is consistent with the research results of Evans, Hanna, Krishnan, and Moser (2001) who found that the well-being can be sacrificed to generate reports that are honest and productive capabilities. In Evan et al. (2001), budgetary slack is negatively related to the measurement of the ethical responsibilities of individual questionnaires at the beginning of the experiment with respect to the reputation and ethics set out in the other questionnaires. As information asymmetry associated with increased productive capability expressed concern that low subordinate to the reputation, thereby reducing the employer's ability to monitor the slack in their budgets. The results of this study suggest that reputation is the mediation of social control while ethics is to control the opportunistic behavior of self-interest.

In an experimental study, Douglas et.al. (2001) investigated the ethical considerations auditor in typical situations they face in practice. The results showed that the orientation of the ethics dealing with ethical considerations in a high (but not low) moral intensity of the situation. These results support the Jones' (1991) issue-contingent argument shows that the differences in the characteristics of the moral issue itself, moral intensity, affect individual responses to these problems.

In these discussions, it proposes that the participatory budgeting, moral equity at the individual level affect efforts to create budgetary slack. To subordinate the high moral equity, budgetary participation, and budgetary slack may be inversely related. Participation in the setting of high budget, managers tend to take advantage of all sources of information to improve the accuracy of budget decisions (Gul, 1991). Due to the availability of information is enhanced through participation, participatory budgeting will lead to more accurate analytical and decision-making. Therefore, the participatory budget is high, subordinates with high moral equity will use their personal information to produce an accurate budget, that is, to reduce sagging and profitable organization. Conversely, when the low-budget participation, equity subordinate to the moral high ground will have little opportunity to share their personal information, and the boss will only have limited success in efforts to reduce slack. Therefore, there is little opportunity to reduce the budget gap.

For individuals with low moral equity, budgetary participation provides opportunities for subordinates to create slack. For people, the excitement between budgetary participation and budgetary slack is positive, i.e., with increased participation of the budget, an increase in the budget gap. Because subordinates have low moral equity, the subordinates can use participation to introduce slack and get a profitable future evaluation (i.e., subordinates seek to maximize their personal interests).

2.1.1 Budget Participation

Budgetary participation is a concept which emphasizes that in the preparation of the budget should involve subordinates (Merchant, 1995). The involvement of subordinates can result in better performance of the budget, because:

- 1) The involvement of subordinates can enhance trust and responsibility in achieving budget targets
- 2) The involvement of subordinates can create a sense of feeling appreciated which in turn can increase the efforts in achieving budget
- 3) The involvement of subordinates can lead to improved budget performance

2.2 Procedural Fairness

Justice (fairness) is procedural fairness in allocating resources (Thibaut and Walker 1975). As a result of procedural fairness in decision making that is used to determine the outcome of the procedure (Levanthal, 1980) and the attitudes and behavior of those involved and affected by it (Levanthal, 1980; Lind and Tyler, 1988).

2.3 Distributive Fairness

Distributive justice or fairness is a perception of fairness or justice of the results obtained by the employees (Cropanzano and Greenberg, 1997; and Colquitt at al, 2001). Budget in the literature, the concept of distributive justice related to the discussion of justice share. An equitable distribution of the expected related to the size of the distribution of resources received by managers about other managers. It can describe the basis of distributions received by managers in the previous budget period, including the proportion of the increase or reduction in comparison to the total distribution of the company.

2.4 Interactional Fairness

Interactional justice concerns with the quality of the treatment received from the decision makers, and the extent of the formal decision-making procedures are in place (Bies and Moag, 1986; Tyler and Bies, 1990). In this study, interactional justice defines as the extent to which managers feel they have been treated fairly about personal interactions with supervision at the stage of preparation of the budget.

2.5 Budget Satisfaction

Budget satisfaction is one of the most frequently studied attitudinal variables in the supervisory literature that pertains to the use of budget and performance. Satisfaction is a pleasurable or positive emotional state that results from the self-appraisal of experiences (Livingstone, Robert and Jonko, 1995). In satisfaction of the budget is one of the most frequent studies of behavioral variables in the literature concerning its use on a budget and performance. Satisfaction is a statement of pleasure or positive emotions resulting from the experience of personal judgment (Livingstone et al. 1995). Solly and Hohenshil (1986) states that "an individual's satisfaction is an attitude that includes their work consisting of common factors and global satisfaction with the same set of specific factors associated with the resources to strengthen the work." Loftquist and Dawis (1996) defines satisfaction as "a statement of pleasure resulting from the assessment of the extent to which the work environment meets the desires of the individual. According to Spector (1997, p2) "satisfaction is how people feel about their jobs and different aspects of their work. Conceptualization as a multidimensional construct, including satisfaction with one's work, supervision, coworkers, payment conditions, promotional programs, company policies, and job security (Churchill, Ford and Walker, 1979). In this study, the concept of satisfaction involves collaboration with supervision, support for supervision, and overall satisfaction with the budget, where the overall satisfaction refers to the satisfaction of the managers cumulative with the overall beginning of the budget process is the same as the satisfaction received from the budget formulation process current.

2.6 Budget Performance

According to Maiga (2007, 2005), the performance of the budget is a measure of the level of achievement that is considered by the manager that they have achieved the target set budget. Budget performance is also defined by De Castro and De Coz

(12002) as a result or achievement of a process of implementation of the budget in a given fiscal year. The results (outcomes) budget measures by assessing the quality of programs and activities in the budget. Both of these definitions describe not only the measurement of which is the achievement of budget targets financial targets, but also the results (outcomes) which are a measurement of programs and activities in the budget.

Dalam penelitian ini pengertian kinerja anggaran adalah suatu pencapaian dari target anggaran dan hasil dari program dan kegiatan yang telah ditetapkan pada saat penetapan anggaran.

In this research, the notion of performance budget is an achievement of budget targets and results of the programs and activities that have established at the time of budgeting.

3. CONCEPTUAL FRAMEWORK

This study proposed a model that links between budgetary participation and budget performance mediated by perceptions of procedural justice (procedural fairness), distributive justice (distributive fairness), justice interaction (interactional fairness) and satisfaction of the budget (budget satisfaction). In particular, the model found the fair or honest (fairness) a budget is developed, the higher the satisfaction with the budget, which, in turn, improve the performance of the budget manager. The model also sought to investigate the direct relationship between fairness with budget performance.

Maiga (2005) develop a conceptual framework to examine the relationship between budgetary participation and budget performance in the context of the budgetary slack behavioral decision makers to factor in the budgeting process. He then explains the research on how participation can affect the reduced budget budgetary slack when no moderating effects of fair behavior (fairness) in moral equity in the relationship interactions. In these studies can be inferred that budgetary slack may reflect the performance of the budget, with the perception that the smaller, the better budgetary slack budget performance, otherwise the higher, the lower the budgetary slack budget performance.

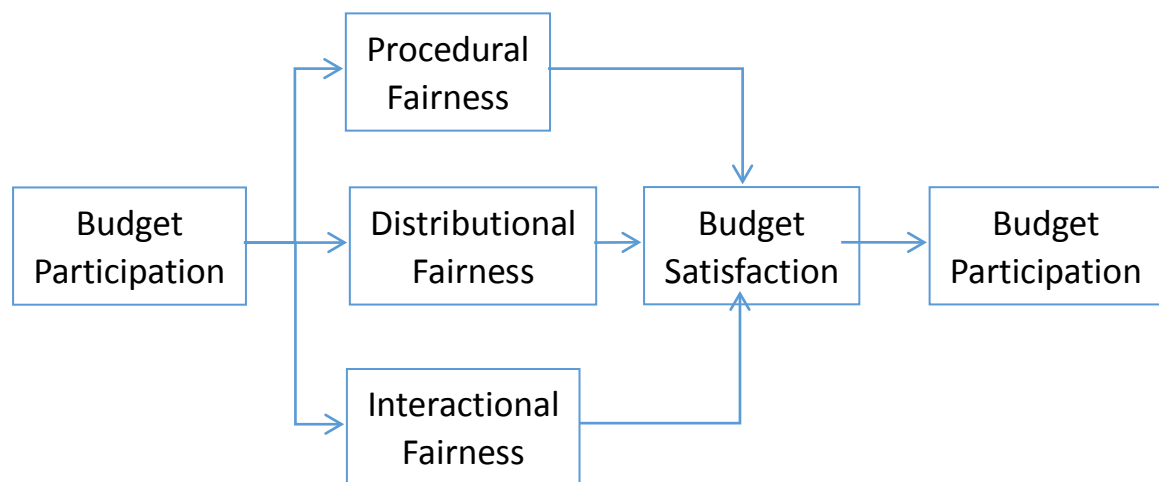
Then further research of Maiga (2007) more equity to unravel the moral factor justice (fairness). Justice in the preparation of the budget is covering procedural justice (procedural fairness), distributive justice (distributive fairness) and interactional justice. To implement the budget participation, all three forms of the

sense of justice can establish budgets satisfaction, and satisfaction of the budget, in turn, will improve the performance of the budget.

The study also describes the mechanisms underlying the relationship between organizational justice and performance (performance) managers (Konovsky & Pugh, 1994; Moorman et al, 1998). Likewise, studies relating to justice in have also been developed in managerial accounting. However, most of the research to date, only accounting using experimental methods in the budgetary participation (Lindquist, 1995, Libby, 1999, 2001) or transfer pricing decisions (Kachelmeier & Towry, 2002). These studies support the notion that consideration of equality issues relevant to the design of the process being studied. Two recent exceptions are Wentzel (2002) and Lau and Lim (2002), which uses survey methodology in organizational settings. Wentzel (2002) conducted a study in a corporate environment that is streamlined and found that participation in the budget process is positively related to perceived distributive justice, which in turn is associated with a commitment to the goal. Lau and Lim (2002) found that procedural justice has an indirect influence on the performance of the budget.

Based on the results of previous studies of this research to establish a conceptual framework linking between budgetary participation and budget performance through organizational justice (procedural fairness, distributive fairness, and interactional fairness) and the satisfaction that the budget can be seen in the following scheme:

Conceptual Framework



4. HYPOTHESES DEVELOPMENT

4.1 Budget Participation

Research conducted in explaining about the participation of the budget has been done in the earlier research. Maiga (2000); Chong (2002) and others emphasize that the participation of the budget in perspective superiors and subordinates showed that when subordinate to actively participate in the budget process will obtaine better results that will bring the achievement of the budget will be more successful in other words to perform better.

Maiga (2001) in his research found that there is a significant relationship between organizational fairness to budget satisfaction.

4.2 Procedural fairness

Some researchers such as Lindquist (1995), Libby (2001) Kachelmeier & Towry, 2002) Wentzel (2002) and Lau and Lim (2002), explain that there is a positive and significant relationship between budgetary participation and budget performance through organizational justice. However, not all of these studies involve or discuss the three types of justice (procedural, distributive, and interactional) as Libby (2001) only discusses the overall fairness. Wentzel (2002) examined the relationship between participation in the performance of the budget through distributive justice. Staley and Magner (2007) only consider procedural and interactional justice that affect the performance of the budget. Furthermore, Maiga (2007) using the third variable, namely procedural justice, distributive justice and interactional justice as variables that affect the performance of the budget.

The relationship between budgetary participation and procedural justice, starting from the demand to involve subordinates to participate in the preparation of the budget. The involvement of more people in the budgeting process can provide ample scope for everyone to compare between the formal procedure that is applied can not be considered fair for them so that their involvement can be considered insignificant. Therefore, the participation of the budget is the budget preparation process, in which participation must follow a procedural justice (Staley and Magner (2007).

Based on the earlier research, some hypotheses developed

H1: Budget Participation affect significantly implementation of procedural
Fairness

Participation also involves distributive justice budget, as pointed out by Wentzel (2002) which explained that there is a positive relationship between budgetary

participation and budget performance through distributive justice. Illustrates that distributive justice in allocating the budget to programs and activities will result in the behavior of managers and subordinates. When actors feel that the budget in a fair distribution of the budget is not divided into units of work, then they can reduce their desire to achieve the targets in the budget.

The argument above used as the basis of developing further hypothesis

H2: Budget Participation significantly and positively affects distributional fairness

The relationship between budgetary participation and interactional justice has been described by Maiga (2007) and Staley and Magner (2007). Maiga (2007) argues that interactional justice indirect effect on performance through budget satisfaction but the budget, while the budget is the deciding creation participation interactional justice (Wentzel, 2002). Similarly, Staley and Magner (2007) explains that there is a positive, and significant relationship between interactional justice with budget performance through trust watchdog and Wentzel (2002) observed that budgetary participation participates in creating interactional justice.

Therefore it can be formulated the third hypothesis, which states that there is relationship between budget participation to interactional fairness as follows:

H3: Budget Participation has significant and positive effect on the interactional Fairness

4.3 Procedural Fairness and Budget Satisfaction

Procedural fairness proposes that people consider the fairness of the formal organizational procedures that result in decisions. Procedural fairness is important to employees because it offers some control over the process and outcomes of decisions, thereby reassuring them about the likely fairness of their outcomes (Thibaut & Walker, 1975).

Procedural justice (procedural fairness) is a state where people work in a system that assumes that the procedure was decided to use was fair and honest. Justice of the procedure is important for employees because it offers several processes over the process and outcome of the decision. In the preparation of the budget, managers can see a fair implementation of the budget procedures through their supervisors as a condition necessary to the overall fairness of formal budgetary procedures. If instead, the supervision perform procedures in a fair budget and therefore on the conditions necessary to meet the overall budget for the procedure, the manager can see how the procedure is carried out that focuses on the fairness of the formal procedures. Thibaut

and Walker (1975) explains that allow individual rejection of a fair process will increase satisfaction. Based on this discussion, the following hypothesis can be made:

H4: The higher the procedural fairness implemented in the perception of employee, the higher the budget satisfaction perceived by the employee

4.4 Distributive Fairness and Budget Satisfaction

When employees observe that good standards are not applied consistently to all employees, a judgment against the distributive fairness be affected (Kumar, 1995). In the scenario of a limited budget, employees can know that the consistent application of standards can thwart the relationship between inputs leading to the outcome by providing a large allocation to a certain field while others lower (Sashkin and William, 1990). This assumption is related to equity theory suggests that individuals may perceive that distributive fairness is the ratio between the input and output them, that people are going to compare the ratio of their inputs to outcomes they produce, with others and do judgment about the fairness of the results they earn. Therefore, it can hypothesize as follows:

H5: the distributive fairness significantly affects the budget satisfaction.

4.5 Interactional Fairness and Budget Satisfaction

Interactional fairness theory holds that an individual's reaction to an organization is dependent on the individual's interpersonal treatment during the allocative decision process. The policy makers' provision of adequate explanation for the decision, and the treatment of employees with respect when implementing the decision (Brockner & Wiesenfeld, 1996; Moorman, 1991; Skarlicki & Folger, 1977).

Supervisors promote interactional fairness when they allow the employees to participate in setting budgetary procedural fairness. When supervisors help managers develop a plan to improve budget performance and communicate clearly that the organization is concerned for their well-being, interactional fairness is likely enhanced. Therefore, managers' perceptions of interactional fairness may be associated with how they perceive supervisors' evaluation of their contribution, thereby affecting satisfaction (Moorman, 1991). Although similar value judgments can be communicated through formal procedures, the quality interactions with the supervisor in budgetary decision-making provide compelling evidence of an individual manager's worth (Klieman et al, 2000). Thus, the following hypothesis stated:

To improve the performance of the budget, the supervisors can promote interactional justice (interactional fairness). Interactional justice could begin when the set of participation in budget-setting equity procedure. This fairness communicated clearly about the desire of the organization to improve the welfare of employees through interactional justice. Therefore, managers' perceptions of interactional justice can attribute to how the employees view the supervisory assessment of the contribution of the employees so that they will be satisfied (Moorman, 1991). Walalupun justification same value can be done through a formal procedure, the quality of interaction with the supervisor in budgetary decision making provide a good value for the individual manager (Klieman et al, 2000). Thus the hypothesis can be made as follows:

H6: Interactional fairness affects significantly and positively the budget satisfaction for the manager

4.6 The Relationship between Budget Satisfaction with Budget Performance

Fox (1974) argues that to achieve a better performance of the budget, then the employee is expected to do not only what is formally only they should do, but even more so with a great desire to always growing. Organ (1977), and Petty, McGee, and Cavender (1984) also found an employee who is satisfied with the work is a productive employee.

Therefore, one of the main ways to improve performance is to increase the level of satisfaction. However, research linking satisfaction with the performance of inconclusive (Brown & Peterson, 1993). For example, Judge et al. (2001) updated their earlier findings and noted that although the satisfaction-performance relationship is weak (correlation = 0, .30), it is positive and significant. Ostroff (1992) and Ostroff and Schmitt (1993) have found a reliable relationship between satisfaction and performance at the organizational level. Also, Harter et al. (1998) have linked the overall satisfaction for the various indicators of the performance of various business units. On the other hand, Iaffaldano and Muchinsky (1985) showed that satisfaction and performance "are only an illusion form of correlation between the two variables that we think should logically interconnect, but in reality it is not."

However, research from Iaffaldano and Muchinsky (1985) did not examine the relationship between satisfaction with the performance in the context of the preparation of the budget. Becker and Green (1962) and Otley (1978) have shown that, in setting the budget, where the manager sees a budget that is realistic and achievable,

they will be motivated to meet budget targets. Similarly, this study shows that managers 'satisfaction' with their budgets to make them more effort into trying to achieve budget targets. Therefore, the following hypotheses proposed:

H7: Manager Budget satisfaction positively related to the budget satisfaction

5. RESEARCH METHOD

This research seeks to observe about the perception of the actors in the budget to budget so that the design of this study is a survey of the perceptions of the actors, especially the budget budgeting in government organizations, so the unit of analysis is a government employee who involved in the budgeting process.

In order to obtain relevant data, questionnaires which used by earlier researcher like Staley and Magner. (2007), and Maiga (2007), are developed.

5.1 Operational Definition and Measurement

This study uses six constructs were measured using a Likert scale. Each construct described by using definitions and measurements that have been tested for validity and reliability by previous studies (Maiga, 2007; Staley and Magner, 2007).

5.1.1 Budget Participation

Budget participation is an activity carried out in the preparation of the budget in which superiors and subordinates are involved in setting targets and achievements (Merchant, 1995; Maiga, 2007). The involvement of subordinates in the participation in the achievement of set targets and how budgets can improve the integrity of subordinates to execute the budget and, in turn, can improve the performance of the budget.

Based on the operational definition used six scale items, whereas the respondents used to obtain a 7-point Likert scale used in the study as (Merchant, 1995; Maiga 2007).

5.1.2 Procedural Fairness

Procedural Fairness is a perception of a fair state of budgeting procedures, including consistent implementation of procedures in each area of responsibility, budget decisions are equipped with accurate information and opinions presented well, provisions are not contrary to expectations, and in accordance with the standards and ethics of offender budget. (Greenberg, 1993; Levanthal, 1980;

Magner and Johnson, 1995; Maiga, 2007 and Stanley and Magner, 2007). Based on the understanding of the perception of procedural fairness measurement using a 5-item scale and for respondents used a Likert scale of 7 points.

5.1.3 Distributional Fairness

Distributive justice is defined as a state where everyone has the perception of the area of responsibility of the budget has been adequate (Wentzel, 2002 and Maiga, 2007). Operationalize the construct of distributive justice (distributive fairness) used the concept of measurement has been used by Greenberg (1993), Magner and Johnson, 1995; Wentzel, 2007 and Maiga, 2007). Therefore be used to measure distributive justice considerations about 1) the absence of overlapping responsibilities, 2) effective budget allocation, 3) reasonable 4) fairness in the determination, 5) concerns boss, 6) free from partiality, 7) the balance of responsibility and 8) the clarity of responsibility. By because they were, then the measure of distributive justice constructs used eight scale items, whereas respondents used a Likert scale of 7 points as used by previous researchers (Greenberg, 1993; Magner and Johnson, 1995; Wentzel, 2002; Maiga, 2007).

5.1.4 Interactional Fairness

Justice of interaction is a construct that describes a perception of ethics and justice, the interests of balance, respect and dignity, individual needs and rights as an employee. Measurement of interactional justice has been used by several researchers, including (Folger and Konovsky, 1989; Moorman, 1991; Maiga, 2007 and Stenly and Magner (2007). Therefore, to obtain the expected response, it can be used a 5-item scale, while for respondents used a 7 point Likert scale, as has been used by previous researchers (Folger and Konovsky, 1989; Moorman, 1991; Maiga, 2002; and Stenly and Magner, 2007).

5.1.5 Budget Satisfaction

Satisfaction budget is a construct that describes a perception of the state to settle in the budgeting process (Maiga, 2007). Attempts to measure the satisfaction of the budget can be considered attention to the budget target, a collaboration between the constituent budgets with a supervisor, supervisor support, and satisfaction of the supervisor and-budgeting (Smith et al, 1969; Maiga, 2007). Thus, to measure the constructs used three scale items with

respondents used a Likert scale of 7 points.

5.1.6 Budget Performance

Budget performance is the achievement of budget targets. Some researchers use scale items to measure perceptions about the achievement of the budget, such as Wentzel (2002) and Maiga (2007). However, in this study, the measurement used three scale items. Given the assessment of the government's budget that has been using performance budgeting concepts such as Indonesia, the performance of the budget is not only related to the achievement of targets in the commercial context but also the measurement of the attainment of the program and activities. Therefore used three measurements include 1) the achievement of budget targets in the financial context, 2) attainment of budget activities and 3) the gains of the program budget. Therefore used three measurements include 1) the achievement of budget targets in the financial context, 2) achievement of budget activities and 3) the gains of the program budget

5.2 Method of Analysis

In order to test the hypothesis as presented at the beginning of this report, the method of analysis used is Exploratory Factor Analysis (EFA) and path analysis. EFA is used to test the significance of each indicator used in measuring the latent or unobserved variable. While Path Analysis to observe the extent of the validity of the items used to measure the factors or dimensions.

6. THE RESEARCH RESULTS

6.1 Response Rate

Questionnaires were collected through a meeting are more easily obtained, compared with a questionnaire compiled by mail.

6.2 Demography of Respondents

Respondents who filled out a questionnaire are those who work as civil servants involved in the preparation of the budget. In government organizations there are also positions that budget there called Perjabat Technical Implementation Activities (PPTK), there is only the regular staff, some are

serving treasurer, treasurer and treasurer receipts, auxiliary treasurer, and some areas of financial management officer (KDP) implement the accounting.

These were the ones involved in the preparation of the budget. Budgeting starts with filling out a form called working unit budget form. The budget form which is filled by each unit then compiled into a draft budget proposed for discussion and approval from the legislative body.

Although the preparation of the budget of the working unit is the responsibility of the Head of the unit, but the preparation and filing of the budget is not solely compiled and produced by the head itself, but they may involve either the regular staff as well as those who have position as local financial officer, and treasury. In this study, they were grouped into 1) regular staff, 2) supervisors and 3) manager. Distribution of the respondents can be seen in the following table:

Table 1: Distribution of Respondent Based on Gender and position (%)

| Gender | Positions | | | Total |
|--------------|-----------|------------|---------|-------|
| | Staff | Supervisor | Manager | |
| Male | 38.24 | 58.54 | 0 | 45.45 |
| Female | 61.80 | 41.46 | 100 | 54.55 |
| Total | 100 | 100 | 100 | 100 |

Source: data processed

7. EXPLORATORY FACTOR ANALYSIS

Exploratory analysis begins by testing whether the sample size is adequate. The tests using analysis of Factor Analysis to examine KMO and Bartlett test. As can be seen in the following table:

Table 2

| KMO and Bartlett's Test | | |
|--|--------------------|----------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | .752 | |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 1490.712 |
| | Df | 465 |
| | Sig. | .000 |

Source: data processed

The variables used were 1) Budget Participation, 2) Procedural Justice, 3) distributional justice, 4) Interactional Justice, 5) Satisfaction Budget and 6) Performance Budget. Each of these unobserved variables is measured by the number of different items. Latent variables measured budgetary participation with 7 items.

While procedural justice was measured with 10 items. Distributional justice was measured using five items. Interactional justice was measured using five items. Budget Satisfaction was measured using four items, and budget performance were measured using six items. So the total items analyzed were 37 items. Furthermore, to be able to classify the whole item into six latent variables, Factor Analysis underlines variance that can be explained is used. Overall the item and then inserted into the analysis and the resulting six factors with Eigen values.

Table 3 shows the results of calculation of the Eigenvalue of the overall 37 items. The highest value that can be seen on one factor Eigen is 5.247 with a variance that can be explained is 23.85%. The second factor is 3.085 with eigenvalues variance that can be explained is 14.02%. On the third factor, Eigenvalue is equal to 1,729 and variance that can be explained is 7.86%. The fourth factor is the Eigenvalue of 1.717 with a variance that can be explained is 6.89%. The fifth factor has Eigenvalue of 1.423 with a variance that can be explained is 6,47%. The sixth factor has Eigenvalue of 1.175 with a variance that can be explained is 5.32%. Thus by using six factors that total variance can be explained is 64.44%

TABEL 3: Total Variance Explained

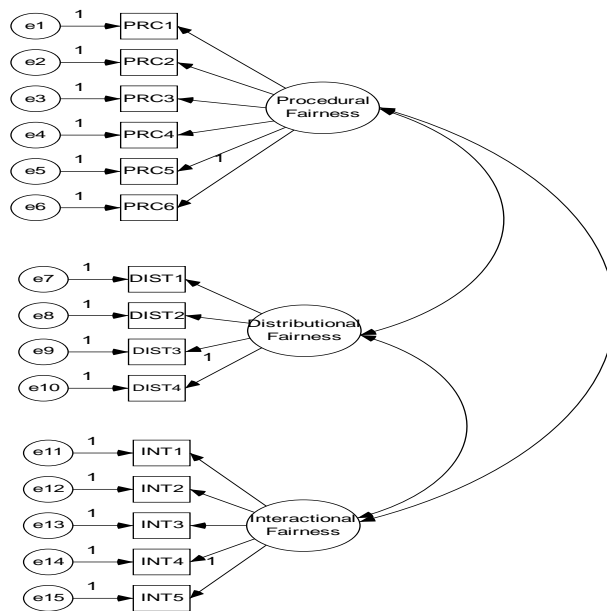
| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|-----------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| | 1 | 5.247 | 23.852 | 23.852 | 5.247 | 23.852 | 23.852 | 3.050 | 13.862 |
| 2 | 3.085 | 14.023 | 37.875 | 3.085 | 14.023 | 37.875 | 2.849 | 12.949 | 26.812 |
| 3 | 1.729 | 7.861 | 45.735 | 1.729 | 7.861 | 45.735 | 2.639 | 11.997 | 38.809 |
| 4 | 1.517 | 6.896 | 52.632 | 1.517 | 6.896 | 52.632 | 2.189 | 9.952 | 48.761 |
| 5 | 1.423 | 6.470 | 59.102 | 1.423 | 6.470 | 59.102 | 1.736 | 7.891 | 56.652 |
| 6 | 1.175 | 5.342 | 64.444 | 1.175 | 5.342 | 64.444 | 1.714 | 7.793 | 64.444 |

Source: data processed

By using six factors, the 37 items could be divided into six factors. Meanwhile, to measure the internal validity can use loading factor, when loading factor is significant, then the internal validity achieved or invalid.

Latent Variable procedural fairness, distributional fairness, and interactional justice are tested simultaneously because it is a construct which is mediating the relationship between participation and budget performance.

Graph 1: Procedural, Distributional and Interactional Fairness



Source: data processed

The third latent variables each have different items. Procedural fairness latent variable measured by six items; distributional justice latent variable measured by four items; and interactional justice latent variable were measured by five items.

Table 4: Regression Weights: (Group number 1 - Default model)

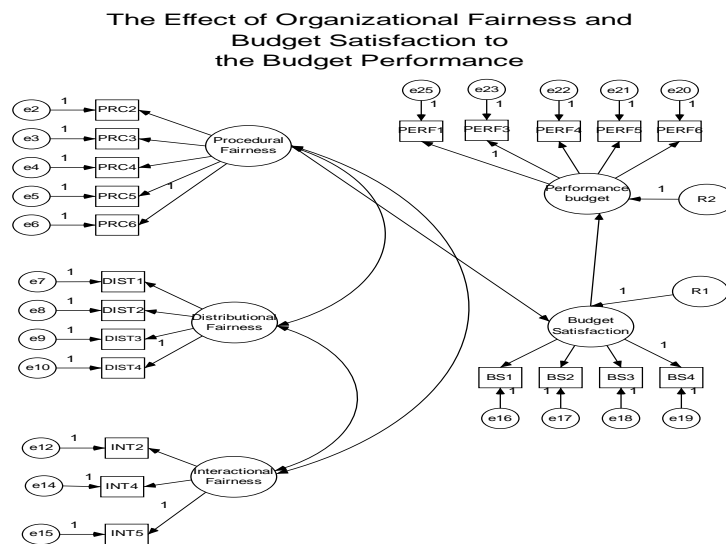
| Items | Estimate | S.E. | C.R. | P |
|-------------------|----------|------|-------|------|
| PRC6 <--- PROCF | 1.000 | | | |
| PRC5 <--- PROCF | 1.178 | .223 | 5.276 | *** |
| PRC4 <--- PROCF | 1.580 | .286 | 5.533 | *** |
| PRC3 <--- PROCF | .630 | .163 | 3.866 | *** |
| PRC2 <--- PROCF | 1.036 | .204 | 5.070 | *** |
| PRC1 <--- PROCF | .400 | .203 | 1.966 | .049 |
| DIST4 <--- DISTRF | 1.000 | | | |
| DIST3 <--- DISTRF | .937 | .195 | 4.798 | *** |
| DIST2 <--- DISTRF | .466 | .114 | 4.105 | *** |
| DIST1 <--- DISTRF | .479 | .125 | 3.817 | *** |
| INT5 <--- INTERF | 1.000 | | | |
| INT4 <--- INTERF | 1.583 | .615 | 2.575 | .010 |
| INT3 <--- INTERF | .887 | .516 | 1.719 | .086 |

| Items | | Estimate | S.E. | C.R. | P |
|-------|-------------|----------|-------|-------|------|
| INT2 | <--- INTERF | 3.035 | 1.176 | 2.581 | .010 |
| INT1 | <--- INTERF | 1.205 | .670 | 1.798 | .072 |

Source: data processed

Procedural fairness latent variable measured by seven items, the seventh item is significant at the level $\alpha = 0.001$. Similarly, the latent variables of distributional justice are measured by four items. The fourth item is significant at $\alpha = 0.001$. While latent variables of interactional justice which are measured by five items, it is found that there are two variables are not significant, while the first item and the third item. While other items are significant at $\alpha = 0.5$

Graph 2:



Source: data processed

A latent variable of budget satisfaction and budget performance are variables measurement using 4 items and six items. For the budget satisfaction, the statistical test shows that the four items used are not significant.

Unlike the budget satisfaction variable, which the items used are not significant, the variable of budget performance the most items are significant. Only the first item that seems not significant, while other items seem significant at $\alpha = 0.05$

Table 5: Regression Weights: (Group number 1 - Default model)

Regression Weights: (Group number 1 - Default model)

| Items | | Estimate | S.E. | C.R. | P |
|---------------------|------------------------------|----------|-------|-------|------|
| Budget Satisfaction | <--- PROCF | 1.312 | .255 | 5.146 | *** |
| Performance | <--- Budget Satisfaction | .346 | .118 | 2.927 | .003 |
| PRC6 | <--- PROCF | 1.000 | | | |
| PRC5 | <--- PROCF | 1.189 | .225 | 5.293 | *** |
| PRC4 | <--- PROCF | 1.673 | .290 | 5.773 | *** |
| PRC3 | <--- PROCF | .674 | .166 | 4.053 | *** |
| PRC2 | <--- PROCF | 1.118 | .209 | 5.340 | *** |
| DIST4 | <--- Distributional Fairness | 1.000 | | | |
| DIST3 | <--- Distributional Fairness | .958 | .203 | 4.713 | *** |
| DIST2 | <--- Distributional Fairness | .481 | .118 | 4.078 | *** |
| DIST1 | <--- Distributional Fairness | .496 | .130 | 3.810 | *** |
| INT5 | <--- INTERF | 1.000 | | | |
| INT2 | <--- INTERF | 3.616 | 1.647 | 2.195 | .028 |
| BS4 | <--- Budget Satisfaction | 1.000 | | | |
| BS3 | <--- Budget Satisfaction | .380 | .111 | 3.413 | *** |
| BS2 | <--- Budget Satisfaction | .473 | .107 | 4.437 | *** |
| BS1 | <--- Budget Satisfaction | .632 | .124 | 5.096 | *** |
| PERF1 | <--- Performance | 1.000 | | | |
| PERF3 | <--- Performance | 1.523 | .549 | 2.772 | .006 |
| PERF4 | <--- Performance | 1.837 | .625 | 2.936 | .003 |
| PERF5 | <--- Performance | 2.477 | .807 | 3.068 | .002 |
| PERF6 | <--- Performance | 2.018 | .695 | 2.905 | .004 |
| INT4 | <--- INTERF | 1.910 | .862 | 2.215 | .027 |

Source: data processed

Using the simulation measurement for the overall relationship, they are also tested for the goodness of fit. This simultaneous testing not only tests the loading factor between items with latent variables, but also the covariance between latent

variables. The results (can be seen in table 7) shows that the overall item used validly and a significant influence on the latent variables.

Participation latent variables measured by ten items, there are two items that are not significant, while the eight other variables are significant at $\alpha = 0.001$, while items 3 and 7 significant at $\alpha = 0.05$. Participation latent variables measured by seven items, it seems all is significant at $\alpha = 0.001$. Variable interactional justice there are only two significant items, and both are significant at $\alpha = 0.001$. Performance variables measured by six items, it seems all significant at $\alpha = 0.05$ level there are only two items that are significant at the level $\alpha = 0.001$.

As explorative testing as has been done in order to see the extent to which each variable is measured by the indicators. It is found that there are not all indicators really significant measure the latent variable. So that the Goodness of Fit-testing was not yet demonstrated an ideal concept of budget participation. The model proposed that the χ^2 equal to 2,052 with a significance level of $p = 0.000$; GFI = 0.925 and RAMSEA = 0.08.

8. CONCLUSION AND DISCUSSIONS

Statistical tests can take the following conclusion: that the relationship of participation with the budget performance has been using the measurements that have been proven validity. However, in the measurement of budgetary justice seems not reliable. Justice budget scrutinized by Maiga (2005) just describe two types of justice budgets that procedural fairness and distributional justice. While Staley et.al. (2007) used three concepts of justice that are added interactional justice. This shows that still needs to be done exploratory analysis in establishing measuring the interactional justice.

In his research Maiga (2005) claimed that the measurement of latent variables still not be reliable because the construct has not met the adequacy measurements. Therefore, further research can be explored the items that reliably to be to measure the latent variables

APPENDIX

CMIN

| Model | NPAR | CMIN | DF | P | CMIN/DF |
|--------------------|------|---------|-----|------|---------|
| Default model | 47 | 426.492 | 184 | .000 | 2.318 |
| Saturated model | 231 | .000 | 0 | | |
| Independence model | 21 | 943.161 | 210 | .000 | 4.491 |

RMR, GFI

| Model | RMR | GFI | AGFI | PGFI |
|--------------------|------|-------|------|------|
| Default model | .080 | .925 | .655 | .577 |
| Saturated model | .000 | 1.000 | | |
| Independence model | .197 | .391 | .330 | .356 |

RMSEA

| Model | RMSEA | LO 90 | HI 90 | PCLOSE |
|--------------------|-------|-------|-------|--------|
| Default model | .080 | .096 | .124 | .000 |
| Independence model | .079 | .167 | .191 | .000 |

ACKNOWLEDGEMENTS

Author: Harryanto is a lecturer of Hasanuddin University, Faculty of Business and Economics, Indonesia. This article is based on a research which conducted in 2015.

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