



BUDGET PARTICIPATION AND BUDGETARY SLACK: THE EFFECT MEDIATION TESTING OF JUSTICE PERCEPTION (STUDY ON REGIONAL APPARATUS ORGANIZATION IN BADUNG REGENCY- BALI INDONESIA)

I Nyoman Wijana Asmara Putra 

Udayana University, Indonesia

wijana_asmara@unud.ac.id

Ida Bagus Putra Astika

Udayana University, Indonesia

Abstract

This study aims to examine the effect of participatory budgeting on budgetary slack with perceived justice as a moderating variable. The study was conducted at the Badung-Bali district apparatus organization. Sample comprised from 37 regional government organizations with 100 respondents involved in the preparation of the budget. Primary data was analyzed with partial least square. The analysis shows that participation in budgeting does not affect budgetary slack. Budgeting participation influences distributive perceived justice and perceived distributive justice affects budgetary slack. Budgeting participation influences budgetary slack through distributive justice. These results indicate that if employees feel justice in terms of welfare distribution, the budgetary slack will decrease. Budgeting participation influences procedural perceived justice. However, procedural justice does not affect budgetary slack, and procedural justice does not mediate the effect of budgetary participation on budgetary slack. This can occur because the employee's perception of the fairness of the reward process and punishment decisions made by the organization are important such as the need to pay compensation / incentives, evaluation, promotion and disciplinary action.

Keywords: *Budgeting, Perceived justice, Participation, Indonesia*



INTRODUCTION

The budget serves to be able to facilitate carrying out organizational activities more effectively and efficiently (Schief and Lewin, 1970). The budget is not only a financial plan that consists of a set of costs and revenues of a central responsibility in a company, but also a means of control, coordination, communication, performance evaluation, and motivation (Kenis, 1979). So that the budget becomes a very important requirement for every organization, both the public sector and the private sector.

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The public sector budget in Indonesia is designed to help determine the level of needs and welfare of the community, which is determined by the decisions taken by the government through the budget made. Mardiasmo (2018) states that the public sector budget is an instrument of accountability for the management of public funds and the implementation of programs financed with public money. Public accountability requires the government to optimize the budget that is carried out economically, efficiently and effectively to improve the welfare of the community.

The budget is one important component in realizing the needs of an organization both business organizations and public sector organizations. The budget is crucial because it functions as a control tool, so in its preparation it is very important to implement a sense of commitment (Apriwandi, 2012). In preparing the budget, there is often a phenomenon of budgetary slack. Budgetary slack is the difference in the total budget determined by the actual best estimate of an organization. Budgetary slack is created through setting low income targets and setting relatively high expenditure targets to facilitate the achievement of budget targets (Adnyana et al., 2018).

An indication of budgetary slack is seen when the budget is realized. Budgetary slack occurs when the revenue realization tends to exceed the budgeted target and the realization of expenditure tends to be below the budgeted target. One of the causes of slackening in local government budgets is because the preparation is prioritized based on legislative interests that do not pay attention to the interests of the community (Erina&Suartana, 2016). Budgeting participation is one factor that has a significant influence on the occurrence of budgetary slack.

Budgeting participation is the participation of individuals in the budgeting process and has an impact on setting the budget targets (Supomo & Indriantoro in Amelia, 2014).

Various studies in behavioral accounting explain that the relationship between participation in the budgeting process and performance is quite complex and not too consistent (Hasniasari and Sholihin, 2014). Along with the enactment of Law Number 23 of 2014 concerning Regional Government in Indonesia, encouraging the participation of various parties to be involved in the preparation of regional budgets, not only the heads of regions but also the Regional Apparatus Organizations (OPD) under it. The existence of such encouragement causes the style and structure of public management to also undergo a change towards new public management, known as the New Public Management (NPM) (Puspawati, 2016). NPM is a concept that emphasizes that the public sector needs to adopt some of the practices and techniques found in private sector management (Hood, 1991 in Astutiningrum, 2014).

Wetzel (2002) examined budgetary participation and performance mediated by perceived justice and commitment to goals in urban hospitals in the United States that experienced budget cuts. Wetzel's research (2002) proves that perceived justice mediates the relationship between budgetary participation and commitment to goals. Hasniasari and Sholihin (2014), conducted research in a legal institution in the public sector in Indonesia. Hasniasari and Sholihin's research (2014) found that participation in budgeting is highly significant in distributive justice and procedural justice, and commitment to goals, meaning that the object of research in employee participation in the process of determining organizational decisions greatly influences them emotionally to achieve the goals set.

Hasniasari and Sholihin's (2014) research results motivate this research, by testing the effect of perceived justice mediation on the effect of budgetary participation on budgetary slack. Putri and Mimba (2017) find that the higher the budgetary participation, the higher the budgetary slack that occurs. However, this is not in line with the results of research from Dewi (2014), Savitri (2014), Rukmana (2013), and Kahar (2016) which concluded that the higher budgetary participation can actually reduce the budgetary slack. Based on this, this research specifically examines whether participation in budgeting affects budgetary slack, and whether perceived justice mediates the effect of budgetary participation on budgetary slack in Regional Apparatus Organizations (OPD) in Badung regency, Bali

This research contributes to expand the research conducted by Hasniasari and Sholihin (2014), by examining the effects of perceived justice mediation in regional governments. This research was conducted in the public sector in Indonesia, according to Jermias and Setiawan (2017) public sector organizations have special characteristics and are important to study. This

research is also expected to contribute to local governments, especially in providing a sense of fairness to subordinates who participated in preparing the budget.

THEORETICAL BASIS AND HYPOTHESES DEVELOPMENT

Budgetary slack can occur when subordinates participate in preparing the budget by providing budget proposals and estimates that are not in accordance with their actual capacity, or do not match the resources actually needed. Hasniasari and Sholihin (2014) suggested that perceived justice is one of the important variables that can mediate the relationship of participation in budgeting for performance. Participation in organizations is considered fair so that it can encourage individuals not to budgetary slack or encourage individuals to improve performance. Lau and Moser (2008) find that the relationship between perceived justice and performance is mediated by commitment to goals. Procedures that are carried out fairly positively affect performance because perceived treatment is fair can motivate individuals to increase commitment to the goals set by the organization (Lind et al. 1990) in Lau and Moser, (2008).

Agency Theory

Budgetary slack can be seen from the agency theory approach. Agency theory discusses the contract that occurs between the principal and the agent in which the principal delegates the agent to carry out his work including in making a decision (Jensen & Meckling, 1976). The theory of death is used as a reference in this study because there is a conflict of interest between agents and principals that arise when each party tries to achieve its budget targets. In public sector organizations, the principal is the community while the agent is the Regional People's Representative Council (DPRD). The relationship between principals and agents can lead to conditions where each has different interests in the organization (Dewi & Yasa, 2014). However, when principals and agents have the same interests, the common interests are used as the basis of decision making which is in line with the theory of stewardship (Donaldson and Davis, 1989).

The public sector budget is an instrument of accountability for the management of public funds and the implementation of programs financed with public money (Pradani, 2016). Public sector budgeting is important for several reasons, namely because the budget is a tool for the government to direct the socio-economy, ensure sustainability and improve the quality of life of the people. The budget is a blueprint for the existence of a country and is a direction in the future (Mardiasmo, 2018). In addition, the budget is also needed because of the problem of limited resources while the desire of the community is not limited and continues to grow, and the budget is also needed to ensure that the government is responsible for the people.

Budgeting participation is a budgeting approach that allows its constituents to be responsible for budget performance (Lavarda and Almeida, 2013). The high level of budgeting participation can be used as an opportunity for subordinates to minimize the risks that might occur if they are not able to reach the expected target so that they will try to be able to achieve their budget targets. This is in accordance with agency theory which explains that individuals are assumed to be opportunistic, that is, doing something based on self-interest to avoid risk. Widanaputra and Mimba (2014) research on public sector organizations states that budgetary participation has a positive influence on budgetary slack. This is supported by research by Dewi (2014), Mahadewi (2014), and Erina and Suartana (2016) who say budgetary participation has a positive effect on budgetary slack.

Budgeting Participation and Budgetary Slack

Participation in budgeting is a budgeting activity involving the relevant parties in the organization, so that the results of the decision making can be in accordance with the needs of the organization. Participation of subordinates in the process of determining the budget provides an opportunity for superiors to increase access to local information (local information) that occurs in every part of the organization so as to reduce information asymmetry. Kristianto (2009), the results obtained the higher the level of budgeting participation, the lower the level of budgetary slack, and vice versa. Shields and Shields (1998) state that participation can increase subordinates' trust in the company and the feeling that there is involvement with the company, so they approve and commit to the company's budget. Thus, participation can increase managers' commitment and responsibility for achieving budgetary goals (Horngren et al., 2009). A strong commitment to achieving the budget targets of managers will have a positive effect on improving managerial performance (Wentzel, 2002). Based on the results of these studies, a hypothesis such as the following can be developed.

H1: Participation in budgeting reduced budgetary slack

Participation in Budgeting and Perceived Justice

Perceived justice is determined by a process of control (participation) that is influenced by various decisions and the consequences of the existence of equitable results. Perceived justice is an assessment of how a person's norms are treated by superiors and other parties. Self-interest theory states participation in budgeting and perceived justice (Tyler 1989 in Wentzel 2002). The concept includes an outcome-based effect concept (Lau et al. 2008) which explains that someone pays attention to participation in organizational processes because they look at the results to be obtained from these activities. Individual perceptions of justice will increase

when someone is given the opportunity to participate because he believes that participation is important to achieve the expected goals. Perceived justice can be explained in two forms, namely procedural justice perceived in policy or procedure, used in making decisions (Folger and Greenberg 1983); and distributive justice (distributive justice) which assesses the fairness of the actual results obtained by individuals in the organization (Greenberg 1987).

Leventhal (1976) defines distributive justice as the belief in individuals that a thing is fair when the wages, penalties, or resources distributed are in accordance with certain criteria. Procedural rules (procedural justice) by Leventhal (1980) in Sholihin et al. (2011) is defined as the individual's belief that precisely allocated procedures that meet certain criteria are fair and appropriate. Sholihin et al. (2011) interpreted four of the six characters of justice outlined by Leventhal (1980) can be driven by participation in setting goals, one of which is in the budget participation process which is a rule about representative rule. Sholihin et al. (2011) allow employees to reflect care, value, and provide opportunities to modify decisions so that they can be used as tools for sharing information. Wentzel (2002) proves that participation in budgeting influences distributive justice and procedural justice. Based on this, the hypothesis is:

H2: Participation in budgeting positively influences procedural perceived justice.

H3: Participation in budgeting positively influences the justice of distributive perceptions.

Perceived Justice in Budgetary Slack

Some researchers find that there is a positive relationship between perceived justice and commitment (Wentzel 2002). The reason given by Wentzel (2002) in such a relationship is when employees have the perception that a decision is made in a fair process, their commitment to organizational goals will increase; because the results of existing decisions are expected to be in accordance with their interests. This will reduce budgetary slack. Instrumental theory (instrumental theory) developed by Thibaut and Walker (1975) in Lau and Moser (2008) states that people pay more attention to the acceptance of results as expected, they like fair procedures because they will be fair (Lau and Moser 2008). The feeling of being treated fairly can have several positive impacts, including loyalty, commitment and good performance from employees (Lau and Moser 2008). The fairness of the evaluation system becomes a determinant of employee behavior that is expected to increase commitment and performance (Lind and Tyler 1988; Lau and Lim 2002 in Lau et al. 2008).

Lau et al. (2008) have proven that there is a positive relationship between perceived justice and commitment to achieving goals in organizations engaged in the health sector in Australia. The researcher believes that perceived justice also plays a role in increasing

individual commitment within the organization, based on the various discussions above, the research hypothesis can be developed as follows.

H4: Participation in budgeting affects budgetary slack through distributive perceived justice.

H5: Participation in budgeting affects budgetary slack through procedural fairness

RESEARCH METHODS

This research was conducted in 37 Regional Apparatus Organizations (OPD) of Badung Regency, Bali, Indonesia. The data used are primary and secondary data. Primary data is the respondent's answer to the questionnaire while the secondary data is the Badung Regency Regional Budget 2013-2018 which is sourced from the official publication of the Badung Regency OPD, namely www.apbd.badungkab.go.id. The population comprised of all individuals involved in the budgeting process, namely 37 DPOs in the Badung Regency Government. The sampling method chosen was purposive sampling technique. Purposive sampling is a method of determining samples based on certain criteria, where sample members are selected according to criteria so that the samples formed can represent the characteristics of the population (Sugiyono, 2017: 144). The criteria used as the basis for the selection of sample members in this study are the Head of the OPD, Head of the Financial Subdivision, and the Head of the Planning and Reporting Subdivision who have served for at least 1 year and participated in the budget preparation process in the Badung Regency OPD. The above criteria are used because these positions play an important role in the budget preparation process.

Research variables

This research is an associative research which is causality. The dependent variable in this study is participation in the consideration of this variable is measured using a measuring item made by Milani (1975) in Wentzel (2002). Respondents were asked about the level of their participation in the budgeting process. This instrument is quite popular and credible in research on budgetary participation as evidenced by the use of the Milani scale (1975) in studies conducted by Linqvist (1995), Nouri and Parker (1998), and Sholihin et al. (2011). Wentzel (2002) noticed the effect on restructuring that took place on the object of his research so that he included measurements of participation in budgeting at the organizational level by asking for their participation in the overhauled team. Seeing there is no restructuring in the organization of the object of this study, then the item is not used.

Budgeting participation is the involvement of subordinates in making budgets in the company. To measure the level of participation of a superior or subordinate in the budget preparation process, indicators are used (1) Participation in budgeting; (2) The magnitude of the

influence on the determination of the final budget (3) Contributions provide revenue, (4) Satisfaction in the revision of the budget preparation.

Perception of Justice. Two forms of perceived justice were measured in this study, namely procedural justice and distributive justice. Procedural justice is measured using seven instruments made by Magner and Johnson (1995) in Wentzel (2002). Procedural justice is justice perceived from the process used to determine the distribution of rewards (Robbins, 2008: 250). Indicators of procedural fairness developed by Colquitt (2001: 389), namely:

- 1) Process control: shows assessment of the opportunities given to express views as long as the rules are applied.
- 2) Decision control: shows assessment of the opportunities given and represented by the union of employees to participate in overseeing the application of regulations.
- 3) Consistency: shows the assessment of the consistency of the application of regulations.
- 4) Free of prejudice: shows an assessment of the absence of discrimination treatment.
- 5) Accuracy of information: shows an assessment of the accuracy of the information used to make decisions.
- 6) Able to correct: show judgment about the appeals process or other mechanism that can be used to correct mistakes.
- 7) Ethics and morals: show judgments about the norms of professional guidelines in applying regulations

Distributive justice is the fairness of the amount of rewards felt among individuals (Robbins, 2008: 249). The intended benefits are not only financial aspects but also promotional opportunities. Indicators to measure distributive justice use measurement items developed by Colquitt (2001: 389), namely:

- 1) Equation: shows the assessment of equality between the effort given at work and the rewards received.
- 2) Eligibility: shows the appraisal regarding the feasibility of compensation given by the company based on completion of work.
- 3) Contribution: shows the assessment of the suitability of the benefits with the contribution made to the company.
- 4) Performance: shows an assessment of the suitability between the resulting performance and the rewards received.

Distributive justice is measured using six questions developed by Magner and Johnson (1995).

Budgetary slack is a tendency to behave unproductively by intentionally increasing costs and lowering income that is not in accordance with the actual capacity in the budget preparation process (Faria& Silva, 2013); Harvey, 2015). The budgetary slack variable is

measured using five indicators, namely: a) Standards set encourage productivity, b) Achievement of the budget, c) Demands for budgetary responsibilities, d) Budget targets, and e) Achievement of budget targets. The indicator was adopted from Mahadewi's research (2014) which was elaborated through eight statements.

Data Types and Sources

The type of data used in this study is quantitative data in the form of respondents' answers to the questionnaire measured by Likert scale.

Sampling

This research was conducted in 37 Regional Organizations (OPD) of Badung Regency. The data used are primary and secondary data. The primary data is the respondent's answer to the questionnaire while the secondary data is the Badung Regency APBD for the 2013-2017 fiscal year sourced from the official publication of the Badung Regency OPD, namely www.apbd.badungkab.go.id.

The population in this study were all individuals involved in the budgeting process, namely 37 DPOs in the Badung Regency Government. The number of samples taken was 100 participants using purposive sampling technique. Purposive sampling is a method of determining samples based on certain criteria, where sample members are selected according to criteria so that the samples formed can represent the characteristics of the population (Sugiyono, 2017: 144). The criteria used as the basis for the selection of sample members in this study are the Head of the OPD, Head of the Financial Subdivision, and the Head of the Planning and Reporting Subdivision who have served for at least 1 year and participated in the budget preparation process in the Badung Regency OPD. The above criteria are used because these positions play an important role in the budget preparation process.

Research Instruments

Data was collected by means of an instrument in the form of a questionnaire as a means. Sugiyono (2017: 199) states that the questionnaire is a data collection technique that is done by giving a set of questions to respondents. Before the questionnaire is used it starts with testing the instrument by testing the validity and reliability.

Validity test

The instrument is said to be valid if the instrument can be used to measure what should be measured. Validity is related to the accuracy of the measuring instrument to do its job to achieve

its goals. Validity testing is done using SPSS for Windows. Validity is done by correlating the factor score with the total score and if the correlation of each factor is positive by 0.3 or greater than the factor is a strong construct.

Reliability Test

Reliable instruments are instruments that when used several times to measure the same object will produce the same data. Internally the instrument reliability can be tested by analyzing the consistency of the items on the instrument with certain techniques. Reliability is measured using Cronbach Alpha Coefficient which shows how well items in a collection are positively correlated with each other. The reliability value is said to get better if the value is getting closer to 1 and in general if the reliability is less than 0.70 is considered bad.

Data analysis technique

Data analysis tool used in this study is path analysis. Path analysis is an extension of multiple linear regression analysis to estimate the causality relationship between variables (causal capital) that have been predetermined based on the theory (Ghozali, 2013). This model is considered to be used in a study if the analyzed relationship is a causal relationship with a complex model. In the path analysis there is a variable that has a dual role, namely as an independent variable in a relationship, but becomes the dependent variable in another relationship given the tiered causality relationship. Testing mediation hypotheses can be done by a procedure developed by Sobel and is known as the Sobel test. Sobel test is done by calculating the standard error of the indirect coefficient effect. The value of t arithmetic is compared with the value of t table, if the value of t arithmetic $>$ t table then it can be concluded that there is a mediating effect.

RESULTS AND DISCUSSION

Badung Regency is one of the regencies in the Province of Bali whose formation was determined through Law Number 69 of 1958 concerning the Establishment of the Tk Areas. II in the Region of Tk. I Bali, West Nusa Tenggara and East Nusa Tenggara. In accordance with Government Regulation No. 18 of 2016 concerning Regional Apparatuses, it is explained that the Regional Apparatus Work Unit (SKPD) has changed its name to the Regional Apparatus Organization (OPD). Regional Apparatus Organization is an organization in the regional government that is responsible to the governor / regent / mayor in the context of administering the government.

OPD in the Badung Regency Government Environment consists of the Regional Secretariat, the Secretariat of the Regional House of Representatives, Inspectorate, 7 Agencies, 21 Offices, and 6 Districts. Dinas is the executor of regional autonomy led by the Head of Service and is responsible to the Regent through the Regional Secretariat. The Agency is included in the Regional Technical Institution which is a supporting element of the Regent and is led by the Head of the Agency. Subdistricts are District / City OPDs that have a specific work area, headed by a Camat and responsible to the Regent / Mayor through the Regional Secretary.

The head of service / head of body / sub-district / lurah or commonly referred to as the head of the OPD is the holder of the authority to use the budget that has the task of preparing a Budget Work Plan (RKA), compiling a Budget Implementation Document (DPA), implementing an OPD-led budget, and reporting to the Regional Head through the Regional Secretary. The head of the financial subdivision is tasked with planning, implementing, administering, and reporting accountability for OPD financial management and in charge of preparing the budget realization report. The head of the planning and reporting sub-section is tasked with preparing Strategic Plans (Renstra) and Work Plans (Renja) from each field, gathering material for long-term development plans, medium-term work plans, and short-term work plans, and is tasked with gathering RKA and DPA.

Respondents' Profile

Respondents in this study were the Head of the OPD, the Head of the Financial Subdivision and the Head of the Planning and Reporting Sub Division of the Badung Regency OPD. The reason for choosing the Head of the DPO, Head of the Financial Subdivision and the Head of the Planning and Reporting Subdivision is because the position is tasked with collecting and reviewing the budgets made by each so that the position has an important role in the budgeting process in each OPD.

Primary data was collected by directly spreading 3 copies of each questionnaire to 37 DPOs and then retrieved within 21 days. The questionnaire distributed to each OPD contained notes about who the respondents were targeted for the study so that all questionnaires were filled in by the appropriate respondents. From 111 questionnaires distributed, all can be withdrawn by the researcher and in accordance with the criteria of the respondent. The summary of sending and returning the questionnaire can be seen in the Table 1.

Table 1 Questionnaire Returned and Response Rate

Description	Questionnaire Number	Percentage
Total questionnaires distributed	111	100%
The questionnaire was not returned	(0)	0%
Questionnaire returned	111	100%
Questionnaire that did not meet the criteria	(11)	9.90%
Questionnaire used in the analysis	100	90.10%
Questionnaire return rate / Response Rate	111/111 x 100%	100%
<i>Usable response rate</i>	100	90.10%

Based on Table 1, 90.1 percent of the returned questionnaires could be analyzed, because 9.90 percent of the questionnaire was not filled out completely.

Respondent characteristics are the data of respondents collected to determine the profile of research respondents. The characteristics of the respondents in this study are the profiles of the Head of OPD, Head of Finance, and Head of Planning. The characteristics of respondents in this study include gender, age, last education, position, and length of office are presented in Table 2.

Table 2 Respondent Characteristics

Information	Frequency	Percentage (%)
(1)	(2)	(3)
Gender		
Male	40 person	40
Female	60 person	60
Total	100 person	100
Age		
20 – 30	0 person	0
31 – 40	9 person	9
41 – 50	63 person	63
>50	28 person	28
Total	100 person	100
Education		
Diploma	1 person	1
S1	64 person	64
S2	35 person	35
Total	100 person	100

Information	Frequency	Percentage (%)
(1)	(2)	(3)
In the position for		
< 6 years	40 person	40
6 – 10 Years	40 person	40
>10 Years	20 person	20
Total	100 person	100

Research Instrument Testing

Before the questionnaire was distributed to OPD in Badung Regency, an instrument test was first conducted on 30 Economic and Business Faculty Master of Accounting Study Program students, because they were assumed to have worked and understood how to prepare a budget. Instrument testing includes validity and reliability tests. The results of the validity and reliability test to see whether the test results are valid and reliable instruments.

Reliability Test

A questionnaire is said to meet the reliability test if the value of Cronbach's Alpha ≥ 0.60 . The reliability test results can be seen in Table 3.

Table 3 Reliability Test Result

Variable	Cronbach's Alpha	Information
Participation in budgeting	0,856	Reliable
Distributive perceived justice	0,886	Reliable
Procedural perceived justice	0,767	Reliable
Budgetary Slack	0,809	Reliable

Table 3 informs that the Cronbach's Alpha value of each variable is ≥ 0.60 . This shows that all questions for the variable participation in budgeting, attributive perceived justice, procedural perceived justice and budgetary slack in this research questionnaire are reliable and can be used.

Description of Research Variables

Description of research variables aims to determine the maximum value, minimum, average value and standard deviation of each research variable. The descriptive statistical test results are presented in Table 4.

Table 4 Descriptive Statistical Result

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Budgeting Participation (X_1)	100	2,29	4,00	3,0484	0,458
Distributive Perceived Justice(X_2)	100	2,17	4,00	3,3516	0,468
Procedural Perceived Justice (X_3)	100	2,14	3,71	2,9145	0,362
Budgetary Slack (Y)	100	2,13	4,00	2,9811	0,425

Based on the information in Table 4.5, the average respondent answered that they agreed with their participation in budgeting. Respondents agreed that they participated in setting the Standards so as to encourage productivity, achieve the budget, be responsible for the budget set, and take responsibility for the targets set.

Respondents tend to answer agree that they have perceptions of distributive justice, that is equality between effort given at work and the rewards received, the appropriateness of rewards given based on the completion of work, the appropriateness of rewards and contributions made, suitability between the resulting performance and the rewards received is accepted.

Respondents also tend to agree on perceived procedural fairness, namely the opportunity given to express views as long as the rules are applied, the opportunities given and represented by the union of employees to participate in overseeing the application of regulations, the consistency of application of regulations, the absence of discriminatory treatment, regarding the accuracy of the information used to make decisions , appeal processes or other mechanisms that can be used to correct errors, professional guidance norms in the application of regulations,

Respondents answered that they tend to agree that the standards set encourage productivity, budget achievement, budget responsibility demands, budget targets, and budget target achievement.

Evaluation of fulfillment of path analysis assumptions

In the analysis model the path between variables is linear and additive. Testing linearity in a model can use curve fit. Based on the results of data processing shown in Table 4.6, it can be seen that all variables are linearly related to one another. This result is shown by the significance of each variable relationship that is less than 0.05. The most linear relationship is between X_1 and X_2 , which is indicated by the largest F count, which is equal to 46.11. The results of the analysis of linear relationships between variables are presented in Table 5.

Table 5 Linear Relations between Research Variables

Variable Relations	R Square	F	Df1	Df2	Sig
$X_1 \rightarrow X_2$	0,320	46,112	1	98	0.000
$X_1 \rightarrow X_3$	0,201	24,693	1	98	0.000
$X_1 \rightarrow Y$	0,144	16,420	1	98	0.000
$X_2 \rightarrow Y$	0,164	19,222	1	98	0.000
$X_3 \rightarrow Y$	0,231	14,392	1	98	0.000

Evaluation of Model Validity

The validity of the structural model can be seen from the dependent variable R². There are three R² values in this study because there are 3 dependent variables, namely distributive perceived justice (X₂), procedural perceived justice (X₃), and budgetary slack (Y). The R² value of the dependent variable is presented in Table 6.

Table 6 R² Values

Dependent Variable	Independent Variable	R Square	Effect
X ₂	X ₁	0,324	Moderate
X ₃	X ₁	0,338	Moderate
Y	X ₁ ,X ₂ ,X ₃	0,245	Moderate

Direct influence (Path Coefficient)

Based on Figure 1, it can be explained that the variable Participation in budgeting (X₁) has a positive effect on distributive perceived justice (X₂), with a probability value of 0,000 or less than 5 percent. Participation variable in budgeting (X₁) has a positive effect on procedural perceived fairness (X₃), with a probability value of 0,000 or less than 5 percent. The distributive perceived justice variable (X₂) has a positive effect on budgetary slack (Y), with a probability value of 0.001 or less than 5 percent. Participation in budgeting (X₁) has a positive effect on budgetary slack (Y) with a probability value of 0.05 or equal to 5 percent. While procedural perceived justice (X₃) does not have a significant effect on budgetary slack (Y). Figure 1 shows that each path coefficient does not have a value of more than one or less than minus one. This shows that the model created does not have a problem in identification, so it is feasible to predict

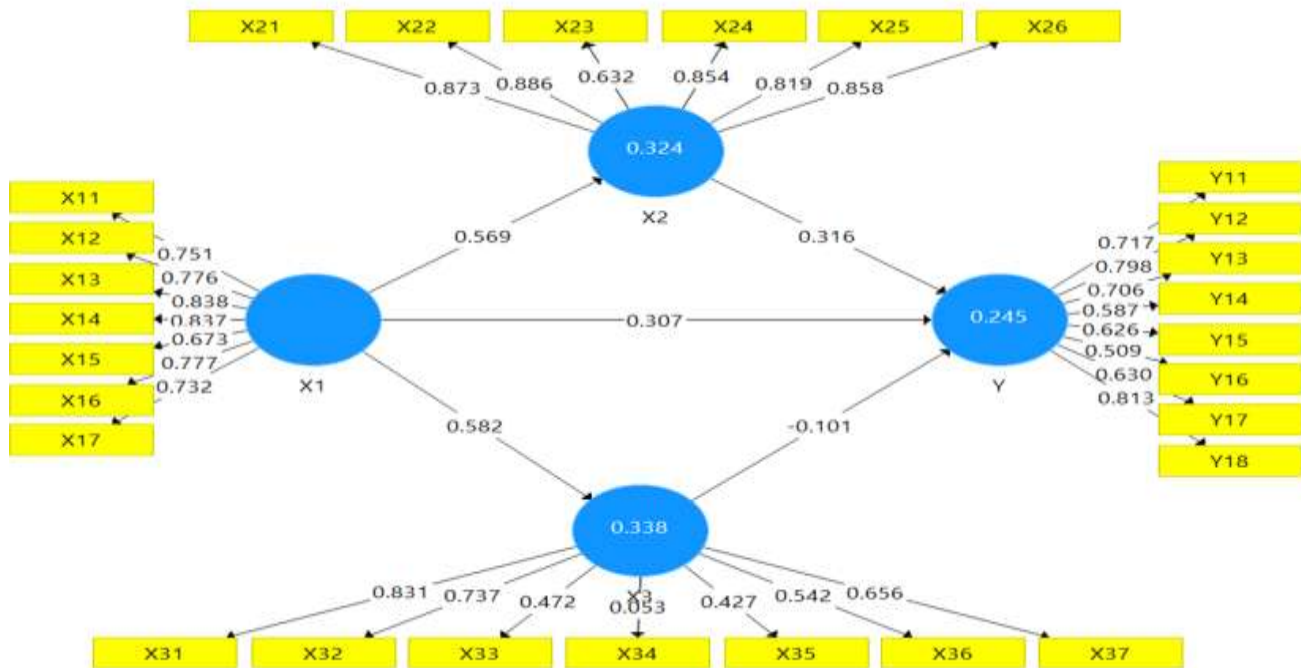


Figure 1 Path Coefficient

Based on Figure 1, it can be seen that the effect of participation on budgeting (X1) on budgetary slack (Y) through distributive perceived justice (X2), with a t-statistic of 3.099 or with a probability of 0.002. This means that the distributive perceived justice variable plays a role in mediating the relationship of participation in budgeting in budgetary slack. However, procedural justice variable (X3) does not play a role in mediating the effect of participation in budgeting (X1) on budgetary slack (Y) with t arithmetic 0.511 and probability 0.609. Participation in budgeting (X1) directly has a significant effect on budgetary slack (Y), indirectly also has a significant effect on budgetary slack (Y) through distributive perceived justice (X2), then distributive justice (X2) is classified as "fully mediating" the effect of participation budget (X1) to budgetary slack (Y) with a total effect of $(0.569 + 0.180) = 0.740$.

Effect of Budgeting Participation on Budgetary Gaps

Hypothesis 1 (H1) states that participation in budgeting has a negative effect on budgetary slack. The results of the analysis show that participation in the budget has no effect on budgetary slack. These results indicate that in public sector organizations the Regional Revenue and Expenditure Budget (APBD) is a planning tool as well as a tool for controlling local governments (Andika, 2014). The budgeting process in the regional government focuses on the

welfare of the community, not to realize personal / group interests. For this reason, a transparent and accountable budget preparation process is needed.

Participation in budget formulation is the inclusion of budget implementers in jointly deciding on a series of activities in the future that will be pursued by budget implementers in achieving organizational goals. By preparing a participatory budget, it is expected that the manager's performance will increase. In addition, participation in budget formulation is needed because subordinates are more aware of the condition of the direct share (Kartika, 2016).

Effect of Budgeting Participation on Distributive Perceived Justice

Hypothesis 2 (H2) states that budgetary participation influences distributive perceived justice. The analysis shows that budgetary participation has a statistically significant effect on budgetary slack. Participation in budgeting is felt as an award received by employees involved in budget preparation.

Noe et al. (2011: 42) defines distributive justice as reward equity as an appraisal made by people in relation to the rewards they receive compared to the rewards received by others who are their reference. Cropanzano et al. (2007: 34) states that distributive justice consists of 3 dimensions, as follows: a) Justice: respecting employees based on their contribution. b) Equation: provide compensation for each employee that is broadly the same. c) Needs: provides benefits based on one's personal needs. The opportunity to participate in budgeting is a form of superior appreciation for subordinates. Perceptions of distributive justice affect individual satisfaction with a variety of work-related outcomes.

Effect of Budgeting Participation on Procedural Perceived Justice

Hypothesis 3 (H3) states that budgetary participation influences procedural perceived justice. The analysis shows that budgetary participation influences procedural perceived justice. Procedural justice is justice that is felt from the process used to determine the distribution of rewards (Robbins, 2008: 250). Two important elements of procedural fairness are process control and explanation. Companies must develop policies as a general guide in cleaning up coordination, consistency, and fairness in paying employees. Process control is an opportunity to express one's views about desired outcomes to decision makers. While explanations are the clear reasons given to someone by management for the results. So for employees to be fair to a process, they must feel that they have control over the results and that they are given an adequate explanation of the reasons for the results.

The opportunity to participate given by subordinates in the preparation of the budget, is felt as fairness. When workers perceive a high level of procedural fairness, they are more likely

to be motivated to participate in activities, to follow rules, and to accept relevant results as fairness. The principles in procedural fairness include consistency, negation of bias, accuracy of information, possibility of correction, representation, unity. According to Cropanzano et al. (2007: 35) there are 6 dimensions of procedural justice which are as follows:

- a) Consistency: all employees are treated equally.
- b) Lack of bias: no person or group is privileged or treated unequally.
- c) Accuracy: decisions are made based on accurate information.
- d) Employee representative considerations: relevant parties can provide input for decision making.
- e) Corrections: have an appeal process or other mechanism to correct mistakes.

Ozer and Yilmaz's research (2011) found that effectiveness of budget control, ethical work climate and perception of procedural fairness significantly influence managers' tendencies to create budgetary slack. An ethical work climate and a good perception of procedural fairness can reduce the occurrence of budgetary slack. In the budget distribution procedures are used in accordance with the fair side of budgeting (Ulupui, 2005).

Effect of Budgeting Participation on Budgetary Gaps through Distributive Perceived Justice.

Hypothesis 4 (H4) states that budgetary participation influences budgetary slack through perceived justice distribution. The analysis shows that budgetary participation influences budgetary slack through distributive justice. When subordinates are given the opportunity to participate in budgeting and subordinates feel that there is distributive justice, then budgetary slack will be reduced.

Budgeting participation can be assessed as a managerial approach that can improve the performance of each member of the organization as an individual because with the participation in budgeting it is expected that each individual is able to improve its performance in accordance with predetermined targets. The higher the level of budgeting participation, the higher the performance of local government officials. Distributive justice leads to justice from top to bottom, so that every member of the organization feels that he gets the same resources. If an employee gets resources that are not as expected, it is possible that the employee will overdo the budget. Research result. Maria and Nahartyo (2014) show that distributive justice in the budgeting process can minimize the tendency of employees to make budgetary slack. This means that if justice has been felt by a party at an OPD participating in the budgeting process, the less likely it is to budgetary slack. Listed several criteria that can be used in evaluating fairness in a process of allocating Leventhal (1980).

Effects of Budgeting Participation on Budgetary Gaps Through Procedural Justice

Hypothesis 5 (H5) states that budgetary participation influences budgetary slack through procedural fairness. The analysis shows that perceived procedural justice does not mediate the effect of budgetary participation on budgetary slack, thus hypothesis 5 is not supported. Work performance of a leader in the context of government tends to be judged by his achievement in achieving a predetermined budget. In organizations that judge performance based on budget achievements, management tends to do more budgetary slack. Budgetary slack is the difference between the budget reported and the budget in accordance with the best estimate for the organization. On the other hand budgetary slack is done by raising costs and lowering the revenue that should be earned. So that way, an employee's performance will increase and the employee, and easily get rewards from the achievement of the budget that has been prepared. However, this case provides injustice for some employees who do not.

CONCLUSIONS AND SUGGESTIONS

Based on the results of data analysis, it can be concluded that participation in budgeting does not affect budgetary slack, Budgeting participation influences distributive perceived justice and perceived distributive justice affects budgetary slack. Budgeting participation influences budgetary slack through distributive justice. These results indicate that if employees feel justice in terms of welfare distribution, the budgetary slack will decrease.

Budgeting participation influences procedural perceived justice. However, procedural justice does not affect budgetary slack, and procedural justice does not mediate the effect of budgetary participation on budgetary slack. This can occur because the employee's perception of the fairness of the reward process and punishment decisions made by the organization are important such as the need to pay compensation / incentives, evaluation, promotion and disciplinary action.

The direct implication of this finding is that in preparing the budget, it should pay attention to employee participation and a sense of justice both procedurally and distributively from employees and carry out commitments that have been agreed upon in advance. Respondents of this study are only limited to the regional apparatus organizations, the results of the study may get different results if applied to all districts / cities in the province of Bali, so the results of this study cannot be generalized.

The results show that distributive justice mediates the effect of budgetary participation on budgetary slack. The next researcher is expected to add other variables in his research such as organizational commitment and results-oriented organizational culture. Besides that it also expands research in profit-seeking organizations.

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