

Budget Performance in the Perspective of Organizational Justice with the Role of Budget Satisfaction

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Abstract: *This study used structural equation modelling with moderated regression analysis to know the relation between distributive justice and interactional justice to the budget performance with the budget satisfaction as a moderation. The respondents of this research are 82 persons who occupy as managers in the ministry of health. The result of this study shows that distributive and interactional justice positively and significantly affected the budget performance. Analysis with moderation variable indicates that budget performance moderated the relation of distributive and interactional justice positively and significantly.*

Keywords: Distributive justice, interactional justice, budget performance

1. Introduction

Since 2003, Indonesia already applied performance-based budgeting that has been put into constitutions number 17, 2003 about finance. Based on that regulation also, the budget of state is understood as a function to maintenance the stability, management and economic policy. But the implementation of performance-based budgeting in Indonesia still weak and does not correlated with the strategic plan. This is due to the slow preparation of performance-based budgeting of guidance (Mutiarin and Nurmandi, 2013).

In order to avoid the misperception about budgeting arrangement, it is necessary to have a clear perception about the role of each manager so that the budgeting goal can be reached. The participation of manager in the budgeting plan will improve the effectivity of organization to reach the target and improve the budget performance (Kurnia, 2010).

Budget participation is the process of individual involvement who have stake on the targets and budget goals. Therefore, in the budget participation process, it is possible to open information so that it can describe the forthcoming conditions (Magner and Johnson, 1995), the accuracy of resource allocation (Shields and Young, 1993), create better coordination between managers (Kanodia, 1993) and improve performance (Parker and Kyj, 2006). Brownell (1982) explains that participation can be used as a managerial approach that can improve the performance of organizational members. One important aspect related to improving performance in the field of budgeting is perception of justice Wentzel (2002).

Organizational justice is perceived by employees through how fair the decision-making process is in the organization (Parker, 2014). Perception of justice depends on the relationship between the employers and the employees. Organizational justice or simply called justice in the workplace is an overall perception of what fairness at work is (Robbins and Judge, 2013). The realization of organizational justice is an ethical obligation from management, as an organization, to involve each individual

as part of a strategic plan. Therefore, the budgeting process, as one of the important decisions of the organization, is expected to pay attention to the fulfillment of aspects of organizational justice. In this study the perception of justice is based on distributive and interactional justice.

Cropanzano and Greenberg (1997) define distributive justice as the reasonableness of the evaluation received for the work performed. Distributive justice is related to the suitability of the distribution between the benefits received and the work done regardless of the process determined by management. Distributive justice is believed to be able to increase the motivation of subordinates to work better.

Interactional justice is an individual's perception of the quality of interaction with decision makers and decision-making procedures (Bies and Moag, 1986. Tyler and Bies, 1990). In the concept of budgeting, interactional justice is the manager's perception of each person's satisfaction with justice applied to the budgeting process which is assessed based on the interaction of subordinates and superiors (Maiga, 2006). Khasawneh et al. (2014) explained that interactional justice is the strongest factor or predictor that can affect job satisfaction compared to procedural and distributive justice.

The influence of perceptions of justice on performance is still in a dissent because some research results show inconsistencies (Renn, 1998). Therefore, Libby (1999) argues that there is still possibility to study the relationship between perceptions of justice and performance by involving both mediation and moderation variables.

The participatory planning process and in accordance with the principles of organizational justice, conceptually, can create a sense of satisfaction in every element of the organization. Petty et al. (1984) revealed that satisfaction in having a strong and close relationship with performance in terms of satisfaction can lead to performance. Productivity of the employees who feel satisfied will be more productive and beneficial to the organization than employees who do not feel satisfied (Ostroff, 1992).

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Budget satisfaction is a form of accumulation of reactions from managers to the overall budget process (Maiga, 2006). Cutt and Ritter (1984) in their research on budget satisfaction found that in almost every indicator of satisfaction, especially in targeting, the concept of budgeting, and budget realization planning, the program manager showed an unsatisfied response. A sense of satisfaction with the budget that has been prepared, theoretically, can bring positive behavior from employees to realize the goals that have been set.

2. Theoretical Review

Knowledge related to organizational behavior is built from several disciplines; psychology, social psychology, sociology, and anthropology where psychology is a major contributor (Robbins and Judge, 2013). Organizations as individual groups have various interesting problems to learn, especially in terms of individual behavior in organizations. The behavior of the members of the organization as a whole will give the character, characteristics, type and how the organization moves towards the stated goals.

Equity theory describes relational satisfaction in terms of fairness perceptions of the distribution of resources in interpersonal relationships (Adams, 1963). The topic of justice is currently attracting a lot of interest in organizational behavior research (Greenberg, 2011). Perception of organizational justice can affect organizational performance such as increasing satisfaction, quantity and quality of work, and reducing absenteeism and error rates (Huseman et al., 1987). The involvement of individuals in organizational decision making can improve perceptions of justice (Bies and Moag, 1986). One of the decision making in government organizations is related to the budget.

The budget is a plan that is arranged systematically in monetary units, which includes all activities of the company in a certain period to come. The budget contains acquisition plans and financial and other uses and resources for a certain period. Participatory budget planning can increase participants' understanding and commitment to organizational goals (Chong and Chong, 2002).

Budget participation is the level of how far the involvement of managers in determining or compiling the budget in the department or part of it both periodically and annually (Milani, 1975). The implementation of budget participation in organizations can increase the role of managers in budget planning. The positive effects of the implementation of budget participation will be felt when accompanied by the fulfillment of a sense of fairness in all elements of the organization or commonly called organizational justice.

Organizational justice is a fair view of the individual about organizational decisions made by the leader or his boss (Greenberg and Colquitt, 2005. Parker, 2014). Gibson et al. (2012) define organizational justice as the phase of equalization of treatment in an organization. The dimensions of organizational justice are closely related to justice related to information distribution and allocation and interactional (Greenberg, 1993).

Sahskin and Williams (1990) describe that in conditions where organizations have limited budgets, managers will understand the inconsistencies in implementing procedural operational standards. Therefore, this study focuses on organizational justice of distributive and interactional justice in the participatory budget planning process.

Hope and Fraser in Sponem and Lamber (2016) describe that budget-related problems include budgeting that is too rigid, unrealistic, time-consuming and expensive, does not benefit users, does not favor the interests of shareholders, is too focused on costs and neglect of value or benefits, lobbying games and uncooperative behavior, prioritizing departmental or agency egos, limited by responsibility and flexibility, strengthening the culture of centralization, and providing little benefit. This fact can cause dissatisfaction with the budget that has been prepared.

Dorris M. Cook in Jain (1988) explained that interest and satisfaction with the budget are directly related to the frequency of feedback. Based on these experiments it can be understood that budget satisfaction is related to the relationship of superiors and subordinates. In this context budget satisfaction is closely related to organizational justice. Maiga (2006) states that budget satisfaction is one of the variables that can be associated with budget use and performance.

Budget performance is defined by Maiga (2006) as the level of achievement of budget targets. Harryanto (2017) revealed that budget performance includes not only achieving financial targets but also covering the quality of budgeting programs and activities.

3. Definition of Operational

Distributive Justice

Distributive Justice is perceived justice related to the distribution received regardless of how the distribution is determined (Magner and Johnsin, 1995). Distributive justice also related to a term fair share (Maiga,2006). The indicators of distributive justice can be measured through the suitability of the budget received, proportional, the budget received fulfill expectations, fairness and concern of a leader (Magner and Johnson, 1995)

Interactional Justice

Interactional justice is an individual's reaction towards the treatment of **decision maker** in the budgetary process (Maiga, 2006). Interactional justice is represented by honesty and ethics, fairness, respect and dignity, sensitivity and fulfillment of rights (Maiga, 2006)

Budget Satisfaction

The concept of satisfaction is a positive emotional statement about the experience that is occurred (Livingstone et al., 1995). In the context of the budget, budget satisfaction is cumulative satisfaction with the budget and superiors in the budgetary process. Sponem and Lamber (2016) describe budget satisfaction indicators are compulsion, long-term, impact, **sooth**, role of the budget, and satisfaction

Budget Performance

Budget performance is the achievement of the budget targets and the results of the programs / activities that have been set (Maiga, 2006. Harryanto, 2017). Budget performance indicators according to Harryanto (2017), it is the achievement of financial goals, activity objectives, and the quality of the budgeting process.

Hypothesis

Lind and Tyler (1988) explained the existence of unfair behavior in organizations influence the attitude of employees to fulfill obligations in order to achieve organizational goals (performance) and budget satisfaction can be a link between perceptions of justice and performance (Jain, 1988). The model used in this study can be observed in Figure 1 where budget satisfaction is thought to moderate the relationship between organizational justice and budget performance.

Distributive justice and budget performance

Distributive justice is related to the outcome of the organization or in this study the budget (Magner and Johnson, 1995). In conditions where the procedure is not carried out according to standards, the outcome distribution must still fulfill the aspect of justice (Kumar et al., 1995). Maiga (2006) uses path analysis to reveal that distributive justice has a direct positive effect on budget performance. Based on the description, the first hypothesis in this study is arranged as follows:

H1: Distributive justice has positive impact on budget performance

Interactional Justice and budget performance

Interactional justice is interpersonal treatment that employees receive from policy makers during organizational activities (Bies and Moag, 1986). Broadly, interactional justice can be generated through informational justice and interpersonal justice. Maiga's research (2006) shows that interactional justice has a significant effect on budget performance and is a dominant factor in organizational justice. Based on the description, the second hypothesis is given as follows:

H2: Interactional justice impacts positively on budget performance

Budget satisfaction and budget performance

Petty et al (1984) stated that satisfaction is closely related to performance where employees who show job satisfaction are productive employees. In the context of the budget research by Becker and Green (1962) and Otley (1978) explain that the manager's assessment of the budget will affect the motivation of manager to meet budget targets. The results of previous study indicate that budget satisfaction affects the achievement of budget target and performance (Maiga, 2006. Harryanto, 2017). Based on the explanation above, the proposed hypothesis is as follows:

H3: Budget satisfaction effects on budget performance

Moderation effect of satisfaction budget

Organizational processes based on the principles of justice, both distributive and interactional, provide positive experiences that can be internalized by individuals in a organization, so that according to organizational behavior

theory affect the individual's satisfaction. Therefore, it can be understood that theoretically satisfaction as a variable that represents organizational processes can be a catalyst in the relationship between input (justice perception) and organizational output (budget performance). The results of Maiga's (2006) study shows that job satisfaction can increase distributive justice effects on budget performance but not for interactional justice. Based on the description, the hypothesis related to moderation is given as follows:

H4: Budget Satisfaction moderates the relationship of distributive justice and budget performance

H5: Budget Satisfaction moderates the relationship of interactional justice and budget performance.

4. Method of the Research

Research Procedures

This study uses a quantitative approach to test the hypothesis that has been arranged. The research location is the Ministry of Health by distributing questionnaires. The population in this study is the managers who carry out the budget. The sample selection technique uses purposive sampling that the chief of unit / field. The number of samples is determined through Slovin formula so that a sample of 82 respondents is obtained.

Data Analysis

The analysis technique was conducted descriptively with tabulation techniques and inferentially using structural equation modeling (SEM). Testing the validity and reliability of SEM can be seen based on the results of the outer model. Validity testing includes convergent validity (outer loading and AVE) and discriminant validity (cross loading and AVE root correlation to variables). The reliability testing was analyzed based on the Cronbach alpha value and composite reliability.

After testing the validity of the data, a structural model analysis is carried out. The parameters used are path coefficient and determinant coefficient (R²). Path coefficients are used to see the direction of correlation between variables. R² value is used to measure the level of variation in changing in the independent variable to the dependent variable.

The final stage in data analysis is testing the hypothesis that has been proposed. Hypothesis testing uses the MRA model (moderated regression analysis) with an error rate of 5%. The MRA model is used because in this study using moderation variables namely budget satisfaction.

5. Result

Respondents' general description

Table 1 shows respondents' demography condition. Based on sex, it can be seen that majority of the respondents are female (53,66%). The percentage points out professionalism of structural position and shows that it is no longer patriarchal in case females are getting their position due to their competency.

In age category, it can be known that individuals on the positions at *Baliitbangkesnow* is dominated by the age of 46-

50 years (31,71%) and above 50 years (23,17%). This is understandable for the structural position needs skilled individuals especially on organizational work scheme.

Educational background of the respondents is dominated by magister degree, which is 62 or 75,61% of 82 respondents. The percentage marks that individuals who placed on the structural posts have capacity in scientific perspective, which may affect individual and organizational performance.

Base on service duration, majority of the respondents who are on the position for two years (34,15%) and less than 1 year (34,15%). Mutation system and promotion in government organization make individual's position shift is possible.

Validity

Firstly, convergent validity test is held based on outer loading value. According to outer loading value, there are two unfulfilled sub-indicators which is more than 0,70 (Table 2). Therefore, re-analysis of the data is conducted without elaborating inappropriate sub-indicators. The result shows that the whole outer loading values fulfill the criteria (Table 3). The result of the AVE value showing the four variables are more than 0,50 in value, which is between 0,65 – 0,75, so that is believed fulfills the criteria. Based on both criteria, therefore the data has fulfilled the convergent validity criteria.

After that, the validity is tested in discriminant way. In table 4, it can be seen that the cross loading value of each indicator towards purposed variable is bigger than others. Correlation between independent variables is showing a smaller value of AVE root for each variable (Table 5). Therefore, it can be concluded that the data fulfills the criteria of discriminant validity.

Reliability

The result of reliability test can be seen in Table 6. The cronbach alpha value is various, which is between 0,900 – 0,903 or higher than the criteria (0,60). The same result is obtained in the composite reliability with 0,900 – 0,903 in value, which is higher than testing criteria (0,70). Therefore, the measurement tools used fulfills the criteria of reliability and is stated to be available to test the variables of the research.

Model of Analysis

Structural model test shows that coefficient of each variables are positive in value towards budget performance, which is at range 0,188–0,312. The R square value obtained is 0,608 or can be interpreted as available to explain budget with percentage of accuracy is as 60,8 %. The rest 39,2% is affected by another factors that is out of the research.

Hypothesis Testing

Hypothesis testing using MRA model shows that interactional justice, distributive justice and budget satisfaction are positively and significantly impacted the budget performance. Moderation effect given by budget performance towards interactional justice and distributive is

also showing positive and significant impact towards budget performance (Picture 2).

6. Discussion

Distributive Justice and Budget Performance

Statistical analysis result shows that the hypothesis is accepted ($T = 2,238; p < 0,05$). Result obtained is as equity theory stated by Huseman et.al (1987) that the bigger justice is perceived by individuals, the higher comfortable level would become and affect the performance. The similar statement explained in the theory of organizational behavior by Robbins and Judge (2013), said that group role (participation) and appropriate compensation (allocation) at the first level of organizational plan can affect the performance. Statistical analysis result supports previous finding that distributive justice is positively affects budget performance (Maiga, 2006). The application of distributive justice on budgeting participation decrease positive reaction of managers towards organization (Dessler, 2009). The suitability of accepted budget allocation has a higher average value compared to the rest indicators.

Interactional Justice and Budget Performance

The relation of interactional justice and budget performance shows positive and significant relation ($T = 2,813; p < 0,01$). It supports the explanation of Dessler (2009) and Robbins and Judge (2013) that ethical behavior of superiors and inferiors interaction encourages the existence of positive perception towards organizational justice to be implemented and internalized in order to affect the performance.

Result of the study in accordance with the conclusion of Maiga (2006) that the interactional justice is positively and significantly affect the budget performance. In participative budgetary process, there is a direct process of managers' role from the managers with lowest authority to the highest ones in budgetary. The process causes more intensive interaction between managers from different level (Dessler, 2009) so the managers can encourage better personal interactions and leads to a higher productivity and information on budgetary, and finally decrease the budget performance.

Budget Satisfaction and Budget Performance

Statistical analysis result shows that budget satisfaction positively and significantly affect the budget performance ($T=2,672; p < 0,01$). Satisfaction is a positive emotional expression as the reaction towards experience (Livingstone and Chonko, 1995). Result of the study supports the theory of behavior, stated that satisfaction is a motivational motor and emotion (Livingstone and Chonko, 1995) as well as an important element of ongoing process of the organization at individual level, so that will affect the performance (Robbins and Judge, 2013). Result of the study is in line with previous study, which are Maiga (2007) and Harryanto (2017) that satisfaction towards budgetary process affect the target and budget performance. Excellency of participative plan is the existence of recognition towards others' ideas. The recognition of inferiors' idea is an achievement that can be one of the satisfier or motivator. The satisfaction can increase unit acceptance to realize the budgetary, so that will affect the budget performance.

Budgetary Satisfaction towards The Relation of Distributive Justice and Budget Performance

Hypothesis testing result shows that the hypothesis is accepted ($T = 2,674; p < 0,01$). The result is in accordance with the theory of equity by Adams (1963) said that perception towards the existence of justice/injustice affects the level of personnel satisfaction and organizational performance (Huseman et.al, 1987). The result is in line with the theory where the interaction of distributive justice and budgetary satisfaction gives a positive effect towards budget performance.

Result of the study is consistent to the finding of Maiga (2006) which is using budgetary satisfaction as intervening variable (mediation). The fair budgetary process will increase budgetary satisfaction and it is related to works outcomes (Thibaut and Walker, 1975). The existence of satisfaction on composed budgetary dominates negative perception on distribution or composed budgetary that is out of expectation.

Budgetary Satisfaction towards the Relationship of Interactional Justice and Budget Performance

Based on the statistical analysis result, it can be stated that hypothesis is accepted ($T=3,042; p < 0,01$). The result is in accordance with equity theory said that perception on justice related to interactional satisfaction so the performance will increase (Huseman, et.al, 1987). Theoretically, interactional justice and budgetary satisfaction have related definition, which is about the relationship of superiors and inferiors.

The result of this study is not in line with analysis result of Maiga (2006) which shows that direct interactional justice effect towards budgetary performance is bigger than the indirect effect through budgetary satisfaction. Conclusion of the study is supported by result of the study of Cook in Jain (1988) that satisfaction towards budgetary related to the interactions of managers. The fair interaction between unit chiefs will lead to satisfaction and increase optimism towards budget performance (the increase of budgetary target).

7. Closing

Based on the result of the data analysis, it is shown that organizational justice represented by distributive justice and interactional justice directly affects the budget performance. Budgetary satisfaction also directly affects the budget performance and significantly moderates the relation between distributive justice and interactional towards budget performance.

The application of participative concept in budgetary activity gains a positive perception of justice of functionaries, who participate in both budget allocation (distributive) and communication between superiors and inferiors (interaction). Result of the study shows the effect of distributive justice and interactional towards budget performance is getting high while moderated by budgetary satisfaction.

Conclusion obtained can give advantage, especially for budget actors. For the managers of higher level, in order to

understand the concept of budgetary participation more, the budgetary can be effectively and significantly ran and each unit can receive the allocation based on their needs. The application of optimum participation will encourage the existence of satisfaction on composed budget, which lead to budgetary development.

This research is out of perfection, especially in several limitations. This research uses only two organizational variables of justice, which are distributive and interactional justice. Therefore, further research on organizational justice to compose structural model with higher accuracy is needed. Another limitation is the focus of the research, which focuses on public sector, so that further research on private sector is also important to conduct.

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Attachment

Table 1: Respondents' demography condition

	Profile	Frequency	Percentage
Sex	1. Male	38	46,34%
	2. Female	44	53,66%
Age	1. 30 – 35 years	5	6,10%
	2. 36 – 40 years	14	17,07%
	3. 41 – 45 years	18	21,95%
	4. 46 – 50 years	26	31,71%
	5. >50 years	19	23,17%
Educational background	1. Undergraduate	12	14,63%
	2. Master degree	62	75,61%
	3. Doctoral degree	7	8,54%
Position	1. Unit Chief	7	8,54%
	2. Unit Chief	10	12,20%
	3. Unit Chief	6	7,32%
	4. Section Chief	20	24,39%
	5. Sub-unit Chief	11	13,41%
	6. Sub-unit Chief	27	32,93%
	7.		
Services period	1. <1 year	28	34,15%
	2. 1 year	16	19,51%
	3. 2 years	28	34,15%
	4. 3 years	4	4,88%
	5. >3 years	6	7,32%

Table 2: Outer loading value

	X1	X2	X3	Y
X1.1	0,82	0,625	0,656	0,672
X1.2	0,863	0,619	0,524	0,616
X1.3	0,827	0,587	0,512	0,499

X1.4	0,815	0,602	0,497	0,499
X1.5	0,697	0,592	0,571	0,499
X2.1	0,699	0,823	0,566	0,549
X2.2	0,627	0,82	0,562	0,55
X2.3	0,579	0,781	0,509	0,589
X2.4	0,537	0,814	0,626	0,634
X2.5	0,516	0,792	0,479	0,499
X3.1	0,494	0,512	0,826	0,529
X3.2	0,478	0,434	0,699	0,427
X3.3	0,557	0,582	0,771	0,607
X3.4	0,537	0,583	0,813	0,515
X3.5	0,565	0,566	0,859	0,607
X3.6	0,561	0,542	0,812	0,493
Y.1	0,618	0,6	0,54	0,898
Y.2	0,648	0,604	0,569	0,877
Y.3	0,554	0,629	0,657	0,829

Y.3				0,829	Valid
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Table 4: AVE value

Variables	AVE value
Distributive justice	0,691
Interactional justice	0,650
Budget satisfaction	0,667
Budget performance	0,755

Table 5: AVE root value comparison and correlation between variables

	X1	X2	X3	Y	AVE root
X1	1				0,831264
X2	0,733	1			0,806226
X3	0,666	0,684	1		0,816701
Y	0,699	0,704	0,679	1	0,868907

Table 3: Revised outer loadingvalue

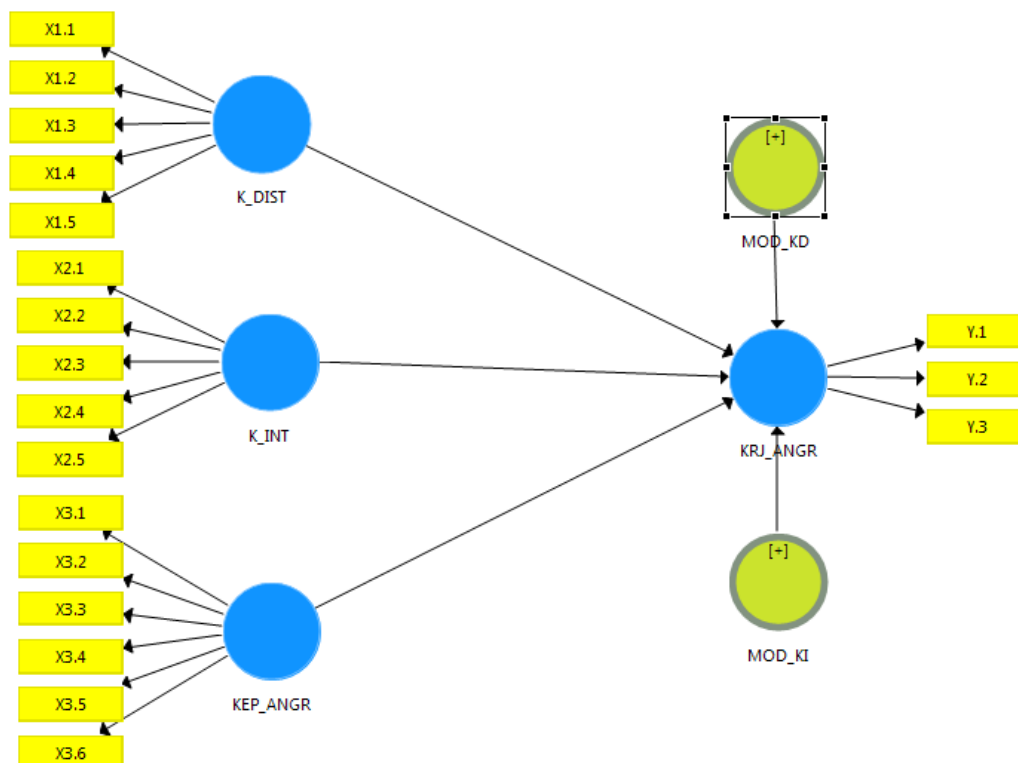
	X1	X2	X3	Y	Explanation
X1.1	0,82				Valid
X1.2	0,863				Valid
X1.3	0,827				Valid
X1.4	0,815				Valid
X2.1		0,823			Valid
X2.2		0,82			Valid
X2.3		0,781			Valid
X2.4		0,814			Valid
X2.5		0,792			Valid
X3.1			0,826		Valid
X3.3			0,771		Valid
X3.4			0,813		Valid
X3.5			0,859		Valid
X3.6			0,812		Valid
Y.1				0,898	Valid
Y.2				0,877	Valid

Table 6: Reliability

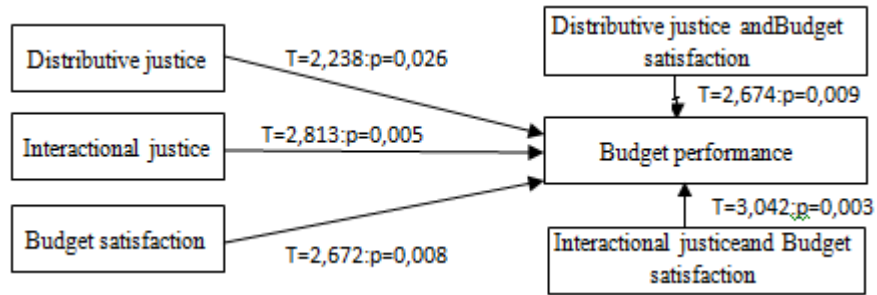
Variables	Cronbachalpha	Compositereliability
Distributive justice	0,853	0,900
Interactional justice	0,866	0,903
Budget satisfaction	0,875	0,909
Budget performance	0,837	0,902

Table 7: Path Coefficient and Hypothesis Testing Result

	Original Mean (O)	Sample Mean (M)	Deviation Standard	T Statistics	P Value
X1 -> Y	0,275	0,251	0,123	2,238	0,026
X2 -> Y	0,312	0,325	0,111	2,813	0,005
X3 -> Y	0,284	0,298	0,106	2,672	0,008
Moderation 1 (X1X3 -> Y)	0,188	0,214	0,152	2,674	0,009
Moderation 2 (X2X3 -> Y)	0,210	0,243	0,140	3,042	0,003



Picture 1: Structural Method



Picture 2: Diagram of Hypothesis Testing Result