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Influence Analysis of Non Performing Financing
by Profit-Loss Sharing Financing Contract
to The Profitability of Islamic Commercial Bank in Indonesia
Taudlikhul Afkar

Perception of Locus of Control, Level of Education, Machiavellianism
and Ethical Reasoning Against Auditor Behavior in Audit Conflict Situations
Widya Ais Sahla and Emy Iryanie

The Application of Management Accounting Techniques
at Star Hotels in Denpasar City
Ni Made Adi Erawati and Komang Ayu Krisnadewi

Interactive Control System Analysis on Corporate Sustainability
Performance : Good Corporate Governance as Mediating Variable
Wijaya Triwacananingrum

Participatory Budgeting In Indonesia Private University
Nur Sayidah and Aminullah Assagaf

Accrual Earnings Management in Banking Industry
and Its Impact on the Firm Value
Ahmad Abbas

AKRUAL:
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Vol. 10

Issue. 1

Page
1 - 84

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Vol 10, No 1 (2018)

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Table of Contents

Front Matter

Front Matter AKRUUAL: Jurnal Akuntansi Vol 10 (1) October 2018

PDF
i-iv

Abstract view: 62 times

Articles

Influence Analysis Of Non Performing Financing By Profit-Loss Sharing Financing Contract To The Profitability Of Islamic Commercial Bank In Indonesia

DOI: [10.26740/jaj.v10n1.p1-14](https://doi.org/10.26740/jaj.v10n1.p1-14)

Taudlikhul Afkar

PDF
1-14

Abstract view: 204 times

Perception of Locus of Control, Level of Education, Machiavellianism and Ethical Reasoning Against Auditor Behavior in Audit Conflict Situations

DOI: [10.26740/jaj.v10n1.p15-26](https://doi.org/10.26740/jaj.v10n1.p15-26)

Widya Ais Sahla, Emy Iryanie

PDF
15-26

Abstract view: 72 times

The Application of Management Accounting Techniques at Star Hotels in Denpasar City

DOI: [10.26740/jaj.v10n1.p27-46](https://doi.org/10.26740/jaj.v10n1.p27-46)

Ni Made Adi Erawati, Komang Ayu Krisnadewi

PDF
27-46

Abstract view: 41 times

Interactive Control System Analysis On Corporate Sustainability Performance : Good Corporate Governance as Mediating Variable

DOI: [10.26740/jaj.v10n1.p47-56](https://doi.org/10.26740/jaj.v10n1.p47-56)

Wijaya Triwacananingrum

PDF
47-56

Abstract view: 54 times

Participatory Budgeting In Indonesia Private University

DOI: [10.26740/jaj.v10n1.p57-68](https://doi.org/10.26740/jaj.v10n1.p57-68)

Nur Sayidah, Aminullah Assagaf

PDF
57-68

Abstract view: 97 times

Earnings Management in Banking Industry And Its Impact on The Firm Value

DOI: [10.26740/jaj.v10n1.p69-84](https://doi.org/10.26740/jaj.v10n1.p69-84)

Ahmad Abbas

PDF
69-84

Abstract view: 180 times

Back Matter

ABOUT THE JOURNAL

Focus and Scope

Publication Ethics

Indexing & Abstracting

Editorial Board

Reviewers

SOP of Management in Manuscript

Guidelines for Submission

Author Fee

Online Submission

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PARTICIPATORY BUDGETING IN INDONESIA PRIVATE UNIVERSITY

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ABSTRACT

This study aims to explore participatory budgeting practices of a private university in Surabaya. The research method use qualitative approach. The research site is Dr. Soetomo Surabaya. Informants in this study were Rector, Vice Rector, Deans and Head of Internal Audit. The data collection is mainly with participating observation. Researchers as vice chairman of the budget committee could follow budgeting process began with budget committee meetings, leaders meetings, senate meeting until the meeting with the foundation. Data were analyzed with Miles and Huberman's (1992) qualitative analysis technique. The result indicates that Vice Rector II acts as a leader have in the context of budgeting. Rector as a leader in university level and Chairman of the Foundation acts as a leader at the foundation level. Harmony and togetherness in the budgeting process is reflected in the participation of some players in establishment of work program. This process is in a way democratic. While, the balance is reflected in the process of budgetary increase in allowances.

Keywords: Budgeting; Democratic; Harmony; Participatory Budgeting.

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INTRODUCTION

Budgeting is a basic accounting activity and has become one of the most extensive research topics in management accounting (Fauré & Rouleau, 2011). Economic-based budgeting research views that budgeting as a component of an organization's management accounting system. Budgets play an important role in coordinating activities and providing appropriate incentives in organizations (Covaleski, Evans, Luft, & Shields, 2006). The budget becomes a detailed plan shows that how resources will be acquired and used over a period of the time (Garrison, 1982). The budget also refers to a set

of numbers associated with the amount of resources allocated to an organization or sub unit as well as performance targets (Covaleski et al., 2003).

The budgeting process is influenced by logic and practical understanding because the budget is a material practice (Ezzamel et al., 2012). There are three logic related to budgeting, business logic is focuses on financial prudence, professional logic relating to teaching. Governance logic is directs regulation and structure related to authority and bureaucracy (Fauré and Rouleau, 2011). The budget should be used as a means to achieve a desired

objectives at the minimal cost possible. Inefficient corporate budgeting costs are very harmful. Honest communication between subordinates and superiors should be established in order to budgeting process to be effective (Horngren et al., 2006; 234).

Communication between subordinates and superiors in the budgeting process can be done with participatory budgeting. Participatory budgeting has been one of the most successful instruments of participation in the last 15 years (Sintomer et al., 2008). Five criteria for participatory budgeting are discussion of financial dimensions and limited resource handling, involving multiple levels of structure, multiple recurring processes, including some public deliberations and accountability for predetermined output (Sintomer et al, 2008). Participatory budgeting is used as a tool to achieve a balance between expertise and employee potential and information differences (asymmetric information) between owners and managers. The choice of budgeting practices will result in individual prosperity, organizational performance, and budgetary slack (Covaleski et al., 2003).

Different organizations will choose different budgeting practices according to their needs. In this paper we explore participatory budgeting practices an organization became the focus of this research. The organization taken into the research site is a private university in Surabaya.

RESEARCH METHODS

This research uses qualitative approach with exploration method. In epistemology, qualitative researchers try to be as close as possible to the observed by informants. Researchers collaborate, spend time in the field with participants and become insider (Creswell, 2007; 17). The researcher in the context of this participatory budgeting become one of the informants. She is Vice Chairman of the University Budgeting Committee and Head of the Internal Audit. Researchers become insiders and are directly involved in all university budgeting activities. The researcher can freely observe the behavior of the people researched and follow the entire budgetary meeting and record it. So, the data in qualitative research in the form of written or oral words of the people and behavior observed can be easily collected (Moleong, 2000). Data were analyzed with Miles and Huberman's (1992) qualitative analysis technique. Components of the analytical data include (1) data collection, (2) data reduction, (3) data presentation and (4) conclusion.

Research Sites and Informants

The selected research site is university of Dr. Soetomo Surabaya. While, the informants in the research were Rector, Vice Rector, Dean, Head of Internal Audit.

Method of Data Collection

The data were collected by three methods. First, participatory observation is observing subjects in actual situations in the field to see firsthand the behavior associated with the phenomenon being studied. This method is easily performed by researchers. The researcher as vice chairman of the Budget Committee for three consecutive years followed with detailed stages in the budget preparation process. Second, interviews about historical experience with informants in an unstructured manner. Third, a documentation on secondary data are dediction letter of Budget Committee, Financial Report, University's Income and Expenditure Budget.

Method of Analysis

Data reduction is conducted through a selection process, centralisation of attention and

simplification of rough data that originated from notes written throughout the interview. Data that did not need to be thrown away and the chosen data are organised into a theme. The theme is presented in a narrative form as a collection of orderly information that enabled a conclusion to be made.

ANALYSIS AND DISCUSSION

Budgeting Process

The process of budgeting in Dr. Soetomo University is carried out in several stages the several stages. The budgeting process at this university begins with the issuance of the Rector's Decree on the University Budget Plan Preparation Committee. The complete budgeting process is described in the following Figure

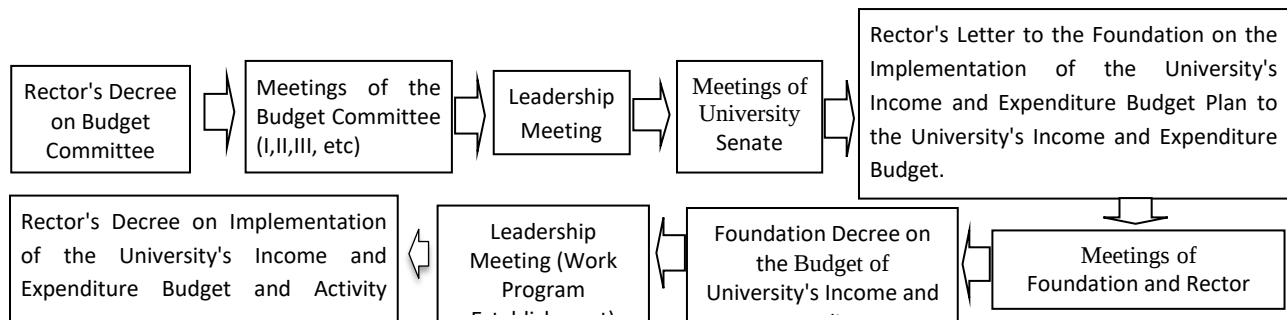


Figure 1. Budgeting Process

The university's budget period is adjusted for the academic year, which is begins on September 1 and in the ends of August 31. Committee is usually formed around May, except for budget year 2017/2018, Committee was formed in June. This happened because of

the replacement of rector and vice rectors which was inaugurated on June 5, 2017. Although, the old Rector was re-elected and Vice Rector II remained, but Vice Rector I and Vice Rector III are changed. Therefore, in consideration to avoid

changes to the budget committee, then it set after inauguration date.

The Task of Leaders and Players in the Structure of the Budget Committee

After graduating from the Doctoral Program of Accounting Science on April 11, 2014, the researcher was immediately asked to become the university's budget team through the rector's letter dated April 30, 2014. First involved, the researcher was directly appointed to the vice chairman of the budget committee. The budget committee at that time was very slim is consisting of 12 people with the following arrangement:

Personal in Charge	: Rector
Chairman	: Vice Rector II
Vice Chairman	: Researcher
Secretary	: Vice Rector I
Vice Secretary	: Vice Rector III
Members of Committee	: Internal Supervisory Board, Auditor of Management Performance, Vice Director of Graduate Program, Head of Administration and General Affairs, Head of Finance, Head of Personnel and Head of Computer Technical Unit .

To increase the participation of structural officials, the Rector included all deans and foundations in the next year's budget committees. Budget committee to be 21 people with the composition as follows:

Steering Committee	: Foundation
Personal in Charge	: Rector
Chairman	: Vice Rector II

Vice Chairman	: Researcher (Internal Supervisory Board)
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Secretary	: Vice Rector I
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Vice Secretary	: Vice Rector III
----------------	-------------------

Members of Committee : Deans of all Faculties, Auditor of Management Performance, Head of Administrative and General Affairs Bureau, Head of Finance, Head of Personnel, and Head of Computer Technical Unit.

The leader in the context of budgeting is the chairman held by Vice Rector II. While, there are two leader of the group at the university level, held by the rector and at the level of foundation is held by the chairman of the foundation. In addition, the others of committee are players. Each leader and player have different roles and functions.

Foundation as a leader at the organization level, in this case can be said as a political institution, Rector and other committees as a technical institutions. Mutiganda's (2013), shows that governance of budgeting involves political institutions and technical institutions. Political institutions acting as accounted have mechanisms based on legal and political power to define budgeting policies for technical institutions and monitor their implementation. While, the technical institution is becomes an account has several levels of hierarchy that indicate an intra-institutional relationship between the accounted and the account.

Foundation, as a legal institution that legally has the authority to establish and ratify the University's Income and Expenditure

Budget, in the organizational structure is placed as a protector and director. A Rector expects to the inclusion of foundations in this committee to facilitate the process of establishing the University's Income and Expenditure Budget Plan into the University's Income and Expenditure Budget.

"The purpose of why we discuss together, because we want the budgeting process to run well. Rector invite the foundation in the budget meeting. When the foundation make decision, he invite a rector. It is mean if you've entered the element of the foundation, everything runs smoothly (Rector)".

The composition of the new committee should be able to shorten the process and timing of the completion of the Foundation Decree on the University's Income and Expenditure Budget, so that its implementation can commence on time. But, during the course of this study, the change has not taken place yet. When, the previous year's budget ends on August 31, the Foundation's Decree on the University's Income and Expenditure Budget of the following year does not yet exist. The period of the fiscal year in this is adjusted to the academic calendar starting on September 1 and until 31 August.

The organizational structure under the foundation is the Rector who acts as a technical institution, has a position as a responsible person. It is appropriate for Vice Rector II as Chairman of Committee for responsibility in Finance, Human Resources,

and Infrastructure Facilities. He was assisted by the Vice Chairman (Researcher). Under the vice chairman, there are secretaries and deputy secretaries. Both are normatively assigned to carry out the secretarial functions in the context of this budgeting. But, the results of experience of the researcher became a vice chairman for three consecutive years are indicates a secretary and deputy secretary role as Vice Rector I and III. Therefore, according to the researcher, the naming of secretaries and deputy secretaries should be changed to better reflect to the duties and authority of each person.

The first alternative, the secretary's name is replaced with the Academic Affairs Coordinator (Vice Rector I) and the Coordinator of Student Affairs Cooperation (Vice Rector III). Warek I became to the coordinator of the activity and budget plan of the academic-related budget items. While, Vice Rector III becomes the coordinator of activity plan and budget from budget items related to student affairs and cooperation. The second alternative, if it refers to the composition of the House of Representatives Budget Board consisting of chairmen, deputy chairmen, and members, then the composition committee can be turned into patron and director, chairman, vice chairman, and member. Secretary and vice secretary are changed to become members.

The next composition is a member on committee, which amounts to 14 people and 8 people for deans of all faculties, except the dean of the Faculty of Economics. He is represented by Vice Dean II. This happens because at that time there is no deans. Dean of Faculty of Economics is dismissed by the Rector, but the decree of the Foundation related to the dismissal has not been followed up, so that there is no Dean who formally established the foundation. Vice Dean I by the Rector is appointed as Task Force.

Involvement of these deans is starting fiscal year 2015/2016. The involvement of these deans demonstrates to the participation of middle-level leaders in the budgeting process. Participation, when applied in planning, refers to the involvement of middle and lower level managers in decision-making in determining operational objectives and setting on performance goals. Participation is said to be a panacea to meet the need for self-esteem and self-actualization for the members of the organization and is expected to a positive impact in the organization (Lubis, 2010; 238). Positive impacts expected by the Rector on the participation of the deans are:

The hope is the formulated budget can fulfil the expectations of faculty, institutions, and Technical Implementation Unit. There were arised of development items in faculty, students activities, superior activities in faculty, promotion budgets in faculty. Another reason is the creation of program synergy

between work units such as technology operator recruitment program, library book procurement, and others (Rector).

The budget is expected to reflect what is required by faculty and other work units. The deans in this budgeting process communicate private information about local conditions. According to Covalleski, et.al (2003) is said that participatory budgeting means that employees communicate private information about local conditions to the owner. Private information about faculty needs in the form of development activities, faculty activities, promotions, and faculty mainstay activities will be part of the university budget, the faculty needs, so that the dean will be motivated to achieve it.

This expectation is in accordance with the opinion of Horngren et.al (2006: 2015) which says that participation as a "bottom up" aspect in the budgeting process can create a commitment and responsibility in budget execution. The Rector's explanation shows a view the university, however, is a collection of faculties supported by institutions and Technical Implementation Unit. Therefore, all activities are actually sourced from the faculty, so the budget should reflect to the expectations on the faculty. Based on the composition of committee members it is seen that the Head of Quality Assurance, the Head of Research Center and Public Service, and Head of Public Relations are not involved. This does not mean they are abandoned. Their involvement

or participation may vary from simply attending on budget meetings to participation in discussions relating to the fairness of quotas and budget targets (Lubis, 2010, 238). They will participate to the preparation of the budget when the budget framework is completed and discussed in the core meeting.

There are various forms of participation that depend on the organization's leadership style. The format of participation depends on depth, scope, and weight (Lubis, 2010; 239). Depth is an agreement on who should participate. Scope determines what type of decision that they should be able to participate, and the weight is the level of the participant's power in the final decision. In addition to the deans, committee members are filled by Performance Management Auditor, Head of Administration and General Affairs Bureau, Head of Finance, Head of Personnel and Head of Computer Technical Unit. Each member of committee should have a contribution in decision making. According to Lubis (2010: 239), for participation to be effective, participants must have real inputs to their decisions and their views must have a certain weight in the final result (Lubis, 2010; 239). This real input can be an idea or idea about the policy in budgeting or private information related to the condition of the work unit. If employees do not have private information about local conditions, participatory budgeting has no value (Covaleski, et.al, 2003). If the budgetary

suggestions on the participants are rejected by a higher level, without explanation at all, or on the grounds that the suggestion is not compatible with the objectives of top management, where participation will be viewed as a "pretended" (Lubis, 2010, 240). This pseudo participative budgeting indicate that the superior invites subordinates to be involved, but does not have any influence in determining subordinate budget targets (Covaleski, et al, 2003).

Harmony and Togetherness in the Budgeting Process: Player's Participation in the Establishment of Work Program and Budget

The value of harmony in participatory budgeting is reflected in the budgeting meeting. First meeting was held immediately after the Rector's Decree on the Budget Committee was issued. This meeting discussed generally budgeting policies and also the budgeting process schedule. The new Foundation Decree on the University's Income and Expenditure Budget, as explained by the Rector in the meeting, should have been published before August, so giving opportunity to university to hold a leadership meeting immediately. On September 1, the new University's Income and Expenditure Budget can be implemented. At the inaugural meeting of the budget committee 2016/2017 for example the Rector makes a schedule that allows achieving to the implementation target on the University's Income and Expenditure Budget.

The first meeting at that time was held on May 10, 2016. The target of the University's Income and Expenditure Budget Plan is

completed in August. On August 2, the University's Income and Expenditure Budget Plan is discussed at the meeting of university senate with the main agenda of recommendation. Before the university senate meeting is discussed, the budget is taken to the Terrace Meeting which is scheduled before August 1. After this, the University's Income and Expenditure Budget Plan will soon be upgraded to the foundation and hope that in the first or second week of August, the decree of foundation on the University's Income and Expenditure Budget has come down as a reference in the implementation of the budget. The university will soon be able to hold a leadership meeting to discuss budget implementation. The results are set forth in the Rector's Decree on the implementation of budget. This budgeting process is expected to be a democratic process:

Budgeting process is a process of democratization to determine what we will do ... Build a commitment to be included in the Rector's decree (Rector).

All work units are expected to propose work programs and budgets. They were also asked to learn from the experience of the previous year's budgeting process which indicated a lack of research. Last year there were some activities that predictable but not budgeted. This activity is mainly related to student activities. Some activities are not budgeted, but must still be implemented include on student elections, student congress, and campus social responsibility. Some work programs are not

budgeted, the realization is taken from the work program budget that is not expected to be realized or taken from the rest of the other budget.

The work program proposed by the work unit certainly not all can be included in the budget, because there are limitations from the revenue side. The process of determining the budget amount for each work unit is discussed in the meeting of the budget committee and the terrace meeting. There are several priorities of budgeting policies that are determined by the Rector and some others are proposals from committee members. For example, the opinion of the Head of Personnel Division who proposed the existence of a new nomenclature is performance allowance. The payment schedule does not coincide with salary, such as mid-month, and is given only to employees who perform well. Therefore, there needs to be an indicator of performance appraisal, and cooperation from the head unit to conduct the assessment. Discussion of this proposal has not reached the point of contact until the last meeting, so it cannot be included in the budget.

Balance in Determination of Increase Allowances

The general policy of the budget in 2016/2017 is still the same as the previous two years of welfare improvement. This is as explained by the following rector:

The weight of the 16/17 budget is still the classic program that is improving the welfare, that mean the increase in salaries. The hope is with the increase in salary, take home the lowest employee in this university. But, this hope cannot be realized. These unachievable targets occur due to factors, budget constraints for salary increases, and an increase in Surabaya salary standard every year. But, even though what is targeted is not achieved, the pay rise shows that an commitment from management to improve welfare (Rector).

The teaching fee is also planned to be increased because strategic plan of the university is heading for Excellent Teaching University. The increase is certainly also limited and cannot maximize the expectations of lecturers. Improvement of welfare is also through to the increase of Functional Allowance for academic lecturers, with consideration of more than 10 years for this fixed benefit. The largest percentage increase to the allowance for the academic position of associate professor. This decision is the proposal of the researcher. The reason is not for its own sake, but based on the small consideration of the allowance difference between the associate professor and the assistance professor. Of course, this is not comparable or balanced with the various requirements that must be met to achieve the position of associate professor on today. On the basis of these considerations, the largest percentage increase is the associate professor another case, it increase in allowances is a 50% attendance, being the largest portion of salary and allowances increases. This increase is

expected to improve employee performance. But, based on observations made by researchers show that this increase has little effect on employee behavior. One of the weaknesses in the personnel system is the lack of real employee performance appraisal system. Although, there is already a team, but this team has not been able to work as expected. Inventory problems faced by this team need to be immediately, so the improvement of employee performance can support the development of university to the excellent campus can be realized soon.

Another opinion was conveyed by the Dean of the Faculty of Agriculture (FP), related to the priority of laboratory development.

Treatment of infrastructure is 60%. The Faculty of Agriculture many tools that must be standardized ... digital ... funds from students for example laboratory fund ... (Dean on the Faculty of Agriculture).

The Dean on the Faculty of Agriculture requested a priority regarding to the allocation of maintenance budget for infrastructure facilities for the Faculty of Agriculture laboratory needs, such as to standardize of laboratory equipment. Many digital lab equipment is requires re-printing. Another example is the facility and infrastructure development program proposed by the Administration and Public Bureau. There are many work programs related to the renovation of buildings and the addition of buildings that require a large budget. For example, in the 2016/2017 budget meeting there is a proposal for 27 infrastructure development facilities with

a total budget of 2.8 billion. The available budget of 3.1 billion and 2 billion will be used for the construction of new buildings. The remaining total of 1.1 billion. Because the available budget is smaller than the proposed work program there needs to be agreement from the budget committee on the priority of the work program. This agreement is through the budget committee meeting.

The balance was also seen when team discussed about doctoral allowance. The small differences in the magisterial and doctoral benefits are seen to be unfair. Judging from the period of study, the magister requires an average of two years of study, very much different from the period of doctoral studies. Based on these considerations, it is proposed to raise the doctoral allowance, while the master allowance remains. This proposal received a very diverse response from committee members. One of member committee believes that it is fair to raise all, but with different amount of increase. On this view committee Chairman (Vice Rector II) reminded about the ability of the university budget. If all is raised, then the deficit will get bigger. Besides that, BD insists on its stance. Raising or not raising the magister allowance, the budget will be deficit. Therefore, the budget is defeated only by raising the master budget. Judging from its contribution in the academic field, according to BD, lecturers who have master graduate and postgraduate that the same contribution in academic activities.

This debate was mediated by the Rector as personal in charge. The Rector gave direction to find the formula related to the increase of doctoral allowance, but it did not hurt to the lecturers who are still master and not racist. It is necessary to determine the amount of increase that considered proportional, not racist, and still fair. The Rector asked the opinion of the researcher (me):

In my opinion, not a racial or racist issue. When, the postgraduate study have a long process. Feel how hard it is to complete a PhD study. Once graduated we have hope. There should be an increase in postgraduate allowances, because it is a government regulation that all master graduate, then there is no need to increase for a researcher as well.

The opinion of the researcher as Vice Chairman of committee, master graduate in college is not something special, because the minimum requirement to be a lecturer is master graduated. It is precisely the most extreme of the master graduate allowance should be eliminated. The opinion of the researcher, is not because the researcher has been educated on postgraduate, but more on the consideration of proportionality. Different opinions are submitted by Dean of Faculty of Law. He argues that when viewed from the side of the process, even master graduate lecturer completing for his studies also experience for the process. They will also experience while continuing his studies to postgraduate level. In order not to be considered

racist. There are also be a rise to the master graduate allowance, albeit slightly. A similar opinion was conveyed by the dean of the Faculty of Administration. According to his master graduate problem is not rare or not rare. We must give a very important meaning of the existence of master graduate lecturers. There are any correlation related to level of education and performance. Not necessarily, we have many doctors, our universities are better, because many doctors have less contribution to university. Justice is not seen from rare or not rare.

Based on these various opinions, finally decided to increase the allowance for both doctoral and magister with the amount that is considered proportional. This decision is indicates a balance in the budgeting process.

CONCLUSION

The results of this study indicate that budgeting in university from fiscal year 2014/2015 has followed a participatory budgeting mechanism. Participation is seen both from the organizational structure and the process of budgeting. There is a change in the structure of the Committee that initially did not involve foundations and deans, starting from fiscal year 2014/2015 involving them. The results of the analysis on the structure for the budget committee show that Vice Rector II acts as a leader in the context of this budgeting. Rector as a leader in the group (level) of the university and Chairman of the Foundation acts as a leader at

the foundation level. Other budget committees act as players. Each person in the budget committee of different roles.

The harmony and togetherness in the budgeting process is reflected on the participation of players in the design of work programs. This process is in a democratic way. While, the balance is reflected to the determination of the budget increase in allowances. Each member of Panggar is asked to express an opinion related to a proportional, non-racial, and fair increase in benefits. Based on these various opinions finally members of the meeting made an agreement on the amount of increase in allowances that accommodate the interests of various parties.

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