



International Journal of Economic Research

ISSN : 0972-9380

available at <http://www.serialsjournal.com>

© Serials Publications Pvt. Ltd.

Volume 14 • Number 8 • 2017

Conflict of Interest Impact: Factors Analysis Affecting the Budget Quality in Medan City

Erlina

Faculty Economics and Business – University of Sumatera Utara (USU)

Jl. Prof. TM Hanafiah No.12 USU Campus, - Medan.

North Sumatera, Indonesia, Correspondence E-mail : erlina@usu.ac.id

Abstract: The objective of this study is to identify the prime factors affecting budget quality in Medan city. We find out to answer the following research questions; (1) what is the impact of budget reforms, public participation and commitment of budget user on the budget quality in Medan City, (2) what is the conflict of interest can moderate the impact of budget reforms. Budget reform, public participation and commitment of budget user on the budget quality in Medan City. Number of sample in this study is 109 respondents which analyzed to identify the critical factors that influenced the budget quality. The results from multiple regression analysis indicate that budget reforms, public participation and commitment of budget user contribute significantly to budget quality. Furthermore, conflict of interest might moderated the influence of budget reforms, public participation and organization commitment toward quality of budget. According to the result in deep interview, there are some other factors which affected budget quality, for example, (1) anxiety feeling to the possibility of doing the illegal things in carrying out the work, (2) the fail in auctions processes (price is not competitive, the auctions period is too short, etc.), (3) management project was bad: activities are accumulated at the end of the fiscal year, (4) Infrastructure development activities that are budgeted could not be completed as being budgeted in around October, and (5) Guidelines/Technical Guidelines special allocation fund published at the end of fiscal year.

Keywords: Budget Quality, Budget Reform, Public Participation, Commitment of Budget User and Conflict of Interest.

INTRODUCTION

In improving the service and welfare of the community, local governments should have a better financial management quality, especially to improve the quality of budgets. The local government budget is needed to determine the community needs. Community needs in the local budget was shown through the local

government expenditure. Because of the funding capability limitation, local governments should manage expenditure efficiently and effectively. Qualified budget is a budget that has structure and allocationsshownin society needs. According Rinusu (2003), the basic principles that must be accommodated in the budget is transparency, participatory, disciplinary, fairness, efficiency and effectiveness, as well as rational and measurable .

Many factors are expected to affect the quality of the local budget. Several studies have found that in carrying out the planning, implementation of planning theory would affect the quality of financial planning (Lawrence, 2000; Richardson, 2005). But just a few studies which comprehensively developed the theory of planning in the implementation of regional planning. Besides, there was a gap in the results of some previous studies which related to the factors that affect the quality of the local budget. In addition, there is still a gap between theory and research results about the quality of the budget. There are several factors that affect the quality of the budget, there are employee competence, their organization commitment, and the uncertainty of the environment that greatly affect budget plan that has been created before.

There are many studies that has been done about the budget, but just a few research on the factors that affect the quality of the budget have been done. Ben's (2014) had a research in Nigeria that showed the budget reform had a negative effect on the quality of the budget. Lismawati's research (2013) showed that the competence, motivation and knowledge level by Human Resources influenced the outcome of the budget in a better quality. Nita's research (2011) showed the budgetary participation affects the quality of the budget. Alif's studies (2010) showed that an employee's behavior affected the quality of the preparation of the budget. Bestari (2009) showed that the budget reform had a positive influence on the quality of the budget. Ari (2005) found that public accountability and performance-based budgets have not significantly affects the quality of the budget, but community participation and public transparency had significantly effected thebudget quality. Daniati (2012) showed the competence and motivation had a significant effect on the quality of the budget, beside that, regulation could not be a moderating variable in the effect of competence on budget quality but could be a moderating variable in the relationship between motivation and budget quality.

The agency problem reflected the existence of a conflict of interest. Conflict of interest is one of the factors that is suspected affecting the quality of the budget. The agency problem in local government is raising because of the asymmetry information between the executive-legislature and legislature-voters. This situations result in anopportunistic behavior in the budgeting process, which is even greater in local government than in the business field. Because there is a automatic checks in the form of competition (Kasper &Streit, 1999). According to Moe (1984) and Strom (2000), an agency relationship in public budgeting is between (1) the voter-legislative, (2) legislative-government, (3) finance minister user budgets, (4) the prime minister-bureaucrat, and (5) officials-servicer.Gilardi (2001) also explained that agency relationship as chains of delegation.

According to Abdullah and Halim (2006), the Legislature is both as the principal for the executive and agent for the voters. Asymmetry informations between the executive and the legislature become meaningless when legislature was using discretionary power in the budgeting process. The results on their studies indicate that (1) the legislature as an agent for voters have opportunist behavior in budgeting, (2) the amount of local revenue (the term in Indonesian is pendapatanaslidaerah or PAD) affects the legislature opportunist behavior, and (3) the local budget was used for political corruption.

Agency problems in local government, which legislature showed opportunistic attitude. The opportunism led to the quality of budget was worst. In preparing the budget, the role of legislature was relatively higher, when legislature used discretionary powers, so local budget was used as political corruption (and Halim Abdullah; 2006).

Medan, as the capital city of Sumatera Utara Province, expected to be an example to the other region in preparing budget. Infact for the last few years there was a varian between budget and realization. It indicatethat the budget quality in Medan was poor. In addition, the other indicators of the budget quality is that the budget should be given as a priority to the public welfare. Local budget in Medan has not been concerned with the welfare and the need of community. It can be seen from the percentage of direct expenditure and indirect expenditure as well as the percentage of expenditure on infrastructure, social, cultural and economic (Tarmizi *et al*, 2016). Table 1.1 and tabel 1.2. showed the budget composition in Medan.

Tabel 1.1
The Budget Composition in Medan City

<i>Discription</i>	<i>Year 2011</i>	<i>Year 2012</i>	<i>Year 2013</i>	<i>Year 2014</i>
Indirect Expenditure				
Employee Expenditure	0.4350	0.4860	0.4914	0.4465
Interest Expenditure	0.0007	0.0011	0.0015	0.0004
Grant Expenditure	0.0440	0.0128	0.0093	0.0096
Social Expenditure	0.0105	0.0049	0.0002	0.0001
Unexpected Expenditure	0.0003	0.0000	0.0002	0.0001
Financial Aid Expenditure	0.0004	0.0004	0.0004	0.0003
Total Indirect Expenditure	0.4909	0.5052	0.5030	0.4571
Direct Expenditure				
Wages Expenditure	0.0798	0.0910	0.1016	0.1038
Goods and Service Expenditure	0.2045	0.2189	0.1997	0.2286
Capital Expenditure	0.2248	0.1848	0.1956	0.2105
Total Direct Expenditure	0.5091	0.4948	0.4970	0.5429
Total Expenditure	1.0000	1.0000	1.0000	1.0000

*Sources:*Data Tabulation (2016).

Tabel 1.2
The Composition between expenditure on infrastructure, social and economic

<i>Tabun</i>	<i>Infrastructure</i>		<i>Social cultural</i>		<i>Economic</i>		<i>Total</i>	
	<i>Rp.</i>	<i>%</i>	<i>Rp.</i>	<i>%</i>	<i>Rp.</i>	<i>%</i>	<i>Rp.</i>	<i>%</i>
2011	222,334,832,000	69.48	81,092,826,624	25.34	16,577,130,000	5.18	320,004,788,624	100.
2012	157,987,259,250	73.01	54,606,740,500	25.23	3,801,626,150	1.76	216,395,625,900	100
2013	1,036,570,689,941	45.49	1,121,320,965,059	49.21	120,909,974,000	5.31	2,278,801,629,000	100
2014	1,127,947,012,000	47.92	1,097,696,941,900	46.64	128,124,777,000	5.44	2,353,768,730,900	100
2015	1,349,632,375,550	48.15	1,295,257,319,865	46.21	158,139,755,490	5.64	2,803,029,450,905	100

*Sources:*Data Tabulation (2016).

Based on previous studies and phenomena in Medan, we attempted to find out the factors which affect the quality of the budget. In this study, we estimate budget reform, public participation and commitment of budget user are affecting budget quality. In addition, we also attempted to find out a prove that the conflict of interest between the legislature and the executive will minimize the affect of budget reform, public participation and commitment of budget user to the quality of the budget.

Implementation of budget reforms which shown by public accountability, public participation, public transparency, and performance-based budgeting is expected to improve the quality of the budget. Research conducted by Sopanah (2003) showed that knowledge of the budget significantly influenced the budget supervision. In addition, public participation and the transparency of public policy can higher controlling functions by legislature. The higher the supervision conducted by the legislature, the budget process will be more qualified.

Their budgeting reforms will increase the quality of the budget. If this can be proven, the democratic local government in accordance with the principles of good governance are clean and free of corruption is very likely to be reached if each region promoting the principles of public accountability, public participation, public transparency while budget was prepared (Dalimunthe, *et al*, 2016). There are two points behind the need to reform the budget system. First, based on the evaluation system applied to the budget over 30 years or dual budget system identified as a weakness, which is the lack of budgetary discipline where there are two separate management budget systems. Ratnawati (2009) said that the fiscal sustainability had shown less guarantee. This is caused by the system that was adopted in a single budget year and zero-based budgeting, lack of transparency, lack of efficiency levels, and lack of accountability. Secondly, in line with the development of modern financial management system, Indonesia need to reform its budgeting system, Indonesia must adopt the principles of public finance management which is used internationally.

In local government organizations, managers in division (division in Indonesian is called SKPD) often called the budget users (in Indonesian is called Pengguna Anggaran). Commitment of budget users is very important in public financial management. The higher Commitments of budget users will improve the quality of the organization's work. In improving the quality of the budget in each SKPD, budget user has commitment in doing their role as interpersonal roles, informational role and the role of decision makers.

Public participation is the process by which an organization consults with interested or affected individuals, organizations, and government entities before making a decision. Public participation is two-way communication and collaborative problem solving with the goal of achieving better and more acceptable decisions. Public participation in the process of implementation of financial management especially visible in the budgeting process. In the budgeting process, the local government has always held a Planning Meeting with public (in Indonesian is called *Musrenbang*).

Current development paradigm, society is regarded as prime actors in local development. It's mean, the government no longer as a provider and implementer, but rather act as a facilitator and catalyst of development dynamics, resulting from planning to implementation, the public has the right to get involved and provide input and take good decisions, in order to meet their basic rights, one of which musrenbang. Musrenbang is planning a public forum (program) held by public institutions such as government villages/wards, districts, the city/county in cooperation with citizens and stakeholders. forum of Planning is one of the government's duty to organize government affairs and community development.

Development will not succeed if only one of the three components of governance (government, public, private) has no well function. Therefore, planning forum as education forum for residents to become an active part of the governance and development. In different ways Musrenbang actually indirectly will provide learning communities to manage the program and the funds collected from them which have been submitted to the state by paying taxes, levies and other charges are legitimate, so that communities are able to plan and implement a program of activities based real needs. According to conflict of interest or the agency problem, Mitnick (1973), Lupia (2001), and Shapiro (2005), argued that the conflict of interest arises from agency theory conventionally, because of the differences of interest between principal and agent, the consequences on agency costs.

In fact, the agency relationship in the organization of government becomes an important concept. This is because the regular activities of the organization is always in touch with the delegation of authority, such as on a local scale, providing health care, education, and a variety of other services related to society, all delegated to lower levels. The problem is, so far there is no a real concept (theory) that represents a model of agency relationships in the government sector. Studies related to the agency relationship between executive-legislature have done by some researchers (see Thompson and Jones, 1986; McCubbins et al., 1987; Christensen, 1992; Lupia, 2001; and Fozzard, 2001). They made a linkages of public sector accounting model and agency relationship into the surveillance system (Lubis, *et al*, 2016), the manipulation of the budget, information asymmetry, and a system of incentives between the executive and the legislature. Therefore, it is interesting to examine further the agency relationship executive and the legislature in the budget process in local government.

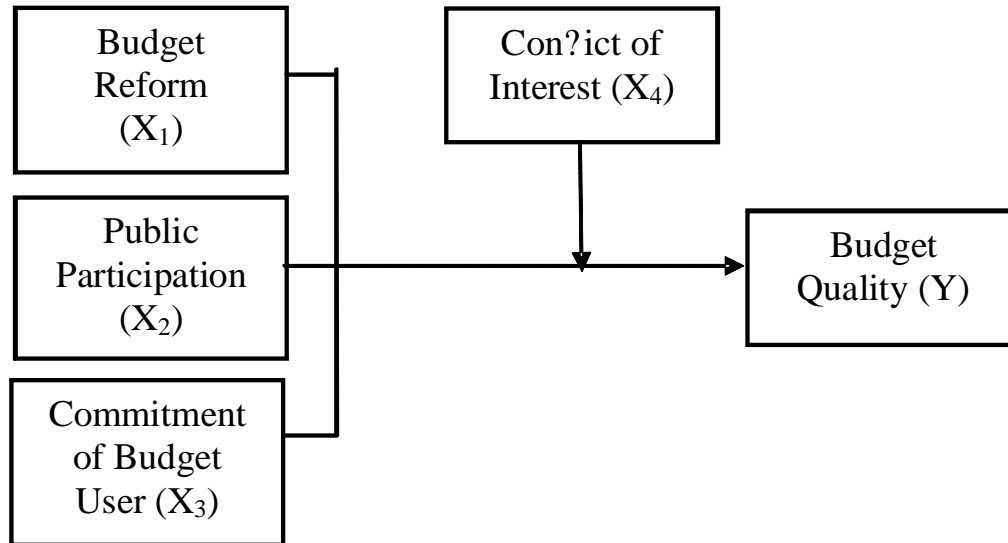
The study was motivated by research conducted by Niskanen (1971, 1975) and Weingast (1983). Research Niskanen (1971, 1975) said that the executive responsible for the inefficiency of government budgets. He prefers Program focused on the role of the executive in the agency relationship. While on the other hand, research Weingast (1983) shows that the legislature was responsible for the chaos on government finances caused by weak supervision. In his research in the United Kingdom local government, he considers that the agency relationship in the government dominated by the legislature. This is because, empirically, the legislature is executive superiors in the hierarchy of governmental authority he was the principal and the executive agent.

METHOD

This was a causal study. The analysis unit of this study are budget users, the secretary of division, and program unit in Medan. Data collection methods was conducted using questionnaires (Muda, *et al*, 2015 and 2016). The dependent variable is quality of budget, and independent variables are: (1) Budget Reform, (2) Public Participation (3) Commitment of budget user,. Conflict of interest is a moderating variable. Hypotheses testing by using multiple regression analysis and residual method. Research model was showed on figure 1.

RESULT

The result of this study showed that the budget reform, public participation and commitment of budget user affect the quality of the budget both simultaneously and partially. The influence of budget users, commitment of budget users and public participation to the quality of budget relatively small is only



15.9%. Results of this study prove there are still many other variables that affect the quality of the budget in local government in Indonesia. The results showed that the budget reform affects the quality of the budget. But this study has a different result from Ben's study (2014). But this study supported research conducted by Tang (2008). Commitment of budget users has a significant effect on the quality of the budget. This study supports research conducted by Norton (2008), Brody (2008), Tang (2008). Public participation affects the quality of the budget as research conducted by Tang (2008), Brody (2008) and Sunardi (2005). Based on the results of this study, only 15.9% of the quality of budgets is affected by the budget reform, commitment of budget user and public participation, and there are 84.1% of other variables that affect the quality of the budget. To find other factors that affect the quality of the budget, we conducted deep interviews with budget users and local government stakeholders. Based on interviews with heads of local work units, there are several major factors that could cause achieving the budget/low budget absorption, including the following:

1. Feel anxiety to the possibility of breaking the law in carrying out the work
2. Failure in auction process (price is not competitive, the auction period is too short, etc.)
3. management project was the worst: activities to accumulate at the end of the fiscal year
4. Infrastructure development activities are budgeted around the end of October.
5. Guidelines/Technical Guidelines special allocation fund published at the end of the year.

The reason why the local government cannot realize the budget because the government cannot achieve the target revenue that was sourced from the local revenue. Subowo (2016) argued in a seminar about 'The Problem in Absorption of Budget' which explained the cause of not achieving the budgets of local revenue are:

- Data of taxpayers and retribution is not valid
- The value of tax to be paid to the government by agreement
- The government has not made a regent/mayor regulation about local
- Self assessment:

1. Taxpayers reported disorderly
2. The absence of tax audits on taxpayers suspected of potentially deviant.

Revenues which in control by the regional government is the local revenue. Local revenue consist of local income taxes, regional levies, revenue from management of asset and other regional revenue (Lubis *et al*, 2016). In recent years, the city of Medan did not achieve the target revenue. There are some mayor rules as derivatives regulation should be revised revenue. For example, Mayor Regulation on Underground Water Tax, where the determination of the amount of the base price of water is considered too low compared to other areas. Expenditures which are under the control Local Government are: (1) Goods and service expense, (2) Grant expense, (3) social expense, and (4) Capital expenditures. One component of expenditure that have absorption rate only 80% nationally is grant expense. the Lower absorption of grant expense because of the requirement is not fulfilled in accordance with Regulation 32/2011 and no. 39/2012 regarding administrative documents (proposal, the integrity pact, a Memorandum of Agreement Regional Grants, etc.). and doesn't meet the requirements Act 23 of 2014 on Regional Government, Government Regulation no. 2/2012, and Regulation no. 14/2016. The lower absorption of allegedly caused by the problem as follows:

1. Grant expenditure to vertical agencies have not been reported to the Minister of Home Affairs and the Minister of Finance.
2. Doesn't meet the requirements for the disbursement (status of legal entity and the proposal are not listed in the elaboration of the budget, not by name and by address)
3. The grant recipients have not been or was late in submitting accountability report
4. The using of grant is not accordance with to the manuscript Regional Grant Agreement (NPHD).

With the provision that the draft budget on the following year must be approved no later than November of the current year, the local governments have already held the discussions with board members that the budget committee. The circular regarding the size of the Special Allocation Fund is often up to the local government after the completion of the budget discussions with the budget committee, so that revenues and expenditures are derived from these funds are not included in the draft budget on that following year. If the activity is not included in the budget, so the expenditure is not to be executed. Implementation of this expenditure must wait for changes on the budget revenue and expenditure (PAPBD) is usually done as soon as possible on September. If legality of the budget changes occurred on September, the local government did not have sufficient time to carry out these activities. The implementation process of shopping requires a relatively long time, the auction process alone could reach 3 months.

CONCLUSION AND RECOMENDATION

Reform of the budget, the commitment of budget user and public participation significantly affect either simultaneously or partially on the quality of the budget. Conflicts of interest moderate the impact of budget reform, budget user commitment and community participation to the quality of the budget.

REFERENCES

Abdullah, Syukriy. (2004), Opportunistic behavior Legislative Budgeting area: Approach the principal-agent Theory. Paper presented at *the Seminar between nations at the University of Bengkulu*, Bengkulu, October 4-5, 2004.

- Alif. (2010), Influence of Knowledge, Regulation, and employee behavior on the Quality of Budgetary. *Thesis*. University of Andalas.
- Allen, N. J. & J. P. Meyer. (1997), *Commitment in The Workplace Theory Research and Application*. California: SagePublications.
- Arnstein, S. (1969), *A Ladder of Citizen Participation*, 35(4). 216-224.
- Bastian, I. (2001), *Public Sector Accounting*.BPFE Publishers. Yogyakarta.
- Ben-Caleb Egbide, Adeyemi Kenneth Sola, Iyoha Francis, (2014), *Journal of Accounting and Auditing : Research & Practice*, Vol. 2014, Article ID 207739.
- Berke PR, (2002), Does sustainable development offer a new direction for planning? Challenges for the twenty-first century. *Journal of Planning Literature*: 21–36.
- Berke PR, Conroy M M, (2000), “Are we planning for sustainable development? An evaluation of comprehensive plans”, *Journal of the American Planning Association*: 21–33.
- Berke PR, French SP, (1994), The influence of state planning mandates on local-plan quality. *Journal of Planning Education and Research* : 237– 250.
- Berke PR, Beatley T, Wilhite S, (1989), Influences on local adoption of planning measures for earth-quake hazard mitigation International. *Journal of Mass Emergency Disasters* 33–56.
- Berke P R, Roenigk D, Kaiser E, Burby R, (1996), Enhancing plan quality: Evaluating the role of stateplanning mandates for natural hazard mitigation. *Journal of Environmental Planning and Management*: 79–96.
- Berke P, Backhurst M, Day M, Ericksen N, Laurian L, Crawford J, Dixon J, (2006), What makes plan implementation successful? An evaluation of local plans and implementation practicesin New Zealand. *Environment, Planning and Design*: 581–600.
- Bestari Dwi Handaya. (2009), Effect of Budgetary Reform on the Quality of Semarang city budget, *Journal of Accounting Dynamics*. 1(1). 31-40.
- Brody S D, (2003a), Measuring the effects of stakeholder participation on the quality of local plans based on the principles of collaborative ecosystem management. *Journal of Planning Education and Research*: 407–419.
- Brody S D, (2003b), Implementing the principles of ecosystem management through local comprehensive land use planning, *Journal of Population and Environment*: 511–540.
- Brody SD, (2003c), Are we learning to make better plans? Along it udinalanalys is of plan quality as- sociated with natural hazards. *Journal of Planning Education and Research* 23: 191–201.
- Brody S D, (2003d), Examining the role of resource-based industries in ecosystem approaches to management: an evaluation of comprehensive plans in Florida. *Society and Natural Resources* 625–641.
- Brody SD, High field WE, (2005), Does planning work? Testing the implementation of local environmental planning in Florida. *Journal of the American Planning Association* 71: 159–175.
- Brody SD, Godschalk DR, Burby RJ, (2003), Mandating citizen participation in plan making: six strategic planning choices. *Journal of the American Planning Association* 69: 245–264.
- Brody SD, Carrasco V, Highfield WE, (2006), Measuring the adoption of locals prawl reduction planning policies in Florida. *Journal of Planning Education and Research* 25: 294–310.
- Burby RJ, (2003), Making plans that matter: citizen involvement and government action. *Journal of the American Planning Association* 69: 33–49.
- Burby RJ, (2005), Have state comprehensive planning mandates reduced insured losses from natural disasters. *Natural Hazards Review* 6: 67– 81.
- Burby RJ, May P, (1998), Inter governmental environmental planning: addressing the commitment conundrum. *Journal of Environmental Planning and Management* : 95–110.
- Carter, William K. and Milton F. Usry, (2002), *Cost Accounting, Buku 1*, Edisi 13, Alih Bahasa : Krista, Salemba Empat Publishers, Jakarta.

- Christensen, J.G. (1992), Hierarchical and Contractual Approaches to Budgetary Reform. *Journal of Theoretical Politics*. 4(1): 67-91.
- Daniati Putri, (2012), Competence and Motivation Influence on the Quality of Budget Regulation as Variable Moderasi Pada Padang Local Government. *Thesis*. Andalas University.
- Dalimunthe, D. M. J., Fadli, and Muda, I. (2016), The application of performance measurement system model using Malcolm Baldrige Model (MBM) to support Civil State Apparatus Law (ASN) number 5 of 2014 in Indonesia. *International Journal of Applied Business and Economic Research*. 14(11), 7397-7407.
- Fozzard, Adrian. (2001), The basic budgeting problem: Approaches to resource allocation in the public sector and their implications for pro-poor budgeting. Center for Aid and Public Expenditure, Overseas Development Institute (ODI). *Working Paper 147*. www.odi.org.uk/resources/odi-publications/working-papers/147-resource-allocation-public-sector-pro-poor-budgeting.pdf.
- Ghozali, Imam. (2012), *Applications to the program Analisis Multivariate 20*. IBM SPSS 6th Edition Publisher Agency Diponegoro University, Semarang.
- Greenberg & Baron, (1993), *Behavior in Organization*, fourth edition, Boston: Allyn and Bacon.
- Halim, Abdul & Syukriy Abdullah. (2006), Relationships and agency problems in local governance: a budget and accounting research opportunities. *The Government Accounting Journal* 2(1): 53-64.
- Irianto, Agus. (2007), *Statistics Basic Concepts and Applications*. Kencana, Jakarta.
- Jensen M.C.; dan W. Meckling. (1976), Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*. 11(4): 5-50.
- Kasper W, Streit ME. (1998), *Institutional Economics: Social Order and Public Policy*. Cheltenham UK: Edward Elgar.
- Laurian L, Day M, Berke P, Ericksen N, Backhurst M, Crawford J, Dixon J, (2004), Evaluating plan implementation: a conformance-based methodology. *Journal of the American Planning Association* 70: 471-480.
- Lawrence DP, (2000), Planning theories and environmental impact assessment. *Environmental Impact Assessment Review* 20: 607-625.
- Lismawati, (2013), Effect of Human Resources, Ceiling Budget, And The Quality of Regulation Changes In Local Government Provincial Budget Bengkulu, *Human Resources Management*, University of Bengkulu.
- Lowry K, Adler P, Milner N, (1997), Participating the public: group process politics and planning. *Journal of Planning Education and Research* 16: 177-187.
- Lupia, Arthur; dan Mathew McCubbins. (2000), Representation or abdication? How citizens use institutions to help delegation succeed. *European Journal of Political Research*. 37: 291-307.
- Lubis, A., Torong, Z.B., and Muda, I. (2016), The urgency of implementing balanced scorecard system on local government in North Sumatra – Indonesia. *International Journal of Applied Business and Economic Research*. 14(11). pp, 7575-7590.
- Lubis, A.F., Lubis, T.A., and Muda, I. (2016), The role of Enterprise Resource Plan (ERP) configuration to the timeliness of the financial statement presentation. *International Journal of Applied Business and Economic Research*. 14(11). 7591-7608.
- Mardiasmo, (2002), *Autonomous Region as an Effort to Strengthen Regional Economic Base*. People Economic Journal. Available in http://www.ekonomirakyat.org/edisi_4/artikel_3.htm. Accesed on January 12, 2016.
- Mardiasmo, (2006), Embodiments of Public Accountability Through Transparency and Public Sector Accounting: A Means Good Governance. *Government Accounting Journal*, 2(1).1-17.
- Muda, I and Abykusno Dharsuky. (2015), Impact of Region Financial Information System (SIKD) Quality, Role Ambiguity And Training on Precision of Financial Statement of Local Government Presentation In North Sumatra. *International Journal of Applied Business and Economic Research*, 13(6). pp.4283-4304.
- Muda, I, Marlon Sihombing, Erni Jumilawati and Abikusno Dharsuky. (2016), Critical Success Factors Downstream Palm Oil Based Small and Medium Enterprises (SME) In Indonesia. *International Journal of Economic Research*. 13(8), pp. 3531-3538.

- Muda, I., Dharsuky, A., Sadalia, I., and Siregar, H.S. (2016), Impact of capital investments and cash dividend policy on Regional Development Bank (BPD) PT. Bank Sumut to the district own source revenue and economic growth. *International Journal of Applied Business and Economic Research*. 14(11), pp.7863-7880.
- McCubbins, M. D., Noll, R. G. And Weingast, B. R. (1987), Administrative Procedures as Instruments of Political Control, *Journal of Law, Economics, and Organizations*, 3(2): 243-286.
- Mauritz. (2008), *Implementation of changes in the budgeting system that is more responsive to improving the performance of government agencies*. (Online), (<http://danarakcatreasury.wordpress.com>, accessed June 15, 2013).
- Meyer, J. dan B. Rowan. (1977), Institutionalized Organizations Formal Structure as Myth and Ceremony. *The American Journal of Sociology*.
- Mitnick, B. M. (1973), Fiduciary Responsibility and Public Policy: The Theory of Agency and Some Consequences. *Presented at Annual Meeting American Political Science Association, 69th*. New Orleans, Los Angeles.
- Mizruchi, M. S. dan L. C. Fein. (1999), The Social Construction of Organizational Knowledge A Study of the Uses of Coercive, Mimetic, and Normative Isomorphism. *Administrative Science Quarterly*.
- Modway, R.T., R.M. Steers, and L.W. Porter. (1979), The Measurement of Organizational Commitment. *Journal of Vocational Behavior*. 14.
- Moe, Terry M. (1984), The New Economics of Organizations. *American Journal of Political Science*. 28(4): 739-77.
- Niskanen, W. A. (1971), *Bureaucracy and Representative Government* Institutional Reform: A Public Policy Perspective, Gower Publishing Company, Worcester.
- Niskanen, W. A. (1973), Bureaucracy: Servant or Master?, in Cope, Stephen, 2000, Assessing Rational Choice Models of Budgeting From Budget Maximising to Bureau Shaping: A Case Study of British Local Government. *Journal of Public Budgeting, Accounting and Financial Management*. 12: 4.
- Niskanen, W. A. (1975), Bureaucrats and Politicians. *Journal of Law and Economics*. 18(3): 617-43
- Nita, Febri Antika, (2011), Effect of Budget Participation Against Environmental Quality Articles With Uncertainty For Moderating Variables. *Thesis*, University of Jember.
- Norton RK, (2005), Local commitment to state-mandated planning in coastal North Carolina. *Journal of Planning Education Research* 25: 149–171.
- Petrie, Murray. (2002), A framework for public sector performance contracting. OECD. *Journal on Budgeting*: 117-153.
- Richardson T, (2005), *Environmental assessment and planning theory: four short stories about power multiple rationality and ethics*” *Environmental Impact Assessment Review* 25: 341–365.
- Rival, Verthzal (2006), *Human Resource Management Company To: From Theory to Practice*, First edition. Pt. King Grafindo Persada, Jakarta.
- Robbins, Stephen P. (2006), *Organizational Behavior*. The tenth edition. Jakarta: PT Gramedia Group Index.
- Santoso, Singgih. (2012), Application of SPSS in Statistical Parametric. Elex Media Komputindo Publishers, Jakarta.
- Sopannah. (2003), Effect of Public Participation and Transparency Public Policy Knowledge of the relationship between the Council of the Budget by the Financial Supervision Area. *Thesis Not Publish*. Yogyakarta: Gadjah Mada University Graduate.
- Shapiro S. P. (2005), Agency theory, *Annual Review of Sociology*. 31: 263.
- Smelser; dan Paul B. Baltes, (2001), (eds.), *International Encyclopedia of the Social and Behavioral Sciences*, 5: 3375-3377, Elsevier Science Limited, Oxford, UK.
- Strom, K. (2000), Delegation and accountability in parliamentary democracies. *European Journal of Political Research* 37: 261-289.
- Subowo. (2016), *Problems Absorption Budget*. Ceminar Lecturer in Public Sector Accounting Forum. Semarang.

Conflict of Interest Impact: Factors Analysis Affecting the Budget Quality in Medan City

- Sunardi, Ari. (2005), Budgetary effect of the reform on the quality of the Regional Budget (APBD). *Theses*. Gadjah Mada University.
- Tarmizi, H.B., Daulay, M and Muda, I. (2016), The influence of population growth, economic growth and construction cost index on the local revenue of tax on acquisition of land and building after the implementation of law no. 28 of 2009. *International Journal of Economic Research*. 13(5). pp. 2285-2295.
- Tang, Zhenghong, (2008), Linking planning theories with factors influencing local environmental-plan quality. *Community and Regional Planning Program: Faculty Scholarly and Creative Activity. Paper 5*.
- Thompson, F; dan L.R. Jones. (1986), Control lershipin the Public Sector. *Journal of Policy Analysis and Management*. 5(3): 547-571.