

## ABSTRAK

### **An Analysis of Budget *Incrementalism* on Budget Revision of Regional Government in Indonesia**

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Low absorptive capacity at the local government budget reflected that planning in the budget process of local governments is weak and immature so that it triggered the need on budget revision. Because, the system used in the budgeting process was old approach which was traditional. Whereas, when the government has already implemented performance-based budgeting. Characteristics of this approach are *line items* and *incrementalisme* nature so that it is difficult to see harmonization between revenue and input-oriented expenditure, and an annual perspective

This study aims to obtain empirical evidence that the level of *incrementalisme* on current expenditure and capital expenditure, fiscal capacity, Gross Domestic Product (GDP) and the geographical area affect the revision of budget revenue and expenditure budget on the local government city / regency in Indonesia.

The data used in this research were secondary data from local laws or regulations of mayor that provide details on the budget, budget changes and Budget Realization Report 2012 and 2013, and the data on the GDP of each region including data from the General Directorate of Fiscal Balance (DJPK) Ministry of Finance Republic of Indonesia taken from [www.djpk.kemenkeu.go.id](http://www.djpk.kemenkeu.go.id) and [www.bps.go.id](http://www.bps.go.id). The analysis tool used was SPSS 20.

Results of testing the hypothesis of the regression equation *incrementalisme* level of spending (operating expenditure and capital expenditure) has a negative influence on the revised operating budget and capital budget revision. Financial capability in each region has a negative effect on the operating expenditure budget revision and the revision of the capital expenditure. Gross Regional Domestic Product (GDP) will influence the revision of the capital expenditure budget, the influence of the GDP shows a positive coefficient. For geographical area, which distinguished between the islands of Java and outside Java showed their effect on the budget revision operational and capital expenditure budget revision.

Keywords: Level of budget *Incrementalisme*, financial capability and budget revision

