

ABSTRACT

A ratchet effect is a form of budget setter's opportunistic behavior bias in determining and planning budgets. Abdullah and Junita (2016) mention the ratcheting effect occurs when the government uses previous year information as the basis for determining the next year's budget. This study aims to determine the existence of a ratchet effect in the region origin revenue (PAD) and direct expenditure budgets.

This study use Satuan Kerja Perangkat Daerah (SKPD) of Central Java Province Government as research object for period between 2017 to 2020. The sample selection was carried out by purposive sampling method on 44 SKPD resulting in 21 sample which has region original income (PAD) component and 33 samples which has direct expenditure component. Total observed object used to examine ratchet effect in PAD budgeting is 6 observation and 99 observation used to examine ratchet effect in direct expenditure budgeting. Simple linear regression analysis was used to test the hypothesis of this study.

The results show that ratchet effect occurs in the budgeting of local revenues and direct expenditures. The results of the study prove that there is a ratchet effect in the preparation of the budget in the Central Java Provincial Government.

Keyword: Ratchet Effect, Region Origin Revenue (PAD), Direct Expenditure.