



Political Budget Cycles, Retrospective Voting, and Candidate Strength in Indonesian Local Elections

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Abstract

This study examines the structural relationships among fiscal strategy, intergovernmental transfers, financial accountability, economic development performance, candidate strength, and incumbent electoral performance in local elections. The study uses secondary data from 214 Indonesian regencies and municipalities where incumbent regional heads or deputy heads ran again in the 2020 simultaneous local elections. Fiscal indicators are measured using realized local budget data and audit results from the 2019 local government budget, representing the pre-election period, while electoral performance is measured using election results and incumbent vote share. The data are analyzed using Structural Equation Modeling–Partial Least Squares. The findings show that candidate strength has the strongest structural relationship with incumbent electoral performance in the specified model. Among the fiscal strategies examined, only the revenue strategy shows positive structural relationships with both economic development performance and incumbent electoral performance. Expenditure strategy and intergovernmental transfers are negatively associated with economic development performance and do not show direct structural relationships with incumbent electoral performance. Financing strategy is not significantly related to either development or electoral performance. Financial accountability shows a positive structural relationship with economic development performance, but not with incumbent electoral performance. The mediation test indicates that economic development performance does not mediate the structural relationships between fiscal strategy, intergovernmental transfers, financial accountability, and incumbent electoral performance. These findings suggest that, in the specified model, incumbent electoral performance is more closely associated with candidate strength and local revenue capacity than with economic development performance as a retrospective voting mechanism.

Keywords: *Political Budget Cycle, Financial Accountability, Economic Development Performance, Candidate Strength, Incumbent Electoral Performance.*

INTRODUCTION

Local elections constitute a democratic mechanism through which voters select regional leaders and, at the same time, evaluate the performance of incumbent local governments. For incumbents, local elections are not merely arenas of electoral competition; they also serve as mechanisms of public accountability, as voters may assess whether previous political promises have been translated into tangible development outcomes. The theory of retrospective voting explains that voters evaluate governments based on past performance before making subsequent electoral choices (Fiorina, 1978; Healy & Malhotra, 2013). Voters tend to respond more strongly to outcomes that are visible and directly experienced, such as local economic growth, declining unemployment, basic service delivery, and administrative performance, rather than to highly technical administrative indicators (Fatika Rizki & Rusdianto, 2024; Rumayya et al., 2020). In this context, retrospective voting becomes an important catalyst for the emergence of the Political

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Budget Cycle (PBC), as voters evaluate incumbents based on economic and development performance that becomes visible before elections. PBC explains fiscal behavior shaped by electoral cycles. Nordhaus (1975) argues that governments seeking re-election may use economic policy instruments to create electorally favorable conditions. Incumbents may therefore have incentives to adjust fiscal policy to shape perceptions of government performance.

From a public choice perspective, political actors do not always act solely in the public interest; they may also be motivated by the desire to maintain power (Buchanan, 1999). In fiscal decentralization, regional heads have authority over local budgets, particularly the Regional Revenue and Expenditure Budget (*Anggaran Pendapatan dan Belanja Daerah* or *APBD*). This authority enables them to use revenue, expenditure, financing, and transfers from higher levels of government to create signals of development performance ahead of local elections. Thus, retrospective voting creates electoral pressure on incumbents, while PBC explains the fiscal responses of incumbents to such pressure. Initially, PBC was often explained through deficit expansion or aggregate economic stimulus. However, subsequent literature shows that modern PBC more frequently appears through changes in budget composition rather than aggregate deficits alone. Incumbents may reallocate budgets toward expenditures that are more visible to voters, such as grants, social assistance, goods and services expenditure, capital expenditure, public services, or local infrastructure programs (Drazen & Eslava, 2010; Galinski, 2025; Rakhman & Saudagaran, 2023). Recent studies also suggest that PBC may emerge through revenue adjustments, the use of financing, and the utilization of intergovernmental transfers before elections (Bury & Feld, 2026; Galinski, 2025; Rakhman & Saudagaran, 2023).

In Indonesia, local-level PBC has attracted increasing scholarly attention. David et al. (2024) show that local elections affect the budgeting patterns of local government functions, particularly social functions, public facilities, security, and other functions that are easily observed by the public. PBC has also been found in grant expenditure, goods and services expenditure, and capital expenditure, and has been associated with increasing regional financial losses in election years in incumbent regions (Ghaniyar & Qibthiyyah, 2021; Tanjung & Alamsyah, 2023). In addition, political budget cycles may be reflected in local government financial statements through changes in surplus and cash balances before elections (Rakhman & Saudagaran, 2023). Nevertheless, incumbent fiscal strategies do not automatically generate electoral benefits. Voters may not evaluate the local budget as a set of technical figures; instead, they are more likely to assess visible and experienced development outcomes. For this reason, this study positions economic development performance as a mediating variable between PBC and incumbent electoral outcomes. Revenue, expenditure, financing, and transfer strategies may acquire electoral value only when they are translated into better economic growth, lower poverty, lower unemployment, and higher Human Development Index scores. Rumayya et al. (2020) show that local economic conditions and unemployment are associated with the re-election prospects of regional heads in Indonesia. Other studies also indicate that fiscal assistance, local economic growth, public services, and visible development outcomes may increase support for incumbents, particularly when voters are able to attribute such achievements to local governments (Clemens et al., 2025; Rumayya et al., 2020).

In addition to economic development performance, financial accountability is also important in validating and explaining incumbent electoral outcomes. Normatively, the audit opinion issued by the Audit Board of Indonesia (Badan Pemeriksa Keuangan or BPK) on local government financial statements is often understood as a signal of financial management quality. However, an audit opinion does not always indicate low corruption or strong substantive accountability. Heriningsih and Marita (2013), in their study of regency and municipal governments in Java using 2008–2010 data, found that audit opinion and local government financial performance did not affect the level of corruption. Thus, even when a local government receives an unqualified opinion, this does not

necessarily prove that its financial management is free from corruption (Heriningsih & Marita, 2013). This phenomenon is electorally relevant because BPK audit opinions are often used as symbols of local government success. Herodwijanto, former Head of the BPK Representative Office in East Java, stated that an unqualified opinion may be used as a “selling point” by local head candidates to demonstrate the success of a local government, while qualified, adverse, or disclaimer opinions may be used as “weapons” by political opponents to portray the failure of the previous administration (Jajeli, 2017). Therefore, an audit opinion does not only have administrative meaning, but it can also become an instrument of political communication in local elections. However, because an audit opinion does not necessarily indicate that a region is free from irregularities, this study conceptualizes financial accountability more broadly, including audit opinion, audit findings, follow-up of audit recommendations, and budget leakage.

Previous studies have provided important evidence on PBC, financial accountability, economic performance, and incumbent re-election. However, most studies have examined these relationships only partially. PBC studies generally focus on changes in expenditure, deficits, transfers, or financial statements. Studies on retrospective voting tend to emphasize the relationship between economic performance and voter choice. Meanwhile, studies on financial accountability often focus on audit opinion, audit findings, or corruption without simultaneously linking them to APBD strategies, economic development performance, and incumbent electoral outcomes. Methodologically, prior research has mostly relied on panel regression, probit/logit models, difference-in-differences, event studies, or systematic literature reviews. Relatively few studies have examined direct and indirect structural relationships among these variables within an integrated empirical framework. These limitations indicate the need for a framework that connects fiscal strategy, financial accountability, economic development performance, candidate strength, and incumbent electoral performance in a single model. The contribution of this study lies in its integrated examination of fiscal governance, development performance, political competition, and electoral accountability in decentralized local government. SEM-PLS is used as an analytical approach because it enables the assessment of structural relationships among composite constructs, including direct and indirect paths through a mediating variable. In this study, economic development performance is positioned as a mediating pathway through which APBD strategies and financial accountability may be statistically linked to incumbent electoral performance.

Based on the above discussion, this study examines the structural relationships among Political Budget Cycle indicators, intergovernmental transfers, financial accountability, economic development performance, and incumbent electoral performance. Economic development performance is positioned as a mediating pathway between fiscal-governance indicators and incumbent electoral performance. The study focuses on Indonesian regencies and municipalities where incumbents ran again in the 2020 local elections. This study contributes to the literature on retrospective voting, Political Budget Cycles, local financial accountability, and electoral accountability in Indonesia’s decentralized public administration.

LITERATURE REVIEW

Political Budget Cycle

The *Political Budget Cycle* (PBC) explains incumbent fiscal behavior that is shaped by electoral cycles. In Nordhaus’ (1975) theory, governments have incentives to use economic instruments before elections to increase their chances of re-election. Subsequent theoretical developments show that PBC does not only appear through aggregate deficits, but also through changes in budget composition that are more visible to voters, such as grant expenditure, social assistance, goods and services expenditure, capital expenditure, and local infrastructure programs (Nordhaus, 1975; Rogoff, 1990; Shi & Svensson, 2006). The theoretical logic underlying this study

also emphasizes that *retrospective voting* catalyzes PBC because voters evaluate incumbents based on economic performance that becomes visible before elections.

In the context of fiscal decentralization, PBC operates through the local government budget, or APBD. Incumbent regional heads have room to use revenue, expenditure, financing, and transfer strategies to shape perceptions of development performance. Recent studies show that PBC may appear through increases in grant expenditure, social assistance, goods and services expenditure, capital expenditure, changes in fiscal balances, and the use of intergovernmental transfers before elections (Ghaniyar & Qibthiyyah, 2021; Rakhman & Saudagaran, 2023; Tanjung & Alamsyah, 2023). The literature also indicates that intergovernmental transfers may serve as fiscal resources that expand the scope of incumbent electoral strategies, making them relevant to the concept of the *Indirect Political Budget Cycle* or iPBC.

However, not every increase in expenditure before an election should automatically be interpreted as manipulation. Higher expenditure may also reflect development needs, program implementation, or the normal budget planning cycle. Therefore, this study neutrally positions PBC as an electoral fiscal strategy that requires empirical testing through indicators of revenue, expenditure, financing, and transfers.

Financial Accountability

Financial accountability refers to a governance mechanism that indicates the extent to which local governments manage their budgets in an orderly, transparent, and accountable manner. In local government, financial accountability may be reflected in audit opinions, audit findings, weaknesses in internal control systems, non-compliance with regulations, follow-up of audit recommendations, and fiscal transparency.

Normatively, the audit opinion issued by the Audit Board of Indonesia, or BPK, is often regarded as a signal of the quality of financial management. However, the literature shows that audit opinion does not always reflect substantive accountability. Heriningsih and Marita (2013) found that audit opinion and local government financial performance did not affect corruption levels in regencies and municipalities in Java. This suggests that an unqualified opinion does not necessarily mean that local financial management is free from corruption (Heriningsih & Marita, 2013).

In the electoral context, BPK audit opinions may even become instruments of political communication. An unqualified opinion may be used as a “selling point” by local head candidates, whereas qualified, adverse, or disclaimer opinions may be used by political opponents as “weapons” to attack incumbents (Jajeli, 2017). Nevertheless, empirical evidence suggests that voters tend to be more sensitive to audit findings or indications of irregularities than to formal audit opinions. Yuliati et al. (2016) and Purwidayani and Slamet (2022) show that negative audit findings may reduce incumbents’ chances of re-election, while formal audit opinions are not always significant.

Accordingly, financial accountability in this study is not understood merely as audit opinion, but as a broader construct. Financial accountability is expected to influence economic development performance and incumbent electoral outcomes, either directly or through the credibility of APBD utilization.

Economic Development Performance

Economic development performance serves as the mechanism that links fiscal strategy to incumbent electoral outcomes. In the theory of *retrospective voting*, voters do not evaluate governments merely by looking at budget figures; rather, they respond to outcomes that they can

experience. Therefore, revenue, expenditure, financing, and transfer strategies acquire electoral value only when they can be translated into economic growth, poverty reduction, unemployment reduction, and improvements in the Human Development Index.

Empirical studies support the importance of development performance in local elections. [Rumayya et al. \(2020\)](#) show that local economic conditions and unemployment are associated with the re-election prospects of regional heads in Indonesia. Regional fiscal capacity and administrative performance affect incumbent electability, whereas formal financial ratios are not significant. These findings suggest that voters value development impacts and public services that can be directly felt more than technical indicators in financial statements.

In this study, economic development performance is positioned as a mediating factor because voters are more likely to evaluate visible and experienced development outcomes than technical budget figures. Revenue, expenditure, financing, transfers, and accountability information may become electorally relevant only when they are translated into outcomes that citizens can observe, such as economic growth, poverty reduction, lower unemployment, and improved human development. Thus, economic development performance links fiscal-governance indicators with incumbent electoral performance within the logic of retrospective voting.

Electoral Outcome and Retrospective Voting

Incumbent electoral outcome represents the final result of voters' evaluation of the past performance of local governments. In this study, electoral outcome is represented by vote share, incumbent victory, or the probability of being re-elected. The theory of *retrospective voting* explains that voters act as evaluators of government performance and reward or punish incumbents based on the outcomes they experience ([Fiorina, 1978](#); [Healy & Malhotra, 2013](#)).

In the context of this study, *retrospective voting* plays two roles. First, the theory explains why voters may support incumbents when development performance is perceived as good. Second, the theory explains why incumbents are encouraged to engage in PBC; incumbents are aware that voters will evaluate economic and development performance before elections. Thus, PBC represents incumbents' fiscal response to electoral incentives, while electoral outcome reflects voters' evaluation of development performance and financial accountability.

The literature also suggests that electoral outcomes cannot be interpreted solely through economic and fiscal performance. Non-fiscal political factors, such as partisanship, political coalitions, the number of challengers, personal vote, clientelism, and media, may affect incumbents' electoral prospects. However, the focus of this study is to examine the fiscal–development–electoral pathway by assessing whether PBC and financial accountability are linked to incumbent electoral outcomes through economic development performance.

RESEARCH METHOD

This study employs a quantitative approach within a positivist paradigm to examine structural relationships among variables using cross-sectional secondary data. Therefore, the empirical results are interpreted as statistical associations and structural paths rather than causal effects. The study relies on secondary data obtained from official government sources, including local government budget data, summaries of audit results issued by the Audit Board of Indonesia on local government financial statements, regional economic development indicators, supporting party coalition data, and official results of the 2020 simultaneous local elections. The unit of analysis is regency and municipal governments in Indonesia whose incumbent regional heads or deputy heads ran again in the 2020 simultaneous local elections. From the 270 regions that participated in the 2020 local elections, this study excludes 9 provincial elections and 47 regency/municipality elections without incumbent candidates. The final sample consists of 214 incumbent regencies and

municipalities, as shown in Table 1.

Table 1. Sample Selection Process

Selection Criteria	Number of Regions
Total regions in the 2020 simultaneous local elections	270
Provincial elections excluded	9
Regency/municipality elections without incumbent candidates excluded	47
Final sample of incumbent regencies/municipalities	214

Source: processed from research data.

The 2020 local elections were selected because this period had the largest number of incumbents running again compared with other simultaneous local elections held between 2017 and 2024. All fiscal indicators used in this study are based on 2019 data, one year before the 2020 local elections. The use of 2019 data is grounded in the theory and empirical findings of the Political Budget Cycle, which suggest that incumbent fiscal strategies may begin in the pre-election period rather than only in the election year ([Drazen & Eslava, 2010](#); [Sinaga et al., 2025](#); [Sjahrir et al., 2013](#)). In addition, 2019 data are used to reduce potential bias arising from the COVID-19 pandemic in 2020, which was marked by central government fiscal intervention, budget refocusing, budget reallocation, and changes in regional expenditure priorities. These conditions make 2020 less representative of normal fiscal behavior before local elections. Therefore, this study specifically examines the pre-election period.

The research model examines structural relationships among fiscal strategies, consisting of revenue, expenditure, and financing strategies, intergovernmental transfers, financial accountability, economic development performance, and incumbent electoral performance. To reduce potential bias from an exclusively fiscal explanation, this study also includes candidate strength as a political variable with a direct structural path to incumbent electoral performance. Candidate strength is represented by the coalition of supporting political parties and is modeled as a single-indicator construct. This variable reflects political mobilization capacity, campaign resources, and incumbency-related political support. Given the use of several composite constructs, formative indicators, simultaneous structural paths, and mediation testing, this study applies Structural Equation Modeling–Partial Least Squares (SEM-PLS) using SmartPLS software.

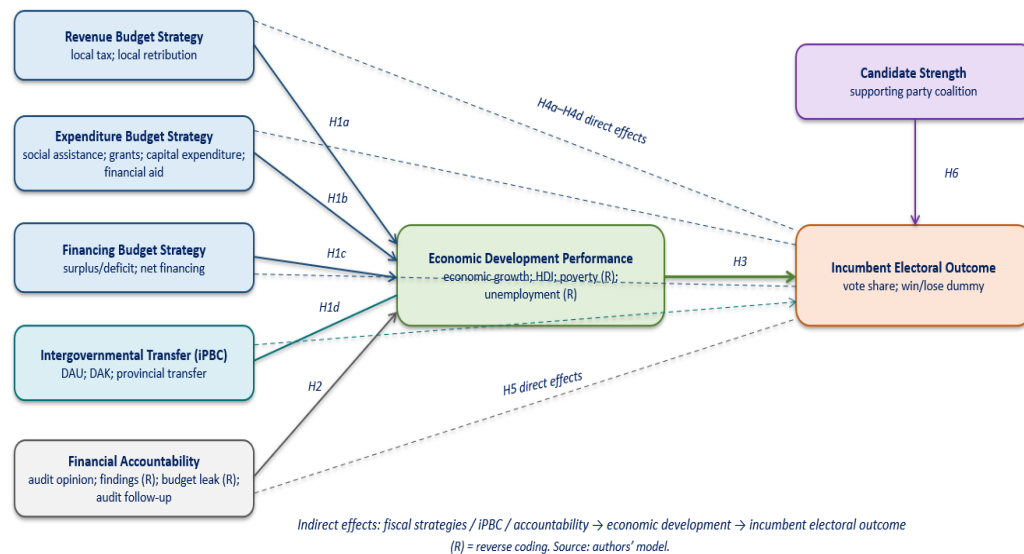


Figure 1. Conceptual Model of the Research

Based on the research model in Figure 1, this study tests 17 hypotheses, consisting of 12 direct paths and five specific indirect paths. In general, these hypotheses assess structural paths from revenue strategy, expenditure strategy, financing strategy, financial accountability, and intergovernmental transfers to incumbent electoral performance, both directly and indirectly through economic development performance. The model also assesses the direct structural path from candidate strength to incumbent electoral performance. The study uses eight main variables: revenue strategy, expenditure strategy, financing strategy, intergovernmental transfers, financial accountability, economic development performance, incumbent electoral performance, and candidate strength. Revenue strategy, expenditure strategy, financing strategy, and intergovernmental transfers represent the fiscal dimensions of PBC, while incumbent electoral performance reflects the logic of retrospective voting. Candidate strength is included as a political factor representing electoral competition.

Table 2. Operational Definition of Variables

Variable	Construct Model	Indicator	Measurement	Data Source
Revenue Strategy (SAP)	Formative	Local tax (SAP1)	Local tax / aggregate revenue	MOF RI - DJPK
Revenue Strategy (SAP)	Formative	Local retribution (SAP2)	Local retribution / aggregate revenue	MOF RI - DJPK
Expenditure Strategy (SAB)	Formative	Social assistance expenditure (SAB1)	Social assistance expenditure / aggregate expenditure	MOF RI - DJPK
Expenditure Strategy (SAB)	Formative	Grant expenditure (SAB2)	Grant expenditure / aggregate expenditure	MOF RI - DJPK
Expenditure Strategy (SAB)	Formative	Capital expenditure (SAB3)	Capital expenditure / aggregate expenditure	MOF RI - DJPK
Expenditure	Formative	Financial assistance	Financial assistance	MOF RI -

Variable	Construct Model	Indicator	Measurement	Data Source
Strategy (SAB)		expenditure (SAB4)	expenditure aggregate expenditure	/ DJPK
Financing Strategy (SAPb)	Formative	Surplus/deficit (SAPb1)	Surplus/deficit aggregate expenditure	/ MOF RI - DJPK
Financing Strategy (SAPb)	Formative	Net financing (SAPb2)	Net financing aggregate expenditure	/ MOF RI - DJPK
Intergovernmental Transfers (TAP)	Formative	General Allocation Fund/DAU (TAP1)	DAU / aggregate expenditure	MOF RI - DJPK
Intergovernmental Transfers (TAP)	Formative	Special Allocation Fund/DAK (TAP2)	DAK / aggregate expenditure	MOF RI - DJPK
Intergovernmental Transfers (TAP)	Formative	Provincial transfers (TAP3)	Provincial revenue sharing + financial assistance / aggregate expenditure	MOF RI - DJPK
Financial Accountability (Akun)	Formative	BPK audit opinion (Akun1)	Score 1–4	Audit Board of Indonesia, Summary of Audit Results (IHPS)
Financial Accountability (Akun)	Formative	Number of audit findings (Akunr2)	Reverse coded	Audit Board of Indonesia, Summary of Audit Results (IHPS)
Financial Accountability (Akun)	Formative	Budget leakage (Akunr3)	Value of audit findings / aggregate expenditure, reverse coded	Audit Board of Indonesia, Summary of Audit Results (IHPS)
Financial Accountability (Akun)	Formative	Follow-up of audit recommendations/TLHP (Akun4)	Implemented recommendations / total recommendations	Audit Board of Indonesia, Summary of Audit Results (IHPS)
Economic Development Performance (KPE)	Formative	Economic growth (KPE1)	GRDP at constant prices	BPS RI
Economic Development Performance (KPE)	Formative	Human Development Index (KPE2)	HDI score using the new method	BPS RI
Economic Development Performance (KPE)	Formative	Poverty rate (KPEr3)	Poverty rate, reverse coded	BPS RI
Economic Development	Formative	Open unemployment rate (KPEr4)	Open unemployment rate, reverse coded	BPS RI

Variable	Construct Model	Indicator	Measurement	Data Source
Performance (KPE)				
Candidate Strength (KK)	Formative	Supporting party coalition	Number or proportion of supporting political parties	KPU RI
Incumbent Electoral Performance (KE)	Reflective	Election result (KE1)	Dummy: 1 = win; 0 = lose	KPU RI
Incumbent Electoral Performance (KE)	Reflective	Vote share (KE2)	Percentage of incumbent votes	KPU RI

*Indicators with negative directions are reverse-coded to ensure that all indicators have consistent interpretation, where higher values represent better performance or accountability

The structural equations derived from Figure 1 are specified as follows. The relationship between the independent variables and economic development performance is expressed in Equation (1):

$$KPE_i = \beta_1 SAP_i + \beta_2 SAB_i + \beta_3 SAPb_i + \beta_4 TAP_i + \beta_5 Akun_i + \zeta_{1_i} \dots (1)$$

The relationship between the independent variables, the mediating variable, the political variable, and incumbent electoral performance is expressed in Equation (2):

$$KE_i = \beta_6 SAP_i + \beta_7 SAB_i + \beta_8 SAPb_i + \beta_9 TAP_i + \beta_{10} Akun_i + \beta_{11} KPE_i + \beta_{12} KK_i + \zeta_{2_i} \dots (2)$$

Where β_1 – β_{12} denote the structural path coefficients, while ζ_{1_i} and ζ_{2_i} represent the structural error terms. The specific indirect paths are calculated as follows:

- Specific indirect path of SAP on KE through KPE = $\beta_1 \times \beta_{11}$
- Specific indirect path of SAB on KE through KPE = $\beta_2 \times \beta_{11}$
- Specific indirect path of SAPb on KE through KPE = $\beta_3 \times \beta_{11}$
- Specific indirect path of TAP on KE through KPE = $\beta_4 \times \beta_{11}$
- Specific indirect path of Akun on KE through KPE = $\beta_5 \times \beta_{11}$

These specific indirect paths are used to assess whether economic development performance serves as a mediating pathway between fiscal strategy, intergovernmental transfers, financial accountability, and incumbent electoral performance.

FINDINGS AND DISCUSSION

This section presents the research findings in a concise and structured manner. The discussion begins with descriptive statistics, followed by the evaluation of the measurement model, structural model evaluation, mediation testing, robustness checks, and a synthesis of the findings by comparing the results with previous literature.

Descriptive Statistics

The descriptive statistics show complete observations for all indicators across 214 incumbent regencies and municipalities in the 2020 simultaneous local elections. The sample consists of 184 regencies and 30 municipalities, with 112 incumbents winning and 102 losing the election. Regionally, the sample is distributed across Sumatra, Java, Kalimantan, Sulawesi, Bali, Nusa Tenggara, Maluku, and Papua, with the largest shares coming from Sumatra, Java, and

Sulawesi. These characteristics indicate that the sample covers diverse local fiscal and political contexts across Indonesia.

The fiscal indicators show substantial variation across regions. Revenue strategy is more strongly characterized by local tax than local retribution in the pre-election year, with average ratios of 5.12% and 0.80% of aggregate revenue, respectively. For example, Region ID 190 in Bali recorded the highest local tax ratio at 72.80%, while Region ID 261 in Papua recorded the lowest local tax ratio but the highest incumbent vote share. Expenditure strategy is dominated by capital expenditure, averaging 21.20% of aggregate expenditure, followed by financial assistance expenditure at 13.67%. Region ID 58 in Sumatra illustrates the highest capital expenditure ratio, while Region ID 219 in Papua recorded the highest financial assistance expenditure ratio. Financing strategy also varies, with an average surplus/deficit ratio of -0.56% and average net financing of 6.48%. Region ID 165 in Sulawesi recorded the largest deficit position, while Region ID 145 in Kalimantan recorded the highest net financing ratio. These findings indicate that physical development expenditure, financial assistance, and financing space remained important elements of local fiscal structures before the local elections.

Intergovernmental transfers play an important role in local fiscal capacity. On average, the General Allocation Fund (DAU) accounted for 47.05% of aggregate expenditure, followed by the Special Allocation Fund (DAK) at 15.32% and provincial transfers at 6.18%. Region ID 12 in Sumatra had the highest DAU dependence, Region ID 36 in Sumatra had the highest DAK ratio, and Region ID 152 in Kalimantan had the highest provincial transfer ratio. However, these descriptive figures should be interpreted as evidence of fiscal dependence and variation, not as direct evidence of indirect Political Budget Cycles. Identifying iPBC would require additional information on electoral timing, political alignment, and strategic transfer allocation. In this study, intergovernmental transfers are treated as a fiscal structure that may be associated with development and electoral outcomes, not as direct proof of politically motivated transfer allocation.

In terms of financial accountability, the BPK audit opinion had an average score of 3.86 on a scale of 1 to 4, with a median of 4. This indicates that most regions received relatively favorable audit opinions, particularly unqualified opinions. Economic development performance, as the mediating variable, recorded an average regional economic growth rate of 3.94%, while the average Human Development Index was 69.15. Reverse-coded poverty and unemployment indicators had average values of 28.72 and 7.60, respectively. Region ID 80 in Java recorded the highest economic growth, while Region ID 108 in Java recorded the highest HDI. In the political and electoral dimensions, candidate strength averaged 0.5083, while incumbent win rate and vote share averaged 52.34% and 45.80%, respectively. Region ID 89 in Java illustrates the highest candidate strength, while Region ID 67 in Sumatra recorded the lowest incumbent vote share.

Overall, these descriptive statistics show that incumbent regions entered the 2020 local elections with heterogeneous fiscal structures, governance profiles, development performance, political strength, and electoral outcomes. To illustrate this variation more clearly, Table 3 reports the minimum and maximum values of each indicator, together with the corresponding region ID, island location, and incumbent electoral result. These additional columns are intended to describe sample heterogeneity and should not be interpreted as evidence of causal relationships or electoral manipulation.

Table 3. Descriptive Statistics of Research Variables

Notation	N	Minimal Value	Minimal Region ID & Island	Minimal Electoral Result	Maximal Value	Maximal Region ID & Island	Maximal Electoral Result	Mean	Std. Dev.
SAP1	214	0	ID 261, Papua	Win	0.728	ID 190, Bali	Win	0.0512	0.0866
SAP2	214	0	ID 223, Papua	Win	0.0451	ID 33, Sumatra	Loss	0.008	0.0081
SAB1	214	0.0011	ID 234, Maluku	Win	0.1295	ID 190, Bali	Win	0.023	0.0184
SAB2	214	0	ID 2, Sumatra	Win	0.0623	ID 118, Java	Loss	0.0073	0.0106
SAB3	214	0.0931	ID 193, Bali	Loss	0.4783	ID 58, Sumatra	Win	0.212	0.0597
SAB4	214	0.0001	ID 165, Sulawesi	Loss	0.3196	ID 219, Papua	Loss	0.1367	0.0652
SAPb1	214	-0.3848	ID 165, Sulawesi	Loss	0.1177	ID 118, Java	Loss	-0.0056	0.0532
SAPb2	214	-0.1041	ID 257, Papua	Win	0.2724	ID 145, Kalimantan	Loss	0.0648	0.053
TAP1	214	0.063	ID 190, Bali	Win	0.7261	ID 12, Sumatra	Loss	0.4705	0.1109
TAP2	214	0.0254	ID 190, Bali	Win	0.2753	ID 36, Sumatra	Win	0.1532	0.0474
TAP3	214	0.0065	ID 225, Papua	Loss	0.283	ID 152, Kalimantan	Loss	0.0618	0.0464
Akun1	214	10	ID 213, Maluku	Win	40	ID 2, Sumatra	Win	38.551	0.5151
Akunr2	214	13.863	ID 156, Sulawesi	Win	34.012	ID 97, Java	Win	22.676	0.3477
Akunr3	214	0	ID 225, Papua	Loss	0.416	ID 191, Bali	Win	0.408	0.0346
Akun4	214	0	ID 223, Papua	Win	10	ID 117, Java	Win	0.5543	0.2382
KPE1	214	21.553	ID 261, Papua	Win	52.147	ID 80, Java	Win	39.446	0.5306
KPE2	214	452.1	ID 220, Papua	Loss	838.5	ID 108, Java	Loss	691.529	60.594
KPEr3	214	16.8	ID 219, Papua	Loss	388.2	ID 238, Java	Win	287.219	72.329
KPEr4	214	11	ID 236,	Win	114.6	ID 261,	Win	76.021	20.559

Notation	N	Minimal Value	Minimal Region ID & Island	Minimal Electoral Result	Maximal Value	Maximal Region ID & Island	Maximal Electoral Result	Mean	Std. Dev.
			Java			Papua			
KK	214	0	ID 20, Sumatra	Loss	10	ID 89, Java	Win	0.5083	0.2517
KE1	214	0	ID 5, Sumatra	Loss	10	ID 2, Sumatra	Win	0.5234	0.5006
KE2	214	0.077	ID 67, Sumatra	Loss	0.9986	ID 261, Papua	Win	0.458	0.1885

Source: processed from research data.

Measurement Model Evaluation (Outer Model)

The structural model has two endogenous variables, namely Economic Development Performance (KPE) and Incumbent Electoral Performance (KE). The baseline model with all indicators is presented in Figure 2.

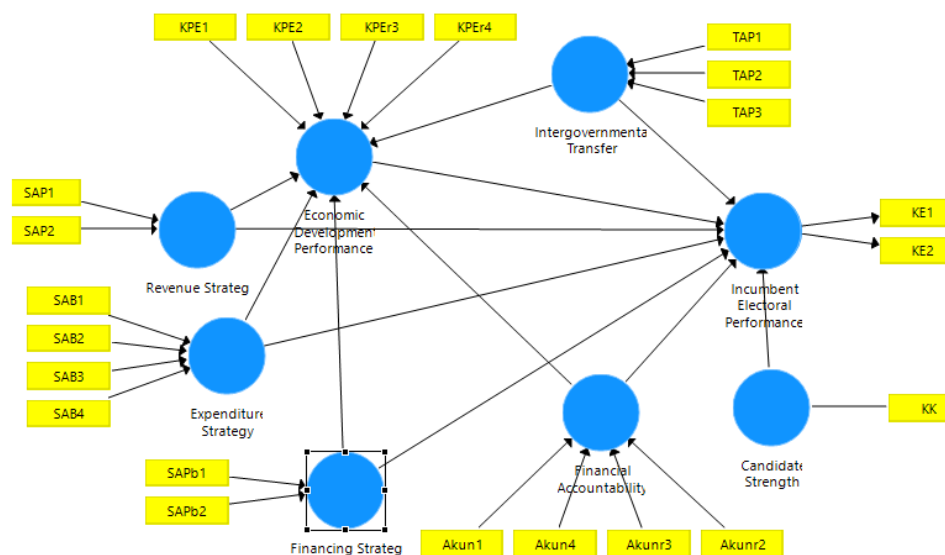


Figure 2. Structural Model of the Research

The measurement model evaluation focuses on outer weights, outer loadings, and the Variance Inflation Factor (VIF), because most constructs are formative or composite (Diamantopoulos & Winklhofer, 2001; Hair et al., 2021). The main model shows that all outer VIF values are below the critical threshold, with the highest value of 1.772. Thus, multicollinearity is not a concern, and the indicators can be retained in the main model.

The bootstrapping results show that several formative indicators contribute significantly to their respective constructs. In the Revenue Strategy (SAP) construct, SAP1 has the strongest weight of 0.857 and is significant at $p < 0.001$, while SAP2 is also significant at $p = 0.016$. This indicates that revenue strategy is more strongly represented by the local tax ratio than by local retribution. In the Expenditure Strategy (SAB) construct, SAB2, SAB3, and SAB4 are significant, with the largest weight observed for SAB4 at 0.919, followed by SAB2 at 0.444 and SAB3 at 0.407. SAB1 is not significant,

indicating that social assistance expenditure contributes more weakly to the expenditure strategy construct than financial assistance expenditure, grant expenditure, and capital expenditure.

For Intergovernmental Transfers (TAP), TAP1 is significant at $p = 0.026$ and TAP3 at $p = 0.040$, while TAP2 is marginally significant at $p = 0.059$. The negative weight of TAP3 indicates that provincial transfers contribute in a different direction to the transfer construct. For Financial Accountability (Akun), Akun1 and Akunr3 are significant, while Akunr2 and Akun4 show weaker empirical contributions. For Economic Development Performance (KPE), KPE1 and KPEr3 are significant, while KPE2 has a weaker empirical contribution.

Non-significant formative indicators are retained in the main model to preserve theoretical content validity, since formative indicators represent different dimensions of a construct and are not necessarily interchangeable. However, SAB1 and KPE2 are further examined in Model 2 as part of the trimmed measurement model to assess whether the main structural relationships are sensitive to alternative measurement specifications.

The PLS Algorithm output shows that the KE construct has a Cronbach's Alpha of 0.795, Composite Reliability of 0.901, and AVE of 0.820. These values indicate acceptable reliability and convergent validity for KE. For formative constructs, conventional reflective reliability measures such as Cronbach's Alpha and AVE are not the primary criteria; therefore, the evaluation focuses on outer weights, outer loadings, and VIF.

Structural Model Evaluation (Inner Model)

The structural model evaluation was conducted to assess the explanatory power of the model in Figure 2 and the significance of structural relationships among variables. In general, the model examines the structural paths from SAP, SAB, SAPb, TAP, and Akun to both KPE and KE, with KK included as a direct political path to KE. The structural model is specified as follows:

$$KPE_i = \beta_1 SAP_i + \beta_2 SAB_i + \beta_3 SAPb_i + \beta_4 TAP_i + \beta_5 Akun_i + \zeta_{1_i} \dots (1)$$

$$KE_i = \beta_6 SAP_i + \beta_7 SAB_i + \beta_8 SAPb_i + \beta_9 TAP_i + \beta_{10} Akun_i + \beta_{11} KPE_i + \beta_{12} KK_i + \zeta_{2_i} \dots (2)$$

The R-Square for KE was 0.499, with an Adjusted R-Square of 0.482, indicating that 49.9% of the variation in incumbent electoral performance is accounted for by the variables included in the specified model. Meanwhile, the R-Square for KPE was 0.642, with an Adjusted R-Square of 0.634, indicating that 64.2% of the variation in economic development performance is accounted for by SAP, SAB, SAPb, TAP, and Akun. These values should be interpreted as explanatory power within the specified model, not as a comprehensive explanation of all determinants of incumbent electoral performance or economic development performance.

The f-square results show that the largest contribution to KE came from KK, with an f-square value of 0.823. This indicates that Candidate Strength (KK) has the largest substantive contribution to Incumbent Electoral Performance (KE) in the specified model. Meanwhile, the largest contributions to KPE came from TAP, with an F-squared value of 0.325, and SAB, with an F-squared value of 0.321. These results indicate that Intergovernmental Transfers (TAP) and Expenditure Strategy (SAB) are the strongest structural contributors to Economic Development Performance (KPE) in the model.

The bootstrapping results for the direct structural paths show that several paths were statistically significant. SAP showed positive and significant structural relationships with both KPE and KE. Akun showed a positive and significant structural relationship with KPE, but it was not significantly related to KE. KK showed the strongest positive structural relationship with KE. In contrast, SAB and TAP showed negative and significant structural relationships with KPE, but

neither showed a significant direct structural relationship with KE. SAPb was not significantly related to either KPE or KE. These results indicate that incumbent electoral performance is more closely associated with candidate strength and revenue strategy than with economic development performance. The KK → KE path had the largest coefficient, at 0.695, with a p-value of 0.000. This finding indicates that the supporting party coalition has the strongest structural relationship with incumbent electoral performance in the specified model.

Table 4. Direct Structural Paths of the Main Model

Relationship	Coefficient	T-Statistics	P-Values	Decision
Akun → KE	-18	310	378	Not significant
Akun → KPE	162	2,861	2	Significant
KK → KE	695	17,867	0	Significant
KPE → KE	115	1,271	102	Not significant
SAB → KE	55	773	220	Not significant
SAB → KPE	-399	5,152	0	Significant negative
SAP → KE	125	2,003	23	Significant
SAP → KPE	110	1,971	24	Significant
SAPb → KE	34	497	310	Not significant
SAPb → KPE	-22	454	325	Not significant
TAP → KE	37	456	324	Not significant
TAP → KPE	-427	2,156	16	Significant negative

Source: SmartPLS output.

The mediation test was conducted to examine whether KPE serves as a mediating pathway between SAP, SAB, SAPb, TAP, Akun, and KE. The bootstrapping results show that all specific indirect paths were not significant at the 5% significance level. Therefore, Economic Development Performance (KPE) is not supported as a mediating pathway between fiscal strategies, intergovernmental transfers, financial accountability, and incumbent electoral performance. This finding indicates that although SAP, SAB, TAP, and Akun are statistically associated with KPE, economic development performance does not function as a significant pathway linking these variables to Incumbent Electoral Performance (KE). In other words, the retrospective voting mechanism through economic development indicators does not receive strong empirical support as the main mediating pathway in this model.

Table 5. Specific Indirect Effects

Mediation Path	Coefficient	T-Statistics	P-Values	Decision
Akun → KPE → KE	19	1,072	142	Not significant
SAB → KPE → KE	-46	1,277	101	Not significant
SAP → KPE → KE	13	905	183	Not significant
SAPb → KPE → KE	-2	365	357	Not significant
TAP → KPE → KE	-49	1,104	135	Not significant

Source: SmartPLS output.

To answer the main research objective and provide empirical evidence for the 17 hypothesized paths presented in Figure 1, this study assesses whether revenue strategy, expenditure strategy, financing strategy, financial accountability, and intergovernmental transfers show structural relationships with electoral performance, either directly or indirectly through economic development performance. The model also assesses the direct structural relationship between candidate strength and incumbent electoral performance. The summary of hypothesis testing is presented in Table 6.

To answer the main research objective and provide empirical evidence for the 17 hypothesized paths presented in Figure 1, this study tests whether revenue strategy, expenditure strategy, financing strategy, financial accountability, and intergovernmental transfers have positive effects on electoral performance, either directly or through economic development performance, and whether candidate strength has a positive effect on incumbent electoral performance. The summary of hypothesis testing is presented in Table 6.

Table 6. Summary of Hypothesis Testing

Hypothesis	Relationship	Coefficient	P-Value	Decision
H1a	SAP → KPE	110	24	Supported
H1b	SAB → KPE	-399	0	Not supported, opposite direction
H1c	SAPb → KPE	-22	325	Not supported
H1d	TAP → KPE	-427	16	Not supported, opposite direction
H2	Akun → KPE	162	2	Supported
H3	KPE → KE	115	102	Not supported
H4a	SAP → KE	125	23	Supported
H4b	SAB → KE	55	220	Not supported
H4c	SAPb → KE	34	310	Not supported
H4d	TAP → KE	37	324	Not supported
H5	Akun → KE	-18	378	Not supported
H6	KK → KE	695	0	Supported
H7a	SAP → KPE → KE	13	183	Not supported
H7b	SAB → KPE → KE	-46	101	Not supported
H7c	SAPb → KPE → KE	-2	357	Not supported
H7d	TAP → KPE → KE	-49	135	Not supported
H8	Akun → KPE → KE	19	142	Not supported

Source: SmartPLS output.

At the 5% significance level, only H1a, H2, H4a, and H6 are supported. H1b and H1d are statistically significant but rejected because the estimated coefficients are negative, contrary to the proposed positive direction. When the threshold is relaxed to 10%, the substantive conclusion remains unchanged. The KPE → KE and SAB → KPE → KE paths approach the 10% threshold but

remain slightly above it; therefore, these paths are treated only as marginal indications. Overall, the hypothesis testing indicates that Candidate Strength (KK) and Revenue Strategy (SAP) show stronger structural relationships with Incumbent Electoral Performance (KE) than Economic Development Performance (KPE) does as a mediating mechanism.

Based on the main model, the empirical equations for KPE and KE are as follows:

$$\text{KPE} = 0.110\text{SAP} - 0.399\text{SAB} - 0.022\text{SAPb} - 0.427\text{TAP} + 0.162\text{Akun} \dots(3)$$

$$\text{KE} = 0.125\text{SAP} + 0.055\text{SAB} + 0.034\text{SAPb} + 0.037\text{TAP} - 0.018\text{Akun} + 0.115\text{KPE} + 0.695\text{KK} \dots(4)$$

The estimation results show that KPE has positive structural relationships with Revenue Strategy (SAP) and Financial Accountability (Akun), but negative structural relationships with Expenditure Strategy (SAB) and Intergovernmental Transfers (TAP). Meanwhile, Incumbent Electoral Performance (KE) is more strongly associated with Candidate Strength (KK), representing the political dimension, and Revenue Strategy (SAP), representing the fiscal dimension.

Robustness Check

Robustness checks were conducted to assess whether the main results were sensitive to alternative model specifications. This study estimated two additional models. Model 2 is a trimmed measurement model that removes two empirically weak indicators, namely SAB1 and KPE2. Model 3 is a robustness outcome model that uses KE2, or incumbent vote share, as the single indicator of electoral performance and removes SAB1, KPE2, and Akunr2. These indicators were removed because they had relatively weak empirical contributions in the main model, while Akunr2 also had substantive similarity with other financial accountability indicators.

Table 7. Comparison of R-Square across Models

Model	Specification	R-Square KE	Adjusted R-Square KE	R-Square KPE	Adjusted R-Square KPE
Main Model	Full theoretical model	0	0	0.642	0.634
Model 2	Without SAB1 and KPE2	0	0	0.64	0.631
Model 3	KE measured only by KE2; without SAB1, KPE2, and Akunr2	1	1	0.642	0.634

Source: SmartPLS output.

The robustness results reveal three main points. First, removing SAB1 and KPE2 does not alter the main conclusions. This suggests that social assistance expenditure and HDI do not drive the stability of the empirical model. After these indicators are removed, the main structural relationships remain consistent, particularly $\text{SAP} \rightarrow \text{KE}$, $\text{SAP} \rightarrow \text{KPE}$, $\text{Akun} \rightarrow \text{KPE}$, $\text{SAB} \rightarrow \text{KPE}$, $\text{TAP} \rightarrow \text{KPE}$, and $\text{KK} \rightarrow \text{KE}$. Second, when KE is measured only by KE2, or incumbent vote share, the model's explanatory power for electoral performance increases from an R-Square of 0.499 to 0.594. This indicates that the model is more sensitive in capturing the intensity of electoral support than the binary win-loss outcome. Third, removing Akunr2 in Model 3 does not change the accountability pattern. Financial accountability remains positively and significantly associated with

KPE, while its direct structural path to KE remains insignificant. This suggests that accountability information is more closely associated with economic development performance than with direct electoral outcomes.

Table 8. Comparison of Key Structural Paths

Path	Main Model	Model 2	Model 3	Robustness Conclusion
Akun → KPE	0,162; p=0,002	0,162; p=0,002	0,168; p=0,001	Stable significant
KK → KE	0,695; p=0,000	0,695; p=0,000	0,754; p=0,000	Stable and strongest
SAP → KE	0,125; p=0,023	0,126; p=0,021	0,166; p=0,003	Stable significant
SAP → KPE	0,110; p=0,024	0,106; p=0,028	0,107; p=0,028	Stable significant
SAB → KPE	-0,399; p=0,000	-0,400; p=0,000	-0,403; p=0,000	Stable negative
TAP → KPE	-0,427; p=0,016	-0,427; p=0,000	-0,424; p=0,000	Stable negative
KPE → KE	0,115; p=0,102	0,109; p=0,111	0,050; p=0,284	Not significant
SAPb → KE	0,034; p=0,310	0,034; p=0,310	0,055; p=0,235	Not significant
SAPb → KPE	-0,022; p=0,325	-0,018; p=0,355	-0,018; p=0,348	Not significant
TAP → KE	0,037; p=0,324	0,034; p=0,333	0,042; p=0,281	Not significant
Akun → KE	-0,018; p=0,378	-0,018; p=0,375	0,007; p=0,446	Not significant

Source: SmartPLS output.

Overall, the robustness checks indicate that the main structural patterns remain stable across alternative specifications. KK remains the variable most strongly associated with KE. SAP remains positively and significantly associated with both KE and KPE. Akun remains positively related to KPE. SAB and TAP remain negatively related to KPE. In contrast, KPE remains insignificant in its structural relationship with KE across all models.

Discussion

Overall, the SEM-PLS analysis of 214 incumbent regencies and municipalities in the 2020 simultaneous local elections, using pre-election year data, yields five main findings. First, Candidate Strength (KK) shows the strongest structural relationship with Incumbent Electoral Performance (KE). The KK → KE coefficient is the largest in the main model and increases in Model 3 when KE is measured only by vote share. This indicates that supporting party coalitions, as a measure of candidate strength, are closely associated with incumbent electoral performance, both in terms of winning the election and securing a higher vote share. This finding is consistent with studies showing that candidates supported by large party coalitions or legislative majorities tend to have a higher probability of winning regional elections ([Lewis et al., 2020](#); [Pratama et al., 2026](#); [Yuliati et al., 2016](#)). However, the descriptive statistics show that KK in this study is close to the midpoint. [Lewis et al. \(2020\)](#) suggest that although larger party coalitions may increase the general probability of winning, they do not necessarily have a clear association with incumbent electoral success. Other research using a power cube analysis shows that incumbents may operate hidden power through the monopolization of political party support, indicating that KK may relate not only to the win-loss outcome but also to the magnitude of vote support obtained by incumbents ([Fadli et al., 2018](#)).

Second, regarding the Political Budget Cycle, this study finds that realized budget data in the pre-election year show positive structural relationships between Revenue Strategy (SAP), Economic Development Performance (KPE), and Incumbent Electoral Performance (KE). However, this pattern does not apply to expenditure and financing strategies. SAP is formed by local taxes and local retributions, both of which are components of local own-source revenue. Previous studies provide evidence that local revenue capacity may support regional GDP growth and economic development, including poverty reduction (Mhy et al., 2025; Yusuf & Firdaus, 2020). Since these revenue components are generally non-earmarked, local governments have greater flexibility in allocating them to development programs. SAP has also been detected in political cycles, as local own-source revenue components tend to increase in election years, indicating efforts to maximize local fiscal capacity (Syam & Afdal, 2025; Wiguna & Khoirunurrofik, 2021). Regarding expenditure strategy, the findings challenge the assumption that voter-visible spending automatically generates electoral rewards. Expenditure strategy is not significantly related to incumbent electoral performance and is negatively associated with economic development performance. This pattern is consistent with Darmastuti and Setyaningrum (2019), who found that discretionary spending, including grants, social assistance, and financial assistance, did not support incumbent re-election in Indonesian local elections because such spending was not sufficiently effective in attracting voter sympathy. One possible explanation is that, during election periods, fiscal resources may shift from productive investment-oriented spending toward more populist or clientelistic expenditure, thereby weakening sustainable public service provision and limiting economic growth (David et al., 2024; Syam & Afdal, 2025). Empirical evidence also suggests that grant expenditure and capital expenditure are not significantly related to poverty reduction (Mhy et al., 2025). Thus, visible spending may fail to generate electoral benefits when it does not produce tangible, sustainable, and clearly attributable development outcomes. With respect to the financing strategy, its insignificant relationship with both economic development performance and incumbent electoral performance is consistent with Brender and Drazen (2008), who argue that budget deficits do not generally improve incumbents' re-election prospects. In more established democracies, voters may even punish incumbents for fiscal deficits. Consequently, modern PBC literature has shifted from focusing solely on aggregate deficits toward examining budget composition, particularly spending that is visible to voters, such as infrastructure, grants, social assistance, and discretionary expenditure (Drazen & Eslava, 2010; Sjahrir et al., 2013). This finding contributes to the Political Budget Cycle literature by showing that revenue strategy provides stronger support for explaining incumbent electoral performance than expenditure strategy.

Third, contrary to our initial hypothesis, the empirical findings indicate that intergovernmental transfers (TAP) exert a negative effect on economic development performance (KPE). Additionally, this variable demonstrates no significant impact on electoral performance (KE). The adverse relationship between TAP and economic outcomes aligns with the arguments presented by Ashworth et al. (2022) and Ghaniyar and Qibthiyyah (2021). They suggest that massive government spending, often fueled by external grants, can actually hamper economic growth, particularly in politically uncompetitive regions. In such environments, funds are frequently diverted toward bureaucratic rent extraction or highly visible populist spending during election years, rather than being channeled into productive public investments. Interestingly, other literature offers a contrasting perspective where transfers successfully bolster an incumbent's electoral prospects by enabling increased local spending. This phenomenon is quite prevalent in highly decentralized systems characterized by profound fiscal dependencies (Litschig & Morrison, 2013; Solé-Ollé & Sorribas-Navarro, 2008). Driven by this political logic, central governments occasionally manipulate grant distributions. Corvalan et al. (2018), for instance, highlighted how

the Chilean central government strategically injected more transfers into local municipalities during election years, specifically targeting mayors who shared their political affiliations. Within the context of this study, TAP constitutes the largest revenue source for district and city governments. It primarily consists of two central transfers: the General Allocation Fund (DAU) and the Special Allocation Fund (DAK), which are distributed based on rigid formulas negotiated between the executive and legislative branches. The transfer mechanism also includes revenue-sharing and financial assistance from provincial governments, allocations that are notably more susceptible to executive intervention. A critical structural issue here is that routine personnel expenditures inevitably absorb a substantial portion of the DAU. This severely constricts the fiscal space available for productive infrastructure investments, thereby neutralizing the anticipated economic growth effects (Sidig, 2018). Regarding the insignificant impact of TAP on electoral outcomes, these findings resonate with the work of Ghaniyar and Qibthiyyah (2021), who observed that incumbent participation in an election does not significantly alter Political Budget Cycle (PBC) patterns across all expenditure categories. Essentially, budget allocation behaviors derived from transfer revenues do not meaningfully differ between regions with re-contesting incumbents and those without. Consequently, no unique electoral advantage can be directly isolated from these expenditure patterns. This lack of electoral utility is further exacerbated by the rigid nature of the fiscal space itself. Moreover, the restricted fiscal space resulting from the earmarking of DAU and DAK allocations for national priority programs limits local governments' discretionary autonomy. Consequently, incumbents face significant hurdles in fully financing localized projects or fulfilling campaign promises, as the rigid structure of central transfers leaves insufficient room for discretionary spending.

Fourth, Financial Accountability (Akun), represented by audit opinion, audit follow-up, and audit findings, shows a positive structural relationship with Economic Development Performance (KPE), but does not show a direct structural relationship with Incumbent Electoral Performance (KE). This result is consistent with studies showing that financial accountability, particularly audit opinion, is positively associated with local government performance (Anto et al., 2022; Kurnia, 2020). In relation to electoral performance, Yuliati et al. (2016) show that audit opinion is not directly associated with incumbents' chances of re-election, as voters tend to respond more to tangible performance indicators than to administrative financial accountability reports. This result differs from Ferraz and Finan (2008), who found that audits revealing irregularities may reduce electoral support for incumbents, especially when audit information is publicly known. Yuliati et al. (2016) also found that audit findings may reduce incumbents' re-election prospects in Indonesia. The divergence in results may be explained by the nature of formal accountability information, which may not be easily understood or used by voters. The electoral accountability literature emphasizes that the effects of audits and transparency depend on information availability, the role of the media, and voters' ability to connect fiscal information with incumbent responsibility (Arias et al., 2019; Larreguy et al., 2020). Thus, accountability may improve development performance but may not necessarily be converted directly into electoral support.

Fifth, Economic Development Performance (KPE) is not significant either as a direct predictor or as a mediator in the relationship between fiscal strategy, transfers, financial accountability, and incumbent electoral performance. This result differs from local development literature, suggesting that voters may reward incumbents for visible development outcomes, such as infrastructure, public services, social programs, or local economic growth (de Janvry et al., 2012; Harding, 2015). However, the finding is consistent with the view that retrospective voting is conditional. Achen and Bartels (2016) argue that voters are not always rational in evaluating incumbents. Voter evaluation is influenced by information, attribution of responsibility, political

bias, and socio-economic context (Anderson, 2007; Gomez & Wilson, 2001; Wolfers, 2002). Therefore, the insignificant effect of KPE on KE may be explained by the possibility that voters do not fully attribute economic development outcomes to incumbents, or that candidate-related political factors were more dominant in the 2020 local elections.

Taken together, the five findings suggest that incumbent electoral outcomes should not be interpreted solely through fiscal strategy and economic development performance, as emphasized in much of the previous literature, but should also be understood in relation to candidate political configuration. The retrospective voting and electoral outcomes literature suggests that voter decisions may be shaped by partisanship, information, attribution of responsibility, and local political context (Achen & Bartels, 2016; Aytac, 2018; Marsh & Tilley, 2010). In this study, the strong structural relationship between Candidate Strength (KK) and Incumbent Electoral Performance (KE) suggests that electoral outcomes should not be interpreted solely through fiscal performance, development outcomes, or financial accountability. Rather, performance-based electoral evaluation operates within a broader local political environment, where coalition support and candidate-related political resources are closely linked to incumbent electoral performance.

These findings have several governance and policy implications. First, the positive structural relationship between revenue strategy and incumbent electoral performance suggests that local revenue capacity should be understood not only as a fiscal indicator, but also as part of local governance capacity. Strengthening own-source revenue, therefore, needs to be accompanied by transparent, fair, and accountable revenue administration. Second, the insignificant relationship between expenditure strategy and electoral performance indicates that visible spending alone is not sufficient to generate electoral rewards. Local governments should evaluate grants, social assistance, financial assistance, and capital expenditure not only by budget absorption or visibility, but also by effectiveness, service quality, and sustainable development outcomes. Third, the negative association between intergovernmental transfers and economic development performance highlights the need to improve transfer design, monitoring, and performance orientation. Finally, because financial accountability is related to development performance but not directly to electoral performance, audit information must be communicated more clearly to citizens. Electoral accountability requires not only better fiscal governance, but also public access to understandable performance and accountability information.

CONCLUSIONS

This study examines the structural relationships among fiscal strategy, intergovernmental transfers, financial accountability, economic development performance, candidate strength, and incumbent electoral performance in Indonesia's 2020 simultaneous local elections. Using SEM-PLS analysis on pre-election year data from 214 incumbent regencies and municipalities, the study finds that incumbent electoral performance is more closely associated with candidate strength and revenue strategy than with economic development performance as a mediating mechanism.

The findings show positive structural relationships between revenue strategy and both economic development performance and incumbent electoral performance. This suggests that stronger local revenue capacity is linked to greater fiscal flexibility in supporting development programs and electoral performance. In contrast, expenditure strategy and intergovernmental transfers do not show direct structural relationships with incumbent electoral performance and are negatively associated with economic development performance. Financing strategy is not significantly related to either economic development performance or incumbent electoral performance.

Financial accountability is positively associated with economic development performance, but this relationship does not appear to translate directly into electoral support. Moreover,

economic development performance does not mediate the structural relationships between fiscal strategy, intergovernmental transfers, financial accountability, and incumbent electoral performance. Thus, the retrospective voting mechanism through economic development performance does not receive strong empirical support in this study.

The main contribution of this study is to show that the relationship among Political Budget Cycles, intergovernmental transfers as an indirect fiscal channel, financial accountability, economic development, and electoral outcomes does not always operate through development performance. In the specified model, incumbent electoral performance in Indonesia's 2020 local elections is more closely associated with candidate strength and local fiscal capacity through revenue strategy than with economic development performance as a mediating pathway. These findings extend the literature on PBC, iPBC, financial accountability, and retrospective voting by suggesting that fiscal-electoral relationships should be interpreted in relation to local political configurations, particularly candidate strength.

LIMITATION & FURTHER RESEARCH

This study has several limitations. First, it uses 2019 fiscal data to represent the pre-election period of the 2020 local elections. This choice helps reduce potential bias from the COVID-19 pandemic, but it does not fully capture fiscal dynamics during the election year itself. Second, the study applies a cross-sectional design using data from 214 incumbent regencies and municipalities, which limits causal interpretation and the ability to observe fiscal behavior before, during, and after local elections. Third, incumbent electoral performance is measured using election results and vote share, while other political competition factors, such as challenger strength, candidate popularity, local political networks, and campaign intensity, are not included. Fourth, although the model shows a positive structural relationship between financial accountability and economic development performance, this study does not measure voter exposure to audit information, audit findings, or follow-up audit recommendations. Thus, the absence of a significant direct structural relationship between financial accountability and electoral performance may reflect limited voter access to, or understanding of, accountability information.

Future research may use panel data across local election periods to capture the full dynamics of the Political Budget Cycle. Further studies may also enrich the political dimension by including the number of candidate pairs, challenger strength, previous victory margins, candidate popularity, local political networks, and campaign intensity. In addition, future research could integrate public information variables, such as local media coverage, publication of audit results, voter political literacy, and public access to accountability information. Finally, financial accountability can be examined as a moderating variable that may constrain or strengthen the structural relationship between fiscal strategy and incumbent electoral performance.

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