

Do Voters Reward Economic Performance? Evidence from Indonesia Local Elections

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Abstract: This study investigates whether regional economic performance influences electoral margins in local elections in Indonesia. Drawing on Economic Voting Theory, the study examines the effects of economic growth, poverty, and income inequality on candidate margins of victory while controlling for incumbency and political party affiliation. Using panel data from 508 districts and municipalities for 2017–2024, the study employs a fixed-effects model with cluster-robust standard errors and robustness checks using lagged economic indicators. The results provide limited evidence supporting Economic Voting Theory. Economic growth, poverty, and income inequality do not significantly influence electoral margins. Further robustness analysis confirms that lagged economic conditions also fail to explain electoral outcomes. Conversely, incumbency has a strong positive effect on margins of victory, indicating a substantial incumbency advantage in local elections in Indonesia. Political party affiliation also has a positive effect on electoral performance, albeit with weaker statistical significance. These findings suggest that local election competition in Indonesia is driven more by political factors than by retrospective evaluations of economic performance. This study contributes to the literature by highlighting the contextual limitations of Economic Voting Theory in decentralized democracies and developing countries.

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INTRODUCTION

Indonesia is one of the world's largest decentralized democracies, where direct local elections (Pemilihan Kepala Daerah/Pilkada) constitute an important mechanism through which citizens evaluate and reward political leaders. Since the implementation of direct local elections in 2005, local executives have been elected directly by voters, increasing political accountability and strengthening democratic participation at the subnational level. The decentralization process initiated after the Reformasi era has substantially expanded the authority of district and municipal governments in managing regional development and public service delivery. Consequently, local elections provide an ideal context for examining whether voters assess incumbent performance based on economic outcomes experienced within their regions (Vaughn, 2011; Choi, 2012; Freedman et al., 2012; Azra, 2015; Putra, 2020; Rosyidin 2020; Crouch, 2023; Fernando et al., 2024).

One of the most influential perspectives explaining voter behavior is Economic Voting Theory. This theory argues that voters act retrospectively by evaluating past economic conditions and subsequently rewarding or punishing incumbents through elections (Fiorina, 1978). Under this framework, favorable economic conditions such as high economic growth and improved welfare increase electoral support for incumbents, whereas deteriorating economic circumstances reduce their electoral prospects. Lewis-Beck and Stegmaier (2000) further argue that economic performance represents one of the strongest predictors of electoral outcomes across democratic systems. Similarly, Duch and Stevenson (2008) emphasize that

voters attribute responsibility for economic conditions to incumbent governments and adjust their voting behavior accordingly.

Empirical evidence regarding economic voting has been extensively documented in developed democracies, particularly in presidential and parliamentary elections. Previous studies demonstrate that unemployment, inflation, and economic growth significantly influence electoral outcomes (Lewis-Beck & Nadeau, 2011). However, the applicability of Economic Voting Theory within developing and decentralized democracies remains relatively underexplored. Institutional differences, information asymmetry, clientelistic practices, and varying levels of political accountability may alter how voters evaluate economic performance in emerging democratic contexts.

Indonesia presents a particularly interesting case for examining economic voting mechanisms. First, substantial heterogeneity exists across districts and municipalities regarding economic development, poverty incidence, and income inequality. Second, local governments possess considerable discretion in designing and implementing development policies under fiscal decentralization arrangements. Third, the direct election of regional heads provides opportunities for voters to retrospectively evaluate the performance of incumbent administrations. These characteristics make Indonesia an appropriate setting to investigate whether economic conditions influence electoral outcomes at the local level.

Regional head elections are a local-level democratic process that has a significant impact on the direction of regional development and public services. A candidate's success in winning an election is determined not only by formal political support but also by various factors such as image, campaign programs, social networks and public perception. The phenomenon of regent/mayoral candidate victories is interesting to study because the determining variables differ between regions, both culturally, geographically, demographically and in local political structures. In addition to economic conditions, candidate-level characteristics such as party affiliation, age, education, religion, gender, and incumbency status may also influence electoral outcomes. (Yaghi et al., 2015; Gabriel, 2020; Coffe et al., 2021; Subanti et al., 2023; Sukartini et al., 2023; Fauzan et al., 2024).

Source: General Election Commission (KPU) 2025 (Data Processed)

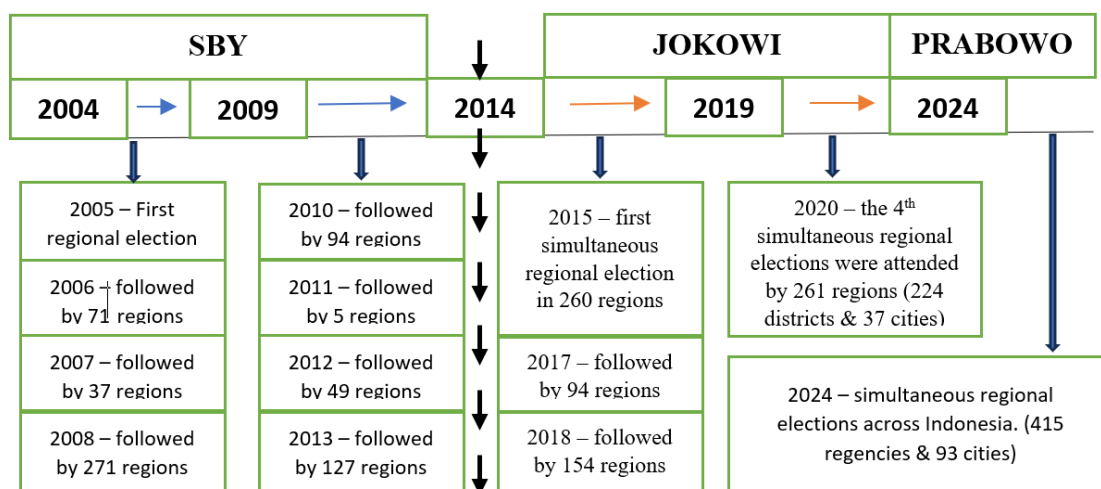


Figure 1. Regional Head Elections from 2015 to 2024

Figure 1 illustrates the development of local elections across presidential administrations in Indonesia. During President Susilo Bambang Yudhoyono's administration (2004–2014), direct local elections were

introduced and gradually expanded, reflecting the consolidation of local democracy. Under President Joko Widodo (2014–2024), local elections began to be held simultaneously. This process culminated in 2024, when simultaneous local elections were conducted nationwide for the first time, covering all 508 regencies and municipalities.

The 2017–2024 election data show that local electoral outcomes are not determined solely by national party dominance. In the 2017 elections, Golkar won more regions than PDIP, despite PDIP being the ruling party nationally (Sarasa, 2017). This suggests that victory in local elections is shaped by multiple factors, including candidate image, social capital, party networks, political track records, campaign strategy, and dynastic politics (Setyawibawa et al., 2024; Sintani et al., 2025; Janah et al., 2017). Dynastic politics is particularly notable, with candidates from political dynasties winning 170 out of 247 identified regions between 2017 and 2020 (Ekayanta et al., 2025). Therefore, local leader victory in Indonesia should be understood as the product of complex political and social dynamics rather than party affiliation alone (Mietzner, 2024).

Previous studies have examined the determinants of local election victory separately, including economic factors, money politics, candidate characteristics, and party coalition strength (Rumayya et al., 2020; Komarudin et al., 2025; Ikhsan et al., 2024). Most studies focus on how economic conditions influence voter behavior and electoral outcomes. More recently, however, scholars have begun to consider the reverse relationship, namely how electoral outcomes especially victory margins may influence subsequent economic performance. This perspective is important because electoral outcomes reflect incumbent accountability, shape policy incentives through economic voting mechanisms, and affect political stability as well as the capacity of elected leaders to implement economic reforms (Lewis et al., 2020; Becher et al., 2013; Aspinall et al., 2019).

Previous studies have shown that voter preferences and local election outcomes are influenced by a range of factors, including candidate characteristics, economic performance, party coalitions, and money politics. Sukartini et al. (2023) found that voters tend to consider religion, educational background, campaign quality, candidate achievements, and popularity, while vote buying and religious affiliation may reduce political trust. These findings suggest that voters do not rely solely on short-term financial incentives, but also evaluate longer-term factors such as program quality, track record, and incumbent performance. However, most of this evidence is drawn from broader electoral behavior and political trust, rather than from econometric models that directly estimate the determinants of victory in district and municipal local elections.

Studies focusing on economic factors have also produced important insights. Rumayya et al. (2020) show that economic growth and unemployment influence local election outcomes, while Subanti et al. (2023) find that regional economic performance is associated with incumbent electoral success. Tadjoeuddin (2012) further demonstrates that poverty and low-income levels are linked to weaker local democratic quality and greater electoral conflict. Nevertheless, the specific role of economic indicators such as poverty, economic growth, local own-source revenue (PAD), transfer funds, and fiscal capacity in shaping electoral victory remains insufficiently explored, particularly across regions with different socio-economic conditions.

Tadjoeuddin's research examines the socio-economic determinants of local democratic maturity, showing that lower incomes and higher poverty are associated with high levels of electoral conflict (Tadjoeuddin, 2012). Further research should examine how the size of local revenue (PAD) and central transfer funds specifically influence election outcomes and democratic maturity. Research on the

relationship between economic development facilitated by PAD and transfer funds and electoral success is still needed.

Research by Lewis (2020) found that candidates supported by a coalition before the election were 14-18% more likely to be elected than those without it. Coalition support can significantly benefit new or non-incumbent candidates, but it can be detrimental if the coalition supporting the candidates is corrupt. This results in regional heads being tied to coalition parties, which hinders regional economic performance, as they prioritize projects that benefit the coalition. Therefore, is it interesting to further investigate whether political party affiliation influences candidate electability and once elected, whether it contributes to regional economic performance or not.

Although previous studies in Indonesia have explored determinants of electoral outcomes, most have focused on political identity, incumbency advantage, vote buying, and candidate characteristics. Studies examining economic factors often emphasize individual voting behavior or national elections rather than aggregate electoral outcomes in local elections. Consequently, empirical evidence regarding whether local voters reward or punish incumbents based on regional economic performance remains limited. In particular, there is still insufficient evidence concerning the simultaneous effects of economic growth, poverty, and income inequality on victory margins in district and municipal elections.

This study seeks to address this gap by examining whether regional economic conditions influence the margin of victory in Indonesian local elections. Specifically, this study investigates the effects of economic growth, poverty, and income inequality on electoral margins while controlling for incumbency status and political party affiliation. By doing so, this research contributes to the literature on economic voting by extending its application to a decentralized democracy in a developing country context.

Based on the research background outlined above, the research questions are formulated as follows: 1. Does economic growth influence the margin of victory in Indonesian local elections? 2. Does poverty affect the margin of victory in Indonesian local elections? 3. Does income inequality influence the margin of victory in Indonesian local elections? And 4. Do incumbency status and political party affiliation affect electoral margins? This study contributes to the literature in three important ways. First, it provides empirical evidence on Economic Voting Theory in a decentralized democratic setting. Second, it examines electoral outcomes at the district and municipal levels, where evidence remains scarce. Third, it integrates multiple economic indicators within a unified analytical framework to explain variations in electoral margins across Indonesian regions.

RESEARCH METHOD

This study employs a quantitative research design using panel data analysis to investigate the relationship between regional economic performance and electoral outcomes in Indonesian local elections. Panel data analysis combines cross-sectional and time-series dimensions, enabling researchers to control for unobserved heterogeneity across regions and improve estimation efficiency. This study utilizes secondary data obtained from several official institutions. Electoral data, including margin of victory, incumbency status, and political party affiliation, are collected from the General Election Commission (KPU). Economic indicators such as economic growth, poverty rates, and income inequality are obtained from Statistics Indonesia (BPS). The unit of analysis comprises 508 districts and municipalities participating in Indonesian local elections during the observation period from 2017 to 2024. The sample selection is based on the availability and completeness of both electoral and economic data.

A panel dataset was constructed by linking each district and municipality participating in local elections with annual economic indicators observed after the election year. The margin of victory was measured as the percentage difference between the vote shares of the winning candidate pair and the second-placed candidate pair in a given local election. Because the local elections were held in different years (2017, 2018, and 2020), the election results were matched with annual economic observations for the corresponding districts and municipalities over the period 2017–2024. This approach allows the analysis to exploit cross-sectoral variation across regions and temporal variation across years.

Operation definition and measurement of variables in this study consist of 6 variables. The variables of equation 1 with the model ($\text{Margin}_{it} = \beta_0 + \beta_1 \text{Growth}_{it} + \beta_2 \text{Poverty}_{it} + \beta_3 \text{Inequality}_{it} + \beta_4 \text{Incumbent}_{it} + \beta_5 \text{Party}_{it} + \mu_i + \lambda_t + \varepsilon_{it}$) can be described in table 2 as follow:

Table 1. Operational Definitions and Measurement of Variables in Equation 1

No	Variable	Operational Definiton	Unit of Measurement	Data Source
Dependent Variables				
1	Winning Margin	Margin of victory is defined as the percentage difference in votes obtained by the winning candidate pair and the runner-up candidate pair in district and municipal elections.	Percent (%)	KPU
Independent Variables				
2	Economic Growth	Economic growth is measured using annual Gross Regional Domestic Product (GRDP) growth rates at constant prices reported by BPS.	Using BPS annual economic growth data. $[(\text{GRDP}_t - \text{GRDP}_{t-1}) / \text{GRDP}_{t-1}] \times 100\%$	BPS
3	Poverty	Poverty is measured as the percentage of individuals living below the official poverty line in each district and municipality.	Using district/city BPS Data. $(\text{Number of poor people} / \text{Total Population}) \times 100\%$	BPS
4	Level of Inequality	The level of inequality is a measure of significant differences in the distribution of resources, income, wealth, opportunities or access to basic services (education, health) between individuals or groups in society, which indicates imbalance and disparity.	Measured by indicators such as the Gini Index (0 = perfect equality, 1 = total inequality).	BPS
Control Variables				
5	Political Party Affiliation	Political party affiliation is measured using a dummy variable indicating whether candidates receive support from political parties participating in local elections.	Political party affiliation is measured using a categorical score reflecting the winning candidate's political alignment. This variable ranges from 1 to 4, with	KPU

No	Variable	Operational Definiton	Unit of Measurement	Data Source
			higher values indicating stronger affiliation with the major political parties participating in the local election.	
6	Candidate Status	Position of candidates in the contest (Incumbent vs new challenger).	0 = new challenger; 1 = Incumbent	KPU

Source: Data Processed (2026).

A simultaneous equation model is a model that has more than one regression equation, where one equation is interdependent with the other, unlike a single equation in a simultaneous equation model, parameter estimation cannot be done without considering information in the other equation (Gujarati, 2009). To estimate the relationship between economic performance and electoral outcomes, this study employs the following panel data regression model:

$$\text{Marginit} = \beta_0 + \beta_1 \text{Growthit} + \beta_2 \text{Povertyit} + \beta_3 \text{Inequalityit} + \beta_4 \text{Incumbentit} + \beta_5 \text{Partyit} + \mu_i + \lambda_t + \varepsilon_{it} \dots (1)$$

Where, Marginit is the Dependent Variable (Winning Margin Percentage). β_0 represent the Intercept or constant. β_1 , β_2 , β_3 , β_4 , and β_5 represents the regression coefficients for the variables. Growthit denotes economic growth. Povertyit represents poverty rates. Inequalityit denotes the Gini Ratio. Incumbentit indicates incumbency status. Partyit represent the Political Party Affiliation Score for region i in year t. Measured by the winning party is 1; the non-winning party is 0. Then i represent a district/city in Indonesia (508 regions). Furthermore, t represents the period 2017-2024. While μ_i represents the individual effect for each region and ε_{it} represents the error term.

The study employs Fixed Effects (FE) estimation to control for unobserved regional characteristics that remain constant over time. The choice of the FE model is based on the Hausman specification test comparing Fixed Effects and Random Effects estimators. To address potential heteroskedasticity and serial correlation within panels, cluster-robust standard errors at the district/municipality level are utilized. Statistical analyses are conducted using Stata software.

RESULTS AND DISCUSSION

Preliminary Diasnostic Tests

Before estimating the regression model, several diagnostic tests were conducted to ensure the validity of the panel data estimation.

Table 2. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
(1) Margin of Victory	4064	51.542	14.248	22.54	100
(2) Economic Growth	4064	4.183	4.737	-16.55	161.85
(3) Inequality	4064	.326	.174	.15	9.03
(4) Poverty	4064	12.055	7.524	1.68	43.65
(5) Incumbency Status	4064	.354	.478	0	1
(6) Party Affiliation	4064	3.075	1.307	1	4

Source: Data Processed (2026).

Descriptive statistics indicate substantial variation across districts and municipalities regarding electoral outcomes and regional economic performance. The average margin of victory was 51.54 percent, with economic growth averaging 4.18 percent and poverty rates averaging 12.06 percent. Meanwhile, the average Gini ratio was 0.326, indicating moderate inequality across local governments. Candidate status and party affiliation also varied considerably across observations.

Table 3. Pairwise Correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)
(1) Margin of Victory	1.000					
(2) Economic Growth	-0.014	1.000				
(3) Inequality	0.019	0.000	1.000			
(4) Poverty	-0.021	-0.027	-0.006	1.000		
(5) Incumbency Status	0.262	-0.018	0.009	-0.017	1.000	
(6) Party Affiliation	0.117	-0.023	0.009	-0.122	0.015	1.000

Source: Data Processed (2026).

Pairwise correlation analysis shows relatively weak correlations among explanatory variables, suggesting that multicollinearity is unlikely to pose a serious problem in the estimation.

Table 4. VIF Test

Variable	VIF	1/VIF
Economy Growth	1.00	0.998
Poverty	1.02	0.983
Inequality	1.00	0.999
Candidate Status	1.00	0.999
Party Affiliation	1.02	0.984
Mean VIF	1.01	

Source: Data Processed (2026).

This conclusion is further supported by the Variance Inflation Factor (VIF) results, where all VIF values were substantially below the threshold value of 10, with a mean VIF of 1.01. These findings indicate that the independent variables included in the model are sufficiently distinct from one another and suitable for regression analysis.

Table 5. Hausman (1978) specification test

	Coef.
Chi-square test value	6.117
P-value	.295

Source: Data Processed, 2026

The Hausman specification test was subsequently employed to determine the appropriate panel data model. The test produced a Chi-square value of 6.117 with a p-value of 0.295. Although the Hausman test does not reject the null hypothesis ($p = 0.295$), the fixed effects model is retained because districts and municipalities in Indonesia exhibit substantial unobserved heterogeneity related to political culture, institutional capacity, geographic conditions, and socio-economic structure. These characteristics are likely correlated with election outcomes and are better controlled for through the fixed effects specification.

Main Regression Results

Table 6. Main Regression Result

Margin of Victory	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Economic Growth	-.007	.025	-0.28	.776	-.056	.042	
Inequality	.939	.915	1.03	.305	-.858	2.736	
Poverty	-.215	.234	-0.92	.357	-.674	.244	
Incumbency Status	7.697	.787	9.78	0	6.151	9.243	***
Party Affiliation	.526	.287	1.83	.067	-.038	1.089	*
Constant	49.517	3.103	15.96	0	43.42	55.615	***
Mean dependent var		51.542	SD dependent var		14.248		
R-squared		0.121	Number of obs		4064		
F-test		19.890	Prob > F		0.000		
Akaike crit. (AIC)		28227.624	Bayesian crit. (BIC)		28259.174		

*** $p < .01$, ** $p < .05$, * $p < .1$

Source: Data Processed, 2026

Table 7 presents the estimation results examining the relationship between regional economic performance and electoral margins in Indonesian local elections. The overall model is statistically significant, as indicated by the F-statistic of 19.89 ($p < 0.01$), suggesting that the explanatory variables jointly influence variations in electoral margins. However, the coefficient of determination ($R^2 = 0.121$) implies that a considerable proportion of the variation in victory margins is explained by factors beyond those included in the model.

Contrary to the predictions of Economic Voting Theory, economic growth does not significantly influence electoral margins. The estimated coefficient is negative (-0.007) and statistically insignificant ($p = 0.776$), indicating that higher regional economic growth does not necessarily translate into larger margins of victory for candidates associated with incumbent administrations. This finding suggests that voters may not directly perceive aggregate economic growth as an indicator of government performance. Economic expansion measured through regional GDP growth may not always correspond to improvements in citizens' daily economic experiences.

This result contrasts with classical Economic Voting Theory proposed by Fiorina (1978) and Lewis-Beck and Stegmaier (2000), which argues that voters reward governments during periods of favorable economic performance. However, the Indonesian local context appears to differ from many developed democracies where retrospective economic evaluations constitute a major determinant of voting behavior. Instead, local electoral decisions may be shaped more strongly by political networks, candidate popularity, or clientelistic relationships.

Similarly, poverty exhibits a negative but statistically insignificant relationship with victory margins ($\beta = -0.215$; $p = 0.357$). Although the direction of the coefficient is consistent with theoretical expectations that poorer socioeconomic conditions should reduce electoral support for incumbents, the lack of statistical significance suggests that voters do not systematically punish candidates operating in regions with higher poverty rates. This finding may reflect the persistence of patronage politics and targeted vote mobilization strategies that weaken retrospective economic accountability.

The insignificance of poverty is broadly consistent with previous studies emphasizing that clientelistic practices remain important features of electoral competition in Indonesia. Allen (2015) argues that economically vulnerable populations are often more susceptible to short-term electoral incentives,

potentially reducing the extent to which long-term welfare outcomes influence voting behavior. Consequently, poverty conditions alone may not be sufficient to generate electoral punishment against incumbents.

Income inequality, measured by the Gini ratio, also fails to significantly influence victory margins ($\beta = 0.939$; $p = 0.305$). This finding indicates that inequality has not become a salient electoral issue within Indonesian local politics. Unlike poverty, which directly affects individuals' material well-being, inequality represents a more abstract concept that may not be readily incorporated into voters' evaluations of local government performance.

The insignificance of inequality supports the argument that Indonesian voters tend to respond more strongly to absolute economic conditions rather than relative disparities in income distribution. Muhtadi and Warburton (2020) suggest that identity-based considerations and clientelistic exchanges often overshadow class-based political preferences, thereby limiting the electoral relevance of inequality concerns.

Political Factors and Electoral Outcomes

In contrast to the economic variables, political factors demonstrate a considerably stronger influence on electoral margins. Candidate status exhibits a highly significant positive effect, with incumbent candidates obtaining victory margins approximately 7.70 percentage points higher than non-incumbent candidates ($\beta = 7.697$; $p < 0.01$). This finding provides robust evidence of incumbency advantage in Indonesian local elections.

The substantial electoral advantage enjoyed by incumbents may be attributed to several mechanisms. Incumbents generally possess greater name recognition, stronger political networks, and superior access to governmental resources. Moreover, their prior experience in office may reduce voter uncertainty regarding leadership capability. These advantages enable incumbents to maintain stronger electoral support compared to challengers.

This finding is consistent with previous studies documenting the importance of incumbency advantage in electoral competition. Dettman et al. (2017) show that incumbency significantly improves candidates' electoral prospects in Indonesia, while Fiva and Halse (2016) highlight how institutional arrangements often reinforce incumbents' electoral dominance. The persistence of incumbency effects observed in this study suggests that political accountability mechanisms may be constrained by structural advantages embedded within local electoral systems.

Political party affiliation also positively influences victory margins, although the effect is only marginally significant at the 10 percent level ($\beta = 0.526$; $p = 0.067$). This result suggests that party support continues to play an important role in local electoral competition, despite the increasingly candidate-centered nature of Indonesian politics. Political parties provide organizational resources, campaign infrastructure, and voter mobilization capabilities that may contribute to broader electoral margins.

The findings align with Lewis (2020), who emphasizes that party organizations remain influential in structuring local electoral competition through resource mobilization and candidate support mechanisms. Although individual candidate characteristics increasingly shape electoral outcomes, party affiliation still provides strategic advantages that enhance electoral competitiveness.

These findings suggest that Economic Voting Theory has limited explanatory power in the context of local elections in Indonesia. Unlike established democracies where voters often reward or punish incumbents based on economic performance, Indonesian voters appear to weigh political factors such as

incumbency and party networks more heavily. Therefore, the Indonesian case demonstrates that the effectiveness of economic voting depends on the institutional and political context, rather than representing a universal pattern of voter behavior.

Robustness Checks

To assess the stability of the main findings, this study estimates an alternative specification using lagged economic variables. The robustness analysis reveals patterns largely consistent with the baseline results. Lagged economic growth, lagged poverty, and lagged inequality remain statistically insignificant predictors of electoral margins. Meanwhile, incumbent status continues to exhibit a strong positive effect, and party affiliation remains weakly significant.

Table 7. Robustness Check (Lagged Variables)

Margin of Victory	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
Economic Growth	.026	.024	1.08	.279	-.021	.074	
Inequality	-.28	.25	-1.12	.264	-.771	.211	
Poverty	-.38	.615	-0.62	.537	-1.588	.828	
Incumbency Status	7.749	.833	9.31	0	6.113	9.384	***
Party Affiliation	.511	.305	1.68	.094	-.088	1.109	*
Constant	50.779	3.364	15.10	0	44.17	57.388	***
Mean dependent var		51.715	SD dependent var			14.342	
R-squared		0.121	Number of obs			3556	
F-test		18.029	Prob > F			0.000	
Akaike crit. (AIC)		24275.343	Bayesian crit. (BIC)			24306.225	

*** $p < .01$, ** $p < .05$, * $p < .1$

Source: Data Processed, 2026

The consistency between the baseline and lagged specifications strengthens confidence in the robustness of the study's conclusions. The absence of significant effects from both contemporaneous and lagged economic indicators suggests that economic conditions do not systematically influence electoral margins in Indonesian local elections.

Taken together, these findings provide limited empirical support for Economic Voting Theory in the Indonesian local context. Rather than rewarding or punishing candidates based on regional economic performance, voters appear to place greater emphasis on political considerations, particularly incumbency status and party support structures.

The evidence presented in this study therefore suggests that electoral competition in Indonesian local elections remains predominantly shaped by political dynamics rather than retrospective economic evaluations. This finding contributes to the growing literature indicating that the applicability of Economic Voting Theory may vary substantially across institutional and developmental contexts, particularly within decentralized democracies characterized by heterogeneous political environments.

Research Limitations

This study is subject to several limitations. The use of aggregate regional data does not fully capture individual voting behavior and economic perceptions. In addition, only selected economic and political variables were included, while factors such as candidate popularity, vote-buying practices, and social assistance programs may also influence electoral outcomes. Future studies should incorporate individual-

level data and broader explanatory variables to better understand voting behavior in Indonesian local elections.

Furthermore, the use of district-level aggregate data may not fully reflect individual voters' perceptions of economic conditions. Consequently, the observed relationships between economic indicators and election outcomes should be interpreted as contextual evidence, not merely behavioral evidence.

CONCLUSION

This study examines whether Economic Voting Theory explains electoral outcomes in Indonesian local elections by investigating the effects of regional economic growth, poverty, and income inequality on victory margins across districts and municipalities. Using panel data analysis and controlling for incumbency status and political party affiliation, the findings reveal limited empirical support for economic voting at the local level.

The results indicate that economic growth, poverty, and income inequality do not significantly influence electoral margins. These findings suggest that voters in Indonesian local elections do not systematically reward incumbents for favorable economic performance nor punish them for adverse economic conditions. The robustness checks employing lagged economic variables further confirm the stability of these results.

In contrast, political factors appear to play a substantially more important role in determining electoral outcomes. Incumbency status consistently exhibits a strong positive effect on victory margins, indicating that incumbent candidates benefit from significant electoral advantages. Political party affiliation also contributes positively to electoral success, although its influence is relatively weaker.

These findings imply that electoral competition in Indonesian local elections remains predominantly shaped by political dynamics rather than retrospective economic evaluations. The absence of significant economic voting effects suggests that institutional factors, clientelistic relationships, party networks, and incumbency advantages may weaken mechanisms of electoral accountability based on economic performance.

From a theoretical perspective, this study contributes to the economic voting literature by demonstrating that the applicability of Economic Voting Theory may vary across decentralized democracies and developing country contexts. While economic voting has been extensively documented in established democracies, the Indonesian case highlights the importance of considering political and institutional environments when evaluating the relationship between economic performance and electoral behavior.

From a policy perspective, the findings suggest that improving economic conditions alone may not automatically translate into electoral rewards for local leaders. Strengthening democratic accountability therefore requires not only better economic governance but also institutional reforms that promote programmatic competition, reduce clientelistic practices, and enhance voters' ability to evaluate government performance objectively.

Future research should integrate individual-level survey data, incorporate additional economic and political variables, and employ alternative identification strategies to further explore the mechanisms underlying electoral behavior in Indonesia's local democracy.

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