

Examining the Determinants of the Incumbent Regional Head's Electability: A Financial and Performance Perspective on Local Government Administration

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Abstract. This research aims to analyze the factors influencing the re-election of incumbent regional leaders, employing both financial and performance perspectives in the administration of local government. The theory of retrospective choice posits that voters will assess incumbent regional leaders based on their past performance and actions. This study is a quantitative analysis utilizing secondary data from the financial reports of local governments and the evaluation scores of local government administration from 2015 to 2018. The research population includes all regions that held regional head elections in 2018. Purposive sampling was employed, targeting only incumbent regional leaders from the preceding period who sought re-election. Data analysis was conducted through binary logistic regression test. Data analysis indicates that the re-election of incumbent regional leaders in the 2018 Regional Elections (Pilkada) is influenced by the financial capacity of the region and the performance of local government administration. Financial performance, measured through ratio analysis such as autonomy, effectiveness, and efficiency, does not exhibit a significant influence. These findings suggest that information regarding financial performance in financial reports does not carry a significant impact on the selection of regional leaders. The performance outlined in financial reports has not emerged as a primary consideration for voters in choosing regional candidates. Instead, the electorate is more interested in the direct impact of local government performance. In contrast to previous studies, this research focuses on financial indicators, employing an analysis of local financial ratios. Prior research utilizing ratio analysis for determining the re-election of incumbents has been limited. Additionally, this study incorporates the use of dummy variables.

Keywords: Financial Performance, Financial Capacity, Local Government Performance, Incumbent.

1. Introduction

The general election of regional leaders (Pilkada) is one of the manifestations of democracy in Indonesia, where the people have the right to determine the direction of the country's

development. In the past, the system for election of regional leaders in Indonesia was through representation in the Regional People's Representative Council (DPRD). Currently, election is conducted directly, providing the opportunity for the people to elect their own leaders. This change holds significant role as a reflection of democracy in Indonesia. According to the Indonesian Survey Institute, as much as 84.1% of the Indonesian population supports the direct election system. Only 5.6% support elections through DPRD representation, and 6.8% have no preference for either system (www.lsi.or.id). The success of direct elections in reflecting active participation by the people in choosing their leaders underscores the growing spirit of democracy in Indonesia. Therefore, direct elections are not merely a political process but also a recognition of the crucial role played by the people in the development of the nation.

The regional head has a term of office lasting 5 years and can run for re-election in the next local election. Law Number 10 of 2016 stipulates that regional heads can only serve for one additional term. Sumitro (2020) and Oki (2019) found that regional autonomy provides opportunities to effectively manage governance at the local level to realize responsible autonomous regions and ensure development progress. Elected regional heads are expected to have the abilities and skills to manage local government organizations, human resource management, asset management, and promote regional economic development. With effective leadership, positive impacts on regional development, community well-being, and local economic growth are anticipated.

The incumbent candidate for regional head has a greater chance of winning the local election (Millenia & Jone, 2022). The Association for Elections and Democracy (Perludem) states that in the 2015 local elections, the incumbent regional heads dominated victories in the majority of areas, 96 out of 144 regions (www.perludem.or.id). Wibhawa et al., (2023) mentions that 84 regions are won by incumbents in the 2018 local elections. The incumbent's performance becomes a key factor in their election, both in terms of financial management and the quality of services provided (Dharma & Martani, 2016). Public satisfaction with performance, popularity, the ability to reach all voter segments, the ability to mobilize bureaucracy, and financial readiness can influence incumbent's electability (Fadli et al., 2018). Thus, the electability of the incumbent is not only related to popularity but also to effective performance in meeting the needs of the community and the ability to manage governance effectively. These factors can provide better insights into the dynamics of local elections and the factors influencing their outcomes.

The Retrospective Voting Theory emphasizes that voters will assess the incumbent regional head based on past experiences, past performance, and past actions (Key, 1966). Critical reflections of the community on the performance of the local government are crucial in determining whether the incumbent regional head is worthy of leading again. Arguments in the research by Purwidayani & Slamet (2022) indicate that Indonesian society is more interested in information about basic needs that directly impact them, such as regional infrastructure development. The incumbent regional head will build a positive political image by conveying visions, missions, and development work programs for the next 5 years (Millenia & Jone, 2022). The financial capacity of the region indicates how capable the region is in allocating funds for development costs beyond personnel expenses. Financial capacity of the region is crucial, and the low

financial capability that leads to financial difficulties can decrease electability levels because it becomes challenging to allocate funds for political interests (Dharma & Martani, 2016).

Financial management is a crucial component in regional development. Darmawati & Damayanti (2021) state that the analysis of financial ratios in the Regional Revenue and Expenditure Budget (APBD) is a crucial step in assessing the performance of local governments. The measurement of financial performance in the region is considered important for evaluating the achievement of goals, targets, and strategies of the local government. In Spain, Darmawati & Damayanti found that voter behavior in 143 cities is influenced by financial information (Darmawati & Damayanti, 2021). Accounting information can provide an overview of the financial performance of local governments and the utilization of their resources. From a financial perspective, We can evaluate the ability of local governments to provide public services. If it can meet standards in effort to provide the best public service, it is considered good government and it can gain trust from community (Yuliati et al., 2016). High scores in the Performance Evaluation of Local Government Operations indicate good governance and have a positive impact on the local community, thereby increasing the chances of the incumbent's electability (Dharma & Martani, 2016; Yuliati et al., 2016).

Empirical studies on the electability of incumbents from an economic perspective have been discussed in previous research, including Dharma & Martani (2016), Yuliati et al., (2016), Rahmat et al., (2017), Darmawati et al., (2019), Darmawati & Damayanti (2021), Purwidayani & Slamet (2022). The relationship between regional financial capacity and the performance of local government administration, as measured by EKPPD scores, has been discussed in the research conducted by Dharma & Martani (2016) and Yuliati et al., (2016). Yuliati et al., (2016) and Purwidayani & Slamet (2022) evaluated the financial accountability and performance of local governments. Rahmat et al., (2017) examined the Human Development Index (HDI), poverty, and unemployment. Darmawati et al., (2019) conducted an analysis of financial ratios considering aspects such as Local Own Source Revenue (PAD), taxes, expenses, goods and services costs, capital expenditure, unemployment, and poverty. Ratios related to self-reliance, budget absorption, and the debt-to-regional-income ratio have been explained in the research conducted by Darmawati & Damayanti (2021). This study employs financial capacity as a research variable with the aim of understanding whether various dynamics and an extended time frame can influence the results of previously researched analyses. This study also employs financial ratio analysis to measure efficiency and effectiveness. Effectiveness and efficiency are part of realizing good governance related to regional autonomy (Rahman & Saputra, 2022). Halim & Kusufi (2015) explains that ratios of regional self-reliance, effectiveness, and efficiency can be used to measure the financial accountability of the region.

This study aims to determine whether financial perspectives (regional financial capacity and financial ratio analysis of self-reliance, effectiveness, efficiency) and performance perspectives (evaluation of local government operations performance / EKPPD) can influence the electability of incumbent regional heads in the 2018 local elections. The use of financial ratio analysis for measuring its influence on the electability of incumbents is still limited, making the use of ratios intriguing. Several previous studies used the vote acquisition rate to determine the electability of incumbent regional heads. In this study, a dummy variable is employed. This research has

both theoretical and practical implications. Theoretically, it contributes to strengthening the retrospective voting theory, suggesting that voters will assess the region's performance in the past to predict the future. Practically, the study provides insights into the extent to which the information in regional financial reports can be a reinforcing factor in incumbent electability.

Literature review

Retrospective Voting Theory

The community as voters consists of rational individuals who consider various factors before making voting decisions, and local general elections serve as a public participation method to choose politicians who will become the heads of government (Dharma & Martani, 2016). The research by Purwidayani & Slamet (2022) states that credible performance information will influence voters' decisions regarding incumbent candidates. In America, a significant portion of its citizens votes retrospectively because the evaluation of incumbent candidates is based on the real-life experiences of voters, making it easier to consider voting decisions (Benton, 2019).

The Elected Incumbent

The incumbent has a greater chance of winning the election again if deemed successful in fulfilling their duties during the previous term (Auliyah et al., 2020). If the incumbent is re-elected, they have the responsibility to continue their governance for the next term. Gherghina's research (2011) indicates that the public tends to re-elect incumbents due to a positive evaluation of their performance. This positive evaluation can involve various aspects such as developmental achievements, financial management, or public services provided by the regional government under the incumbent's leadership. Additionally, it's important to note that the incumbent's re-election can also be influenced by other factors, including popularity, political stability, and policies implemented.

Local Financial Capacity

High local financial capacity is considered to facilitate the local government in budget allocation. Regional development can rely on financial capabilities derived from utilizing regional potential, support from the central government, and other legitimate regional revenues (Oki, 2019). Low local financial capacity will hinder regional heads in allocating expenses for their political interests. Dharma & Martani (2016) found that an increase in short-term and long-term debt can lead to financial difficulties, indicating a weakness in financial capacity. The community will perceive that regional heads have poor fiscal management and are unable to provide adequate services to the public. The larger the amount of debt generated by the regional government, the lower the chances of winning in re-election (Darmawati & Damayanti, 2021). This can impact the electability of the incumbent regional head in the next local election, and there is a significant possibility of facing defeat.

Performance of Local Government Administration

Performance achievements can depict the level of success in achieving the vision and mission of the local government. Based on Government Regulation Number 6 of 2008, it is mentioned that the performance of local government administration is the achievement of the implementation of regional government affairs measured by input, process, output, outcomes, and benefits, and/or impact. This is a holistic approach to evaluating the implementation of regional government, involving the entire government activity cycle. Evaluation can be carried out with the aim of encouraging improvements in the performance of regional government administration to enhance performance at the provincial and national levels. Yuliati et al., (2016)

argue that voter trust can increase if the performance of regional government is better. Good governance management is characterized by the fulfillment of public services that reach optimal standards to build public trust.

Financial Performance

Assessing the financial performance of the region is one way to determine financial accountability, including the budget and its realization in financing regional autonomy implementation. Indicators used include finance and regulations during the budget period. Ratio analysis is employed to obtain information about financial performance. Financial performance analysis is crucial for drawing conclusions and evaluating achievements based on the goals, targets, and strategies implemented (Darmawati et al., 2019). Regional autonomy requires regional governments to independently manage resources and budgets, so this assessment reflects the ability of regional governments to fulfill their governance responsibilities.

Hypothesis Development

The financial capacity of local governments reflects their ability to allocate funds for development and public services. Research in the United States indicates that financial difficulties lead to an increase in long-term debt ratios and a decline in the financial capacity of local governments, influencing the re-election prospects of incumbents (Dharma & Martani, 2016). The findings of Dharma & Martani's (2016) research suggest that the financial capacity of local governments has a positive impact on the re-election prospects of incumbents. Regional autonomy demands local independence in providing fiscal capacity to maintain fiscal balance (Oki, 2019). Enhancing the financial capabilities of local governments to finance routine expenditures and development by increasing Local Own-source Revenue (PAD) (Affandi & Sianipar, 2016). When local governments have sufficient capacity to provide infrastructure through PAD funding, public services become more optimal, and financial difficulties are reduced (Wulandari et al., 2018). Based on these premises, success in increasing PAD contributions will generate positive public opinion and the opportunity for re-election in subsequent periods. The development of hypothesis based on the provided information can be articulated as follows:

H1: The financial capacity of local governments influences on the re-election prospects of the incumbent regional head in the 2018 local elections.

The performance of local government is crucial in supporting the electability of incumbent regional heads in the 2018 local elections (Yuliati et al., 2016). This is supported by Boyne et al. (2009) and James & John (2006), who found that voter behavior is influenced by performance. The ability of local government to deliver good performance will enhance public services. Improved public services can offer various benefits such as convenience, certainty, cleanliness in service, and protection, resulting in positive evaluations from the public. Dharma & Martani (2016) and Yuliati et al., (2016) found that the performance of local government administration has a positive impact on the re-election prospects of incumbents. However, Purwidayani & Slamet (2022) found a different result, stating that the performance of local government administration does not affect the re-election prospects of incumbents. Suwardi & Haryanto (2017) stated that 60% of incumbents with perceived good performance achieved victory. The leadership factor of regional heads is crucial in building commitment to improve the performance of local government administration. EKPPD is expected to encourage local

governments to provide better public services. On the other hand, public perception will determine vote acquisition because voters will perceive that the responsibility for the regional economic conditions lies with the head of government (Benton, 2019). The development of hypothesis based on the provided information can be articulated as follows:

H2: The performance of local government administration influences the re-election prospects of the incumbent regional head in the 2018 local elections.

Ahyaruddin & Amrillah (2018) explain that the improvement of regional success indicators is evident in their ability to manage finances and effectively perform governance. This finding is supported by the research of Darmawati & Damayanti (2021), indicating that the rational attitude of voters towards the incumbent's performance can be measured by their ability to enhance financial aspects in the previous period. Furthermore, Nirwana et al., (2014) state that the financial self-reliance ratio tends to fluctuate from one period to another, while Darmawati & Damayanti (2021) emphasize that financial self-reliance positively influences the chances of the incumbent's reelection. The significance of a low regional debt ratio becomes crucial as it influences the self-reliance of an area, enabling it to fund its own government operations. On the contrary, high central government transfer income may signify the region's dependence on external parties. Additionally, when regional finances improve, voter perceptions tend to lean towards the belief that regional leaders can optimize the region's potential to generate optimal Regional Original Income (PAD), thereby reducing dependence on external parties. Summarizing these findings, relevant hypothesis for this research can be formulated as follows:

H3a: The level of financial independence in a region has a significant impact on the likelihood of the incumbent regional head being reelected in the 2018 local elections.

Effectiveness is defined as the achievement of set targets in the utilization of public Nirwana et al., (2014). According to Khafiza & Subadriyah (2018), government activities focused on improving the quality of public services will be successfully implemented as planned when financial management is carried out effectively. The experience of an incumbent regional head, having served for 5 years, is considered to provide a better understanding of the characteristics of the region, particularly concerning the mapping of the region's capacity to generate Regional Original Income (PAD). Therefore, it is expected that the planning of the Regional Revenue and Expenditure Budget (APBD) can enhance the effectiveness of target achievement. With the demand for regional autonomy, the appropriate use of PAD for its intended purpose can create effective financial management. From the above exposition, the researcher can formulate the following hypothesis:

H3b: The level of effectiveness ratio significantly impacts the likelihood of the incumbent regional head being reelected in the 2018 local elections.

A significant allocation of spending by the incumbent has the potential to enhance infrastructure development in the District/City. The voters' expectation is that if the incumbent is re-elected, the government spending allocation will remain as substantial as during the previous term, thereby improving infrastructure implementation (Suyoto & Adrison, 2020). The programs initiated or executed by the incumbent in the previous period are anticipated to be continued in

the subsequent period after re-election, leading the researcher to speculate that the efficiency ratio might influence the likelihood of the incumbent's re-election. Inefficiency can arise due to excessive operational expenses impacting revenue, thus necessitating concrete programs, especially in terms of the regional government's performance regarding income and expenditure, to address efficiency levels (Utomo, 2015). Taking the explanations into account, the researcher can formulate the hypothesis as follows:

H3c: The likelihood of the incumbent regional head being reelected in the 2018 local elections is affected by the efficiency ratio.

2. Method

This research employs a quantitative approach with a population consisting of all regions that conducted regional elections (pilkada) in 2018 in Indonesia. The sampling is conducted using purposive sampling technique. The criteria for purposive sampling include all heads of districts/cities who served in the previous term and ran for re-election in the 2018 regional elections, areas that published data on Regional Budgets (APBD) and Budget Realization Reports (LRA) from 2015 to 2018, as well as areas with available data on the scores of the Evaluation of Local Government Performance (EKPPD) from 2015 to 2018. Data reduction is necessary due to incomplete data from three samples. The total number of samples involved in this study is 75 districts/cities. The following are the results of the sampling using purposive sampling technique.

Table 1. Results of Purposive Sampling

Description	Amount
Regions participating in the 2018 regional elections	171
(-) regional elections at the provincial level	17
Total of districts/cities regional elections	154
Total of districts/cities that fulfill criteria of purposive sampling	78
(-) incomplete data	3
Total sample	75

Source: data processed

The collected data from 2015 to 2018. Data collection was conducted through official government sources, including information on incumbent local government officials participating in regional elections, obtained from the General Election Commission (KPU) website. The scores for the evaluation of local government performance were obtained from the Ministry of Home Affairs (Kemendagri) website. Meanwhile, local financial data, including Regional Budgets (APBD) and Budget Realization Reports (LRA), originated from the Directorate General of Fiscal Balance of the Republic of Indonesia (DJPK RI) website. Data was processed by software IBM SPSS Statistics 23.

Variable Measurement

This research utilizes dependent and independent variables. The dependent variable in this study is the track record of the incumbent's reelection. The measure of the incumbent's success in getting reelected is represented by a dummy variable, where a value of 1 is assigned to incumbents who succeed in winning or getting reelected, while a value of 0 is given to those who fail or are not reelected. Meanwhile, the independent variables involve the local financial capacity (KKD), the performance of local government administration, and financial performance.

Local financial capacity refers to the region's ability to finance its development using funds from the Regional Budget (APBD) after deducting mandatory priority expenditures (Dharma & Martani, 2016). The formula used to calculate the value of local financial capacity (KKD) is as follows:

$$\begin{aligned} \text{Local Financial Capacity} \\ &= 1 - \left(\frac{\text{Total of Personnel Expenditure}}{\text{Total Revenue} + \text{Total Regional Financing}} \times 100\% \right) \end{aligned}$$

The performance of local government administration is measured using performance evaluation scores published by the Ministry of Home Affairs. The interpretation of EKPPD (Evaluation of Local Government Performance) achievements is based on a score ranging from 1 to 4, where if $0 \leq 1 = \text{low}$, $1 \leq 2 = \text{moderate}$, $2 \leq 3 = \text{high}$, and $3 \leq 4 = \text{very high}$. Financial performance is assessed through the analysis of independence, effectiveness, and efficiency ratios. Performance is the outcome of programs/activities that have been or will be achieved in relation to budget utilization, quantitatively and qualitatively measurable. The goal is to assess independence in financing regional autonomy, measure the effectiveness and efficiency in realizing regional revenue, and gauge the extent to which local government activities spend their regional income (Deswira, 2022).

Independence ratio is calculated by comparing the realization of Local Own Source Revenue (PAD) with external funds. The independence ratio indicates the ability of local governments to finance governmental activities, development, and services to the community (Halim & Kusufi, 2015). The formula used to calculate the independence ratio is as follows:

$$\text{Independence Ratio} = \frac{\text{Realization of Local Own Source Revenue (PAD)}}{\text{External Funds}} \times 100\%$$

The effectiveness ratio is calculated by comparing the realization of Local Own Source Revenue (PAD) with the set target based on the actual regional potential (Halim & Kusufi, 2015). The formula used to calculate the effectiveness ratio is as follows:

$$\begin{aligned} &\text{Effectiveness Ratio} \\ &= \frac{\text{Realization of Local Own Source Revenue (PAD)}}{\text{Target of Local Own Source Revenue (PAD)}} \times 100\% \end{aligned}$$

The efficiency ratio is calculated by comparing the total realization of regional expenditures with the realization of the received revenue. The performance of the local government in revenue collection is categorized as efficient if the achieved ratio is less than 1 or below 100% (Halim & Kusufi, 2015). The formula used to calculate the efficiency ratio is as follows:

$$\text{Efficiency Ratio} = \frac{\text{Total Realization of Regional Expenditures}}{\text{Total Realization of the Received Revenue}} \times 100$$

Data Analysis Techniques

Data analysis using descriptive statistics and binary logistic regression involves assessing model fit and hypothesis testing. Model fit assessment includes the log likelihood test and the Hosmer and Lemeshow Test. The log likelihood test is used to evaluate the adequacy of the model obtained from parameter estimation (predictor variables), while the Hosmer and Lemeshow test assesses the conformity of the empirical data used with the model.

3. Results and Discussion

Descriptive Statistics

Based on the results of descriptive statistics, the success rate of the re-election of incumbents has an average of 0.80. When associated with a sample of 75 regions that supported incumbent regional leaders, as many as 80% or 60 districts/cities were successfully won by the incumbents. Meanwhile, the remaining 20% or 15 incumbent regional leaders experienced defeat. The average capacity of regional finances indicates that the allocation of the regional budget (APBD) used for development reaches 62.45%, while the remaining 37.55% is used for personnel expenses. This means that, overall, districts/cities on average have prioritized their budget allocation for development programs, where this value is 24.9% higher than personnel expenses.

Table 2. Results of Descriptive Statistics Test

Description	N	Minimum	Maximum	Mean	Std. Deviation
Local Financial Capacity	300	.42	.80	.6245	.06881
Performance of Local Government Administration	300	1.76	3.59	3.0240	.28202
Independence Ratio	300	.02	1.10	.1701	.17168
Effectiveness Ratio	300	.33	2.91	1.1743	.32838
Efficiency Ratio	300	.85	1.26	1.0054	.05405
Incumbent's Reelection	300	0	1	.80	.401
Valid N (listwise)	300				

Source: data processed

The average performance of local government administration has reached a very high category with a value of 3.024. Tulungagung Regency achieved the highest EKPPD with a score of 3.59 in the high category, while Talaud Regency obtained the lowest score of 1.76 in the medium category. The financial performance of local government, based on the average ratio value, indicates a very low level of self-reliance, only 0.1701 or 17.01%. Financial management from the effectiveness ratio of PAD is already very effective (1.1743 or 117.43%), but from the efficiency side, it shows a value of 1.0054 or 100.54%, which means the financial efficiency of the region is still in the inefficient category. The relationship between the local government and

the central government shows an instructive relationship pattern, indicating that the role of the central government is still more dominant because the amount of external funds is still greater than the realization of local own-source revenues. This means that the local government still depends on the central government.

The highest independence ratio is found in Tangerang Regency, reaching 1.10 or 110%, while North Bolaang Mongondow Regency has the lowest independence ratio at 0.02 or 2%. The highest effectiveness ratio is recorded in North Lampung Regency with a value of 2.91 or 291%, while the lowest is in Ogan Komering Ilir Regency at 0.33 or 33%. As for the efficiency ratio, the highest is in Pagar Alam City at 0.85 or 85%, while Kediri City has the lowest efficiency ratio at 1.26 or 126%.

Assessment of Model Fit

The purpose of assessing model fit in logistic regression testing is to evaluate the extent to which the formed model aligns with the observed data. Based on the data in Table 3, there is a decrease in the log-likelihood value from step 0 to 300.241 to step 1 to 277.050. The decrease in log-likelihood values indicates an improvement in the quality of the regression model (Ghozali, 2018). Therefore, it can be concluded that by adding or including independent variables into the model, the result is a well-fitting regression model, and the hypothesized model is consistent with the data.

Table 3. Results of -2 Log-Likelihood Scores

Iteration	-2 Log likelihood
Step 0	300.241
Step 1	277.050

Source: data processed

Based on the data in Table 4, the results of the Hosmer and Lemeshow Test show a chi-square value of 3.027 with a significance value of 0.933, which is greater than 0.05. Therefore, H0 is accepted ($0.933 > 0.05$). This result indicates that there is no difference between the model and the data, so it can be concluded that the regression model in this study is considered appropriate or fits well with the data.

Table 4. Results of Hosmer and Lemeshow Test

Step	Chi-square	df	Sig
1	3.027	8	.933

Source: data processed

Hypothesis Testing

Hypothesis one (H1) indicates a probability value of 0.003, which is smaller than the alpha significance level of 0.05 ($0.003 < 0.05$). Therefore, H1 is accepted, and it can be concluded that regional financial capacity has an impact on the re-election of incumbent regional leaders in the 2018 regional elections. This result aligns with the study by Dharma & Martani (2016). (Nugroho, 2016) asserts that regional financial capacity can be improved by optimizing budget allocation through an increased proportion of direct spending, particularly on capital expenditures (infrastructure development), compared to indirect spending, personnel expenses, and commodity spending in the Regional Budget (APBD), with the hope of stimulating local

investment. Additionally, an increased contribution from Local Own Source Revenue (PAD) can influence regional financial capacity because when the local government can fund infrastructure through PAD, providing optimal public services becomes more feasible, reducing the likelihood of financial difficulties (Affandi & Sianipar, 2016) (Wulandari et al., 2018). As a result, the public is more likely to provide positive evaluations by re-electing the incumbent.

Table 5. Results of Binary Logistic Regression Analysis

Description		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	KKD	-7.022	2.378	8.717	1	.003	.001
	KPPD	1.221	.567	4.636	1	.031	3.392
	MDR	1.371	1.059	1.676	1	.196	3.940
	EFK	-.298	.440	.461	1	.497	.742
	EFS	1.837	2.732	.452	1	.501	6.280
	Constant	.496	3.467	.020	1	.886	1.642

Source: data processed

Hypothesis two (H2) indicates a probability value of 0.031, which is smaller than the alpha significance level of 0.05 ($0.031 < 0.043$). Therefore, H2 is accepted, and it can be concluded that the performance of local government administration influences the re-election of incumbent regional leaders in the 2018 regional elections. This finding is consistent with the studies by Dharma & Martani (2016) and Yuliati et al., (2016). A management system capable of providing public services in line with performance indicators, standard operating procedures (SOP), and clear performance will create a perception that everything is functioning well, leading voters to choose to retain the incumbent. Conversely, if things are not going well, voters will seek alternative options (Benton, 2019). However, this finding contradicts the results of the study by Purwidayani & Slamet (2022), which states that the performance of local government administration does not affect the re-election of incumbents due to the possibility that the public is no longer interested in the performance of local government administration.

Hypothesis 3a indicates a probability value greater than the alpha significance level, specifically $0.196 > 0.05$. Therefore, H3a is rejected, and it can be concluded that the independence ratio does not affect the re-election of incumbent regional leaders in the 2018 regional elections. This finding differs from the study by Darmawati & Damayanti (2021), which asserts that the independence ratio affects the re-election of incumbents. Additionally, the research by Saraswati & Nurharjanti (2021) indicates that balancing funds do not have a significant influence on regional financial independence. This may be due to the lack of effectiveness, target inaccuracies, and consumptive nature in the use of balancing funds, which ultimately reduce productivity in increasing Local Own Source Revenue (PAD) and create dependence on the central government. Nugroho (2016) states that even though PAD growth is better, if it is not accompanied by an increase in PAD contributions to spending, the level of dependence of local governments on the central government will rise.

Hypothesis 3b indicates a probability value greater than the alpha significance level, specifically $0.497 > 0.05$. Therefore, H3b is also rejected, and it can be concluded that the effectiveness ratio

of Local Own Source Revenue (PAD) does not affect the re-election of incumbent regional leaders in the 2018 regional elections. The effectiveness ratio of PAD implies that it is effective but does not influence the re-election of incumbents. This may be due to PAD not being effective in driving local economic growth (Sumardjoko, 2017). Voters may not be overly interested in financial information related to the physical use of public funds that have met target achievements. Voters are more interested in direct benefits such as education, health, infrastructure, and others.

Hypothesis 3c indicates a probability value greater than the alpha significance level, specifically $0.501 > 0.05$. Therefore, H3c is also rejected, and it can be concluded that the efficiency ratio of regional finances does not affect the re-election of incumbent regional leaders in the 2018 regional elections. The average efficiency ratio of regions supporting their incumbents running again in the 2018 regional elections falls under the category of 'inefficient.' The efficiency level of most regions indicates signs of inefficiency, despite some fluctuations showing slight improvement. The inefficiency that occurs may be due to an imbalance between operational expenditures that overly impact revenue. Therefore, concrete programs are needed to improve the performance of local governments, both in terms of revenue and regional expenditures (Utomo, 2015). Additionally, inefficiency, viewed from the perspective of Local Own Source Revenue (PAD) as a source of funding for regional expenditures, has not been directed towards productive expenditure sectors. Local governments still tend to focus on consumptive spending (Sumardjoko, 2017).

Based on the results of hypothesis testing, the retrospective voting theory proves to be relevant in the context of the re-election of incumbents, especially concerning the regional financial capacity (X1) and the performance of local government administration (X2). Both variables indicate an influence on the electability of incumbents, so the proposed hypothesis can be accepted. The public, as voters, seems to provide a reflective assessment of regional performance based on their real experiences. The integration of strong financial capacity, supported by optimal performance of local government administration, can enhance the electability of incumbents. Regional financial capacity reflects the ability to allocate development priorities beyond personnel expenses. If the level of financial capacity is low, the government faces difficulties in fund allocation, especially for regional development, which often becomes the political focus of regional leaders. Financial difficulties in the region can decrease the electability of incumbents. Meanwhile, when looking at the results of financial ratios (X3a, X3b, X3c), the application of the retrospective voting theory is not fully accepted by voters. This may be due to voters' limitations in utilizing information found in financial reports. The focus of the public is more directed towards direct impacts related to basic needs. Well-executed regional performance programs that bring about progressive changes can create positive evaluations from voters. Conversely, if performance is perceived poorly, the public tends to seek other options.

4. Conclusion

The conclusion of this research is that the re-election of the incumbent regional head in the 2018 local elections is influenced by the local government's financial capacity and its performance in governing. On the other hand, financial performance measured through ratio analysis, including independence, effectiveness, and efficiency, does not have a significant impact. These results

indicate that the information contained in financial reports, in terms of content, has not yet become a consideration or preference for voters in exercising their voting rights. The electorate is more interested in the local government's performance that directly affects their daily lives, such as meeting basic needs and developing infrastructure to support their daily activities. These findings align with the application of the retrospective voting theory used in several previous studies, including research conducted by Dharma & Martani (2016), Yuliati et al., (2016), and Purwidayani & Slamet (2022).

The limitations of this study include a narrow focus on financial and performance perspectives, with the research objects concentrated on regencies/cities that supported the reelection of the incumbent regional heads in the 2018 local elections. The variables of interest are the financial capacity of the local government, the performance of local government administration, and financial performance, measured through the analysis of independence, effectiveness, and efficiency ratios. Recommendations for future research involve the utilization of diverse financial analysis ratios for local governments, such as growth ratios, harmony ratios, fiscal decentralization ratios, and others. To broaden perspectives, it is also suggested to incorporate non-economic aspects, such as political strategies. Furthermore, the research could be enriched by expanding the scope beyond regencies/cities to include provincial governments.

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