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Political Budget Cycle in Local Elections in Indonesia: A Systematic Review

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ABSTRACT *Political budget cycles (PBC) refer to patterns in which incumbents manipulate government budget policies in the run-up to elections to enhance their electoral chances. This article presents a systematic review of the recent literature on PBC in the context of regional elections in Indonesia. The review findings show that PBC at the local government level in Indonesia did occur significantly after the direct election era began. A number of empirical studies consistently find a pattern of increasing public spending and budget deficits in the years leading up to regional elections, especially in spending items that are visible and benefit voters (such as social assistance and local infrastructure projects). For example, social assistance and regional grant spending tend to increase drastically in election years, which contributes to a decrease in budget surpluses and an increase in short-term liabilities of local governments. This PBC is stronger when incumbent regents/mayors are running for re-election and when incumbents are supported by a large party coalition. On the other hand , the shift from indirect to direct elections at the regional level has been accompanied by a shift in spending patterns, including a decrease in capital spending around election periods. In terms of political effects, increased populist spending has been shown to be associated with higher incumbent vote acquisition, although this effect is influenced by the level of local electoral competition. Overall, the practice of political budget cycles in Indonesian regional elections signals challenges for fiscal accountability and the quality of local democracy.*

Keywords: *political budget cycle; regional budget; regional head election; electoral politics; fiscal accountability*

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Introduction

Since the fall of the New Order regime in 1998, Indonesia has undergone a significant political transformation towards decentralized democracy (Mietzner, 2010; Nordholt, 2012; Schulze & Sjahrir, 2014). Post-1998 political reforms included extensive fiscal and political decentralization, including direct elections for regional executive positions. Starting in 2005, regional heads (district heads/mayors and governors) who were previously elected by the DPRD (regional legislature) are now directly elected by the people through Regional Head Elections (Pilkada) (Aidt & Mooney, 2014; Mahsun, 2017; Pisani et al., 2017). This change in the electoral system is expected to deepen local democracy by increasing the accountability of regional leaders to constituents. By 2008, the first wave of direct Pilkada had been implemented in all district/city levels in Indonesia, marking the end of the era of indirect elections (Sjahrir et al., 2014). However, along with the democratization process, various studies have noted the rampant practice of money politics and patronage in local electoral contests (Hadiz, 2012).

Regional elections in many regions are characterized by the provision of money, goods, and other material promises to voters by candidates in exchange for support (Solihah & Triono, 2022). This strong patronage practice between local elites and constituents raises concerns that local democracy is running in the corridor of patronage democracy – where traditional patron-client relationships adapt in an electoral context (Reuter, 2015). In such a situation, incumbents who have access to state resources have great potential to misuse public funds for their electoral gain.

The phenomenon of political budget cycles (PBC) refers to a pattern in which incumbents or governments increase public spending or manipulate the budget ahead of elections for electoral gain (Pierskalla & Sacks, 2018; Wardhana, 2021). Conceptually, PBC is a form of opportunistic behavior in political economy: the budget is used as a tool to influence voter preferences at election time. Classical theory suggests that ahead of elections, governments tend to increase spending or lower taxes to create a good economic perception, in the hope that voters will support the incumbent. However, the effectiveness of this strategy depends on voter behavior and institutional context. Cross-country comparative studies show that PBC is more common in young or transitional democracies, while in established democracies this phenomenon tends to weaken or be inconsistent (Sjahrir et al., 2013). In other words, voters in advanced democracies generally no longer respond positively to fiscal "gifts" ahead of elections , so politicians in these countries rarely engage in opportunistic budget cycles. In contrast, in young or new democracies, politicians still often rely on populist public spending to gain votes, and PBC tends to be stronger there (Rakhman & Saudagaran, 2023). Indonesia, as a relatively new democracy (the Reformation era began in 1998) and has been implementing direct regional elections since 2005, offers a very interesting context to test this phenomenon.

The concept of the Political Budget Cycle (PBC) refers to the phenomenon where government officials (especially incumbents) increase public spending or engage in other fiscal manipulations ahead of elections in order to influence voter preferences (Boll & Sidki, 2021; Bronić et al., 2022). Many cross-country studies show that PBC is more common in young democracies, while in established democracies voters tend not to value electoral spending so this phenomenon is rarely observed (Rakhman & Saudagaran, 2023). PBC symptoms are generally characterized by a surge in government spending or populist programs in an electoral year, followed by a decline or readjustment post-election (Dalle Nogare & Kauder, 2017; Pierskalla & Sacks, 2018; Rizqiyati &

Setiawan, 2022; Wardhana, 2021). Theoretically, PBC is more likely to occur in developing democracies where voters lack the information or experience to identify the political motives behind fiscal policies. In contrast, in mature democracies, voters tend to punish incumbents who appear to "waste" the budget in the run-up to elections, so PBC is rarely observed in such contexts. Indonesia as a "new democracy" provides fertile ground to test this PBC theory (Rakhman & Saudagaran, 2023).

The implementation of direct regional elections since 2005 has provided new incentives for incumbent regional heads to attract voters' sympathy through budget policies (Buehler et al., 2021; Dharma, 2023; Kurniawan & Prasojo, 2017; Mukhlis et al., 2024; Noak, 2024; Siboy, 2024). An early indication of this phenomenon was shown by the research of Sjahrir et al. (2013) who found that the political budget cycle emerged clearly at the district/city level in Indonesia after direct elections were implemented. Their findings revealed that in direct election years, regional government spending increased significantly compared to non-election years, while this did not occur in the era of indirect elections (Sjahrir et al., 2013). This fact is consistent with the hypothesis that direct elections encourage regional heads to use budget instruments to increase electability, while when elections are through the DPRD, the encouragement is smaller because the contestation is limited to the elite level. Since this pioneering study, a number of follow-up studies have emerged that deepen the understanding of PBC in the context of Indonesian regional elections. Various studies have attempted to identify which spending categories are most affected, how factors such as the coalition of parties supporting the incumbent or the level of electoral competition play a role, and the consequences of budget cycles on fiscal performance and public services. Given the more than fifteen -year time span since the introduction of direct regional elections, there is now a wealth of empirical evidence to be reviewed comprehensively. This article aims to compile a systematic and comprehensive review of the literature on political budget cycles at the local government level in Indonesia, focusing on the era of direct regional elections. This review will summarize the main findings of previous empirical studies, compare their methodologies and results, and analyze the implications of these findings for democracy and governance in Indonesia.

Key questions to be answered through this review include, to what extent does the PBC phenomenon occur in Indonesia and in what form? What factors influence the intensity of PBC in regional elections (e.g. incumbent status, coalition, competition)? What are the short-term and long-term impacts of PBC on the quality of public spending, fiscal accountability, and electoral outcomes? And finally, what policies can be taken to reduce the practice of budget manipulation in the run-up to elections without sacrificing long-term development? By analyzing existing studies, this paper is expected to contribute to the literature on Indonesian political economy and provide input for policymakers on how to strengthen fiscal governance in political years.

Method

The review approach used in this study is a systematic review of literature relevant to the topic of political budget cycles at the local level in Indonesia. The literature search process was carried out through the main academic database Scopus and with search keywords including: "political budget cycle Indonesia" , "political budget cycle local elections" . The literature screened includes academic journal articles, books, and research reports published from the early 2000s to 2025. The main focus is quantitative empirical studies that analyze the behavior of local government budgets in relation to the Pilkada schedule. The inclusion criteria for studies in this review are: (1) the study explicitly discusses the existence of a budget cycle pattern in relation to elections or Pilkada in Indonesia; or (2) the study analyzes the effects of politics on local budget dynamics (for example, the impact of coalitions or political competition on public spending). Conversely, studies that only touch on the issue of political corruption or electoral politics without any connection to fiscal policy are not the main focus of this review. From the initial search results, dozens of potential articles were obtained. Each article was then subjected to an abstract review to assess relevance. Articles that met the criteria were then read in their entirety to extract the main findings.

In an effort to maintain topicality, this review emphasizes the latest literature (the last 5–10 years), considering the latest political developments such as changes in regional election regulations (for example, the policy of synchronizing the simultaneous regional election schedule in 2024) which may affect the relevance of previous findings. Nevertheless, classic studies that form the conceptual basis (Sjahrir et al ., 2013) are still included because of their historical significance. This review writing strategy combines descriptive and analytical approaches. First, the empirical findings of each study are presented in a structured manner based on certain themes/subtopics. Second, a critical analysis is conducted by comparing the results, explaining possible causes of differences, and highlighting the limitations of existing research. Thus, this review not only presents what previous studies have found, but also why these findings are important and how they have implications in a broader context.

Result and Discussion

Overview of the Political Budget Cycle in Indonesia

Empirical evidence suggests a clear political budget cycle at the local government level in Indonesia following the introduction of direct regional elections. Several quantitative studies have confirmed that local spending tends to increase abnormally in election years compared to non-election years. This increase occurred mainly in types of spending that are considered to be able to boost voter support, such as social assistance spending, grants, spending on goods/services, and local-scale infrastructure projects. An early study by Sjahrir et al. (2013) provided one of the first pieces of evidence of PBC in Indonesia. By analyzing panel data of districts/municipalities before and after 2005, they found that there was no significant budget cycle when regional heads were indirectly elected by the DPRD, but a significant budget cycle emerged in the era of direct elections. In particular, local government administrative spending (including the "other spending " component that is thought to include unexpected or flexible spending) increased sharply in direct election years. This effect was even stronger if the incumbent ran for reelection. This important finding indicates that direct electoral incentives encourage incumbents to spend more in the run-up to local elections, whereas in the old system (election by the DPRD) such incentives were not felt because the contestation took place at the level of the legislative elite, not the voter mass . The findings of Sjahrir et al. (2013) became the foundation for further research. Setiawan & Rizkiah (2017) strengthen the evidence of PBC by focusing on spending composition. They studied 451 district/city governments that held direct regional elections during the period 2010–2014. The results showed an opportunistic PBC pattern: there was a significant increase in the budget deficit (decrease in surplus) in the election year compared to the previous year, due to soaring spending while revenues stagnated. In more detail, total regional spending increased, especially in the grant, social assistance, and financial assistance spending items, all of which have the characteristic of high visibility to constituents. In other words, regional governments tend to boost populist spending ahead of the election, even at the expense of budget balance (increased deficit).

This pattern is consistent with the assumption that incumbents use the APBD to "buy" voters' goodwill, for example through direct cash assistance programs, donations to community groups, or small projects with a nuance of aid. More recent research by Wiguna & Khoirunurrofik (2021) adds to the understanding of the scope of PBC in Indonesia. Using panel data from 499 districts/cities in 2011–2017, they tested cycles not only in spending but also in regional revenues. The results are interesting: political cycles are detected on both sides of the budget. On the revenue side, all components of Regional Original Income (PAD) experienced a significant increase in the election year (Wiguna & Khoirunurrofik, 2021). It is possible that local governments intensify efforts to collect local taxes/levies or make maximum use of other PAD sources in election years, the funds of which can then be allocated to popular spending.

Meanwhile, on the expenditure side, there is a cycle in expenditures directly related to public welfare, such as expenditure on goods and services and capital expenditure. This indicates that the composition of expenditure shifts towards a more "pro-people" direction in election years – for example, increasing spending on public infrastructure (roads, public facilities) and other public service programs that can be immediately felt by citizens. However, it should be noted that the increase in capital expenditure found by Wiguna & Khoirunurrofik (2021) is slightly different from the findings of Lewis & Dong (2025) who actually reported a decrease in capital expenditure around the transition to direct elections (discussed in the next subsection). This difference could be due to differences in study periods and contexts: Wiguna & Khoirunurrofik studied the period when direct regional elections were well established (2011–2017), while Lewis & Dong studied the early transition period (mid-2000s).

In addition, Rakhman & Saudagaran (2023) provide the latest evidence on PBC in Indonesia by reviewing financial indicators in local government financial reports. They focus on the impact of election years on financial positions such as surplus/deficit, cash, and liabilities. Their findings are in line with previous studies: election years tend to be marked by a decrease in regional surplus and cash, as well as an increase in local government current debt. Substantively, this means that many regions drain their cash reserves and/or increase short-term debt to finance extra spending ahead of the election. Rakhman & Saudagaran (2023) emphasize that public oversight of financial reports (which are now openly accessible) is crucial so that voters can detect symptoms of PBC and demand accountability. Fiscal transparency has the potential to become a social control tool to reduce the practice of political budget cycles in the future. To provide a comprehensive summary of the major studies on PBC in Indonesian regional elections, Table 1 below presents a comparison of the design and key findings of each study.

Table 1. Summary of Empirical Research on Political Budget in Indonesian Local Governments

Study (Author, Year)	PBC Key Findings in Indonesia
Sjahrir, Kis-Katos & Schulze (2013)	*PBC emerged after direct elections*. There was no significant increase in spending in election years during the indirect election era, but spending increased significantly in direct election years. PBC was stronger if the incumbent ran again. The increase was mainly in discretionary "other" administrative spending .

Lewis & Hendrawan (2019)	*Coalition factors & end-of-term cycle.* Regions with a majority coalition in the DPRD (supporting parties >50% of seats) initially increase health spending and improve access to services, but these positive effects disappear after 1–2 years. At the end of the term, the majority coalition tends to direct the budget to infrastructure spending which increases sharply with indications of corruption . It is suspected that budget misappropriation increases in the last 2 years of the term to raise funds for the next campaign. This finding shows the PBC dimension through the shift in spending to rent-seeking projects in the run-up to the election .
Wiguna & Khoirunurrofik (2021)	*PBC on income & expenditure.* Local Original Revenue (PAD) increases significantly in election years – indicating efforts to maximize local revenues to fund electoral spending. On the expenditure side, PBC occurs in pro-welfare spending : spending on goods/services and capital spending increases significantly during election years . Larger coalitions of supporting parties are associated with higher levels of budget manipulation in election years, indicating broad political support allows for more discretionary electoral spending.
Dharma, Syakhroza & Martani (2022)	*The influence of spending on election outcomes.* The social assistance budget has a significant positive effect on the incumbent's vote acquisition in the regional elections (the higher the social assistance spending, the higher the incumbent's vote). However, political competition weakens this effect : in areas with high candidate competition, additional social spending does not significantly increase the incumbent's vote (negative interaction effect). This means that PBC (in the form of high social assistance spending) is more effective in contests with relatively low competition.
Rakhman & Merchant (2023)	*PBC on financial indicators.* The election year shows a decrease in regional surplus and cash, as well as an increase in current liabilities . This means that regional governments tend to spend cash and increase short-term debts ahead of the election (e.g. for populist program spending). The author highlights the importance of public use of financial report data to detect PBC and improve accountability. This confirms that PBC has a negative impact on the short-term fiscal health of regional governments.
Lewis & Dong (2025)	*The causal impact of direct elections on spending.* The transition to direct local elections led to a consistent decline in capital expenditure in the pre- *and* post-election periods . There was also a decline in access to public services after the election (post-local elections) especially in high patronage areas. Interpretation: in the early transition period, direct local elections had a negative short-term fiscal impact – likely because funds were diverted from investment (capital) spending to clientelistic/populist spending in the run-up to the election, sacrificing sustainable service delivery. The negative effects were particularly felt in areas with strong patronage practices.

Source: processed by researchers from various research sources

Table 1 shows that almost all studies consistently detect the existence of political budget cycles in Indonesia with various approaches. Although the methodologies differ (some are based on simple panel analysis, natural experiments, to strict causal approaches), the general conclusions are similar: Regional elections encourage fiscal opportunistic behavior by incumbents. However, there are also several nuances and differences in findings that are worth discussing further, for example related to the types of spending/revenue that are most prioritized, as well as institutional and political factors that strengthen or weaken PBC. The following, thematic discussion subsections will explore these matters in more depth.

Direct vs. Indirect Elections: Impact on PBC

One of the fundamental questions is how the change in the regional head election system – from indirect (by the DPRD) to direct (by the people) – influences the political budget cycle. In theory, direct elections open up horizontal accountability channels between leaders and voters, but they also create new incentives for incumbents to optimize popularity ahead of elections, including through strategic public spending. Empirical evidence presented by Sjahrir et al. (2013) clearly supports the argument that PBC only emerges in direct election regimes. Before 2005, when regional heads were elected by the DPRD, data did not show a pattern of increasing spending in the final year of the regional head's term of office. This makes sense, in indirect elections, regional heads are more interested in lobbying DPRD members or political parties than allocating budgets for the wider community. In other words , the incumbent's political "investment" in that era was likely in the form of closed political negotiations, not populist public spending. On the contrary, after direct regional elections were implemented, the trend of election year spending increased significantly, indicating that incumbents began to use public spending as a de facto campaign tool (Sjahrir et al., 2013).

The findings of Lewis & Dong, (2025) provide additional perspective on the impact of the transition to direct elections. They find that the shift to direct local elections in the mid-2000s is correlated with a decline in capital spending in the years surrounding elections. This suggests a kind of trade-off: as fiscal resources are diverted to more short-term spending (e.g. social assistance, grants, ceremonial events), capital spending (long-term investments such as large infrastructure projects) is suppressed or postponed as elections approach. Interestingly, the decline in capital spending occurs not only in election years, but also in the years following elections. One explanation given is that the post-election decline may reflect the effects of government transition (the new administration may review capital projects) and perhaps also the consequences of a fiscal deficit resulting from high spending in the previous year, leading to a need to "tighten the belt" after the election.

Furthermore, Lewis & Dong (2025) noted the negative impact of direct regional elections on declining access to public services after the election in areas with high patronage. This indicates that in a clientelistic environment, direct elections do not initially increase public welfare; instead, electoral competition encourages less efficient resource allocation (e.g., less productive spending) so that public services stagnate or decline thereafter. However, it is important to remember that these findings are based on the short term beginning of the transition. In the long run, direct elections may spur accountability so that negative trends can be reversed, something that requires further research.

Overall, the comparison of the indirect vs. direct election eras in Indonesia confirms the general hypothesis of the PBC literature that democratization through direct elections opens up opportunities for political budget cycle practices. This effect initially carries negative fiscal consequences (e.g. high-cost populist spending and the sacrifice of productive spending). However, on the positive side, direct regional elections also mean that people can use their votes to punish or incentivize the fiscal behavior of incumbents. If voter accountability mechanisms work, incumbents who are too fiscally manipulative should ideally lose support. Whether this happens in Indonesia is an open question that will be discussed in the subsection on the impact on electoral outcomes.

Budget Categories Vulnerable to Electoral Cycles

In PBC studies, it is important to identify which types of spending or budgets are most susceptible to manipulation by incumbents for electoral gain. International literature suggests that incumbents tend to increase spending that is most visible to voters in the run-up to elections – for example, public infrastructure spending that can be authorized, social assistance programs, subsidies, and other spending that is directly felt by constituents. Conversely, less visible or unpopular spending (for example, routine administrative spending or debt payments) is likely to be suppressed. What about the case of Indonesia? The studies in Table 1 consistently show that social spending and assistance are categories that increase significantly in election years. Setiawan & Rizkiah, (2017) for example explicitly mention grant spending, social assistance and financial assistance as items that increase during election years. This category in Indonesia includes aid funds provided by local governments to community groups, organizations, or individuals, often with the justification "for public interest/welfare". In reality, the allocation of grants and social assistance is very vulnerable to being misused as a tool of political patronage because it can be given selectively in the run-up to the regional elections to target voter bases (e.g. mass organizations, religious communities, farmer groups, etc. who are expected to "return the favor" with vote support). It is not surprising that the media and observers often highlight the "explosion of social assistance budgets" in election years in various regions. The study by Dharma et al., (2022) further emphasizes the role of social assistance spending, because it was found to have a positive correlation with the incumbent's vote, thus providing a strong incentive for the incumbent to fatten the budget item (further discussion in the next subsection). In addition to grants/social assistance, infrastructure spending is also a common political tool. However, findings related to capital/infrastructure spending in the Indonesian PBC literature are somewhat mixed. Wiguna & Khoirunurrofik, (2021) reported that capital expenditure increased in the election year, which is in line with the intuition that infrastructure projects (roads, bridges, buildings) can be used as campaign "achievements" by incumbents. Many regional heads are busy inaugurating projects or putting up signs saying "this project is on the initiative of Regent X" ahead of the election, so the intensification of capital expenditure ahead of the election makes sense. However, Lewis & Dong (2025) actually noted a downward trend in capital expenditure around the election year in the context of the early transition. One interpretation might be: in the early days of direct regional elections, regional heads preferred spending that had instant results (such as cash assistance) over capital projects that took longer to show results. However, over time, the pattern seems to have shifted - capital expenditure can also be used as an electoral instrument, especially small/medium-scale infrastructure projects that can be completed in one budget year (eg. construction of neighborhood roads, market renovations, etc.).

Thus, both findings could be true depending on the time context and project type. Goods and services spending (operational) is also said to increase in the election year (Wiguna & Khoirunurrofik, 2021). This item may include spending on local government activities that can be promotional, such as holding public events, public service announcements that highlight local government performance, providing symbolic goods (for example: free basic food packages, equipment assistance for farmer groups, etc.). Although not as obvious as capital spending, this spending on goods can be strategically directed to increase the incumbent's exposure in the public eye.

On the revenue side, an interesting thing was raised by Wiguna & Khoirunurrofik (2021) that PAD increased in the election year. This may seem counter-intuitive (because the assumption of PBC is that incumbents usually want to reduce their tax burden before the election), but in the context of regions in Indonesia, increasing PAD could mean two things: (1) Local governments are more active in collecting taxes/levies when they need additional funds for electoral spending. For example, there are anecdotes in several regions that increase the intensity of tax collection or withdraw BUMD dividends early in order to increase income ahead of the election. (2) The increase in PAD could also be due to budget optimism: Local governments budget high PAD projections in the APBD in the election year so that they have more spending space, even though the realization could later be off target. Without detailed data, it is difficult to ascertain the mechanism, but the phenomenon of increasing PAD in election years is worth observing further. In the long term, if PAD is forced to increase (for example by selling regional assets or forcing BUMD deposits at one time), this is certainly not sustainable. Another side of the budget that is rarely discussed is debt or liabilities.

Rakhman & Saudagaran, (2023) signaled that short-term local government debt increased in the election year. This could be in the form of an increase in third party debt because many projects are forced to be completed (so that bills pile up), or short-term loans (e.g. regional cash flow loans or the issuance of regional bonds, although limited). Although regional debt in Indonesia is relatively tightly limited by the central government, there is the possibility of other tricks, such as delaying payment of obligations to contractors until the following year. The effect is the same : increased obligations appear in the financial report. This indicates that PBC can affect fiscal health in ways that are not immediately visible to the general public (because the public may only see finished projects, but do not know that the government owes them). If this pattern spreads, it could be an alarm for the Ministry of Finance and the BPK to increase supervision ahead of the regional elections. From the explanation above, it can be concluded that the budget items that are most vulnerable to the political cycle in Indonesia include social assistance/grant spending, infrastructure & visible public goods spending, and financing instruments such as cash use and short-term debt. Meanwhile, routine administrative spending (e.g. employee salaries) is not much changed because it is rigid and does not provide direct electoral benefits. This is similar to the pattern in other countries , where politicians focus on visible expenditures. The practical implication is that reforms to limit PBC can be directed at the aforementioned discretionary spending items, for example with rules limiting grant/social assistance spending in election years or increasing transparency in the use of these funds.

Political Factors Affecting PBC: Incumbents, Coalitions, and Competition

The intensity of the political budget cycle is not uniform for each region or each election. There are several key political factors that research suggests can strengthen or weaken an incumbent’s incentive to manipulate the budget. Three factors that stand out in the context of the Indonesian Pilkada are the incumbent status (whether the incumbent is running again or not), the configuration of the political coalition, and the level of competition in the election. Incumbent Status (Incumbent running again/not): Logically, if a regional head is not running again (because he has served two terms or other reasons), the incentive to conduct PBC will be lower. On the other hand, incumbents who are running again are strongly motivated to utilize the budget for their victory.

The findings of Sjahrir et al. (2013) clearly support this, PBC is much stronger when the incumbent runs in the Pilkada than when the regional head is new (open seat) who does not have direct access to budget control before. In the case of an open seat, perhaps the actor trying to exploit the budget is a party supported by the incumbent (a kind of successor candidate), but its effectiveness is different because the incumbent himself does not directly receive electoral benefits from populist spending. This observation underlines that the incumbent figure has a structural advantage in the form of control over the APBD, which if misused, gives an unfair advantage to the challenger. From a prevention perspective, rules such as a ban on making certain budget policies towards the end of the incumbent's term may be necessary (for example, a moratorium on new social assistance programs 6 months before the Pilkada, etc., although its implementation is complicated). Supporting Party Coalition: The government of regional heads in Indonesia is generally supported by a coalition of parties in the DPRD. This coalition can be thin or large. Several studies have found that large coalitions tend to facilitate the occurrence of PBC. Wiguna & Khoirunurrofik (2021) quantitatively show that the stronger the coalition of parties supporting the incumbent (majority of DPRD seats), the higher the degree of budget manipulation in election years. The reason behind this is quite clear: with majority support in the legislature, the ratification of the “pro-election” APBD will be smooth, with minimal opposition obstacles. DPRDs with large coalitions are likely to enjoy the benefits of PBC (for example, infrastructure projects are allocated to the legislators' electoral districts, or they also get a positive image in the electoral district). On the other hand, if the incumbent is only supported by a minority in the DPRD, efforts to allocate a populist budget could be hampered or criticized by the opposition, making the PBC less visible.

Similar findings were put forward by Lewis & Hendrawan, (2019) , they found that the majority coalition was initially used for a positive agenda (increasing health spending), but then turned into a means of budget corruption towards the end of the period. This implies that a strong coalition can be dangerous if it colludes to exploit the budget - for example, "turning a blind eye" to the use of the APBD for the benefit of the incumbent because the coalition parties also get their share. Level of Election Competition: Theoretically, a very competitive election (narrow margin, many strong candidates) will encourage candidates/incumbents to try harder, perhaps including spending more resources. However, high competition can also mean that vote-buying strategies are less effective if competitors do the same or voters become more critical. Dharma et al.'s (2022) study provides insight that intense political competition can reduce the effectiveness of populist spending on vote acquisition. They found a negative interaction: in areas with a high competition index, increasing social spending did little to help incumbents win. This may be because voters in these areas are divided in their preferences so that money is not the only determinant, or because other candidates are also offering similar things (so that the marginal effect of incumbent spending decreases).

Meanwhile, in areas with low competition (dominant incumbents), additional social assistance spending significantly boosted the incumbent's votes. This finding is interesting because it indicates that PBC is most "useful" for incumbents in arenas where they are relatively dominant, while in highly competitive contests, PBC may not be decisive enough, or all candidates are forced to spend extravagantly so that their effects cancel each other out. This competition factor is also important for predicting post-2024 conditions when regional elections are held simultaneously nationwide. Competition can increase because the stakes are higher (many simultaneous regional elections, national spotlight, etc.) or conversely there tend to be many strong incumbents. However, if tight competition becomes the norm , it is possible that PBC practices will become less effective and will gradually be abandoned. Conversely, in areas that tend to be “dominated” by political dynasties (low competition), PBC can continue to thrive.

In addition to the three factors above, there are certainly other factors such as the level of voter education, regional income level, or supervision (media, NGOs, KPK) that can moderate PBC. Although the reviewed studies do not explicitly discuss this, several implications can be drawn. For example, richer regions may have more fiscal space for PBC, or conversely their voters may be more educated so that incumbents may hold back for fear of backlash. This is an open area for further research. But in general, the incumbent's position and political support are the main determinants of the intensity of the budget cycle in Indonesian regional elections.

The Impact of PBC on Election Results and Governance Quality

The next important question is, do incumbents' efforts to manipulate regional budgets ahead of the regional elections really produce electoral results? And regardless of the election win or loss, what impact does this practice have on the quality of regional financial management and public services? In terms of electoral effectiveness, the study by Dharma et al. (2022) provides evidence that populist spending can increase the incumbent's chances of winning. They specifically show that increases in social assistance spending correlate with increases in incumbent votes. This confirms the basic assumption of politicians that pouring out fiscal “sweets” in the run-up to an election will be appreciated by voters. Moreover, in the context of Indonesian voters, some of whom are still economically vulnerable, cash or material assistance in the run-up to an election can influence preferences (a hidden vote buying phenomenon). However, as discussed earlier, this effectiveness is reduced in highly competitive contests – meaning it does not guarantee success. The majority of incumbents in the 2015–2018 simultaneous regional elections were indeed re-elected, and many observers suspect that control over the budget gives incumbents a major advantage over challengers. Not only through official programs (social assistance, projects), incumbents are also often accused of using bureaucracy and budget for covert campaigns (e.g. official cars , politically charged “program socialization” events, etc.). Although these things are difficult to measure quantitatively, empirical data on incumbent votes at least partly reflect the benefits of PBC.

In terms of governance and welfare impacts, the Political Budget Cycle (PBC) has consequences that need to be considered. First, there are fiscal losses and inefficiencies due to increased short-term spending for electoral interests, often sacrificing long-term development priorities. For example, regional funds that should be allocated for productive investment are actually used up for consumptive programs with instant benefits. Rakhman & Saudagaran (2023) highlight the risk of debt accumulation and cash depletion due to PBC, so that the post-election government inherits an unhealthy financial condition. Even if the incumbent is re-elected, they may be forced to tighten their budget early in the next term due to their previous over-expansionary fiscal policy.

Second, public services are often disrupted because resources are diverted to populist spending ahead of elections. Lewis & Dong's (2025) findings show that access to public services tends to decline in areas with high patronage after elections. For example, infrastructure maintenance or drug provision at health centers may be reduced to finance imaging projects. If this practice is repeated every election cycle, the quality of public services risks stagnating or even declining.

Third, PBC often goes hand in hand with corrupt practices and budget misuse. Lewis & Hendrawan (2019) indicate that the surge in infrastructure spending at the end of a term of office is not always purely in the public interest, but also becomes an opportunity for rent-seeking (for example, projects with kickbacks to fund campaigns). Many cases of regional head corruption in Indonesia—as revealed by Sjahrir et al. (2013)—involve the use of public funds for the political interests of incumbents. This not only harms state finances but also damages the integrity of public institutions and public trust.

Fourth, PBC can distort sectoral budget allocation. Local governments tend to allocate funds to sectors that are considered to gain votes, such as physical projects (roads, bridges), while sectors such as education or the environment are neglected because their electoral impact is indirect. In the long term, this has the potential to reduce the achievement of human development and environmental sustainability.

Fifth, PBC risks worsening social equity. If incumbents focus on a particular group of voters (e.g., a loyalist base), other groups may not benefit equally. This practice can widen disparities and strengthen identity politics or patronage at the local level.

The impacts that arise certainly require solutions from various stakeholders, so it is also important to highlight the various policy responses that have been taken to address the practice of the Political Budget Cycle (PBC) in Indonesia. The central government and regulatory agencies have tried several steps to reduce the negative impacts. The following is a data table of government policy responses in overcoming political budget practices in Indonesia.

Table 2. Policy Response Table to Political Budget Cycle (PBC) in Indonesia

Policy	**Implementing Agency**	**Main Efforts**	**Challenges/Obstacles**	**Expected Impact**
Discretionary Spending Restrictions	Ministry of Internal Affairs	- Limit the distribution time of social assistance so that it is not close to election day. - Transparency of social assistance recipients.	- Rules are often circumvented (e.g. social assistance is disbursed before the prohibition period). - Effectiveness varies.	Reducing the use of the budget for short-term electoral interests.
Regional Budget Supervision & Special Audit	Inspectorate, BPK, BPKP	- Strict audit of regional financial reports. - Identification of unreasonable spending spikes.	- Administrative sanctions have not provided a deterrent effect. - Audit findings are rarely followed up seriously.	Preventing misappropriation of the APBD for political interests and increasing fiscal accountability.

Bureaucratic Neutrality Rules	Bawaslu, ASN Commission	- Prohibition of job transfer 6 months before the regional elections. - Supervision of ASN neutrality.	- Enforcement is inconsistent. - The potential for politicization of bureaucracy remains.	Prevent the use of bureaucracy and public programs for incumbent campaigns.
Transparency & Public Participation	Government, NGOs (ICW), Media	- Online APBD portal. - Civil society involvement in budget monitoring.	- Data access is still limited in some areas. - Public awareness is not evenly distributed.	Increasing public awareness and creating a deterrent effect through exposure of corruption cases.

Source: processed by researchers from various research sources

Government efforts in fiscal regulation, such as limiting the distribution of social assistance and grant funds ahead of elections, are still not optimal (Siburian, 2020). Although this regulation aims to prevent the use of the budget for short-term electoral interests, technical loopholes—such as the disbursement of funds before the prohibition period—and low sanctions for violators limit the effectiveness of this policy. Monitoring of the APBD through strict audits by the BPK and BPKP does have the potential to detect irregularities, such as unreasonable spending spikes. However, the lack of strict legal sanctions reduces the deterrent effect, so that perpetrators tend to repeat similar practices.

Bureaucratic neutrality also faces challenges (Asaju & Ayeni, 2020; Meier, 2023; Shapiro, 2024; Turner et al., 2022). The rule prohibiting job transfers six months before regional elections, although intended to prevent the politicization of bureaucracy, is not yet fully effective. Inconsistency in enforcing the rules by Bawaslu and the ASN Commission has created loopholes for incumbents to exploit public programs for their campaigns. On the other hand , public participation through budget data transparency and the active role of NGOs such as ICW and the media have begun to show positive impacts. However, these efforts need to be supported by equitable public education so that awareness of fiscal accountability increases (Fernandes, 2022; Rahayu & Darmawan, 2022).

Ultimately, a combination of regulation, oversight, and public participation is key to reducing Political Budget Cycle (PBC) practices. However, the success of these measures is highly dependent on two main factors: strict law enforcement against violations and increasing public awareness of the importance of healthy budget governance. Without these two things, efforts to address PBC risk becoming only a partial solution that has not addressed the root of the problem.

Conclusion

Democratization and decentralization in Indonesia gave rise to the Political Budget Cycle (PBC) phenomenon, where local governments significantly increase popular spending (such as social assistance and grants) ahead of regional elections to influence voters. Studies show this pattern is detrimental to fiscal health—budget surpluses decline, local coffers dwindle, and short-term debt increases. PBC is mainly driven by incumbent regional heads running for re-election, strong legislative support, and low levels of electoral competition. Although effective in increasing the incumbent's chances of winning, this practice damages financial governance, triggers budget misallocation, and has the potential to reduce the quality of public services after the election. This phenomenon is a paradox of local democracy: Direct regional elections should strengthen accountability, but instead trigger opportunistic behavior from officials.

To reduce PBC without disrupting the essence of democracy, steps are needed such as strengthening budget transparency through the online APBD portal, implementing strict fiscal rules in election years, and increasing supervision by Bawaslu and law enforcement. Bureaucratic neutrality and post-election evaluation are also crucial to ensure that spending is not misused. On the other hand, PBC is like "two sides of a coin", it reflects the power of the people's voice, but at the same time threatens the principles of justice and long-term budget planning. Collaboration between the government, supervisory institutions, and the community is needed so that local democracy does not get trapped in a populist spending cycle, but instead shifts to a fiscal policy that is oriented towards performance and sustainability.

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