

## Strengthening transparency of political party financial reports to prevent illegal fundraising

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**Abstract:** Political parties get their financial resources from membership fees, legitimate donations, and APBN/APBD. However, in the corruption case that implicate Abdul Gafur Mas'ud and Rahmat Effendi, political parties allegedly used the proceeds from corruption as one of their financial sources. Through the doctrinal legal research method, this research traces the financial sources of political parties to investigate these allegations. The results show that the financial sources of political parties are difficult to access. This shows that political parties are not transparent in reporting their finances. This is due to the lack of regulations regarding the financial transparency of political parties. As a result, corruption funds become one of their financial sources. Therefore, it is necessary to improve the transparency rules of political party financial reports by: (1) requiring political party financial reports to be audited and reported to BPK annually and announced to the public; and (2) tightening sanctions for political parties that do not report overall finances. The sanctions can be in the form of a ban on participating in the next general election period.

**Keywords:** Political Corruption; Political Party Finance

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### Introduction

The collapse of the New Order regime marked the transition of Indonesia's political system, from an authoritarian political system to a democratic political system (Budiatri, 2015). The transition opened up hopes for all Indonesian citizens to be actively involved in political life, including establishing political parties. This hope was realized with the birth of many new political parties in the national arena established by various groups in the early days of reform until today. The 1999 elections, which were the first elections in the reform era, were attended by 48 political parties. The number of political parties participating in the elections then experienced fluctuations in subsequent elections: 24 political parties in the 2004 elections, 38 political parties in the 2009 elections, 12 political parties in the 2014 elections, 16 political parties in the 2019 elections, and 18 political parties in the 2024 elections.

As political organizations embedded within society, political parties have very vital, complex, and strategic functions. According to Miriam Budiarjo (2008), political party functions are divided into four parts, namely political recruitment, political communication, regulating conflict, and political socialization. Furthermore, Budiarjo explains that to carry out these four functions, political parties absorb, formulate, and aggregate the interests that exist in society. Then, political parties will place their cadres in the executive and legislative institutions to convey, urge, and realize the interests of the community into government policy (Budiarjo, 2008).

Undoubtedly, political parties need funding to carry out these various functions. This is in line with the view of Khayyam Z. Partiel, which highlights the purposes of using political party funds as supporting participation in elections, maintaining activities, and providing various assistance to

party leaders and cadres who hold public office (Budiarjo, 2008). Funding is also needed by political parties to run and manage their daily activities, such as recruiting and regenerating members, carrying out political education, accommodating and realizing constituent aspirations, conducting routine meetings, and managing meetings and secretariat offices.

Thus, the question that should be asked is where do political parties get money from? In various democratic countries, the funding of political parties consist of three sources, namely from within the party itself, the private sector, and grants from the state (Manurung, 2015). In Indonesia, Article 34 paragraph (1) of the Political Party Law stipulates that the financial sources of political parties come from membership fees, lawful donations, and state aid (APBN/APBD). However, are these really the only sources of political party financing? Is the flow of funds from these three sources sufficient for the survival of political parties? There is a strong suspicion that the three legal sources of funds stipulated by the regulation are not enough to finance the activities of political parties, and that illegal funds obtained through political corruption also flow into the pockets of political parties.

This allegation occurred in the corruption case of bribery in the procurement of goods, services, and licenses that implicate the Regent of North Panajem Paser, Abdul Gafur Mas'ud. Abdul Gafur Mas'ud was named by the Corruption Eradication Commission (KPK) as a suspect in a bribery case concerning the procurement of goods, services, and licenses in North Panajem Paser Regency in 2021-2022 along with four other suspects, namely Nur Afifah Balqis (General Treasurer of the Balikpapan Democratic Party DPC), Edi Hasmoro (Head of the Public Works and Spatial Planning Office of North Panajem Paser Regency), Jusman (Head of the Education, Youth and Sports Agency of North Panajem Paser Regency), and Achmad Zuhdi (as the bribe giver). In this case, the KPK traced evidence that corroborated the alleged flow of the bribe funds to win the election of candidates for chairman of the East Kalimantan Democratic Party DPD (CNN, 2022).

The corruption case involving Bekasi Mayor, Rahmat Effendi, who was a suspect in a bribery case related to the procurement of goods, services and the buying and selling of positions in the Bekasi city government also raised allegations of the flow of corruption proceeds to one of the political parties. In addition to Rahmat Effendi, this corruption case also implicated eight other suspects, namely Makhfud Saifudin (Head of Rawa Lumbu Subdistrict), Ali Amril (Director of PT MAM Energindo), Lai Bui Min, Suryadi (Director of PT Kota Bintang Rayatri), Wahyudin (Head of Jatisampura Subdistrict), M. Bunyamin (Secretary of the Investment and PTSP Office), Mulyadi (Head of Kati Sari Village), and Jumhana Lutfi (Head of Bekasi City Housing, Settlement and Land Agency). Regarding the alleged flow of corruption funds to one of the political parties, Firli Bahuri, Chairman of the KPK, stated that his party was tracing and exploring the allegations (Rozie, 2022).

Therefore, this article intends to trace the ulterior sources of political party finance. Is political corruption really one of the sources of financing political parties in Indonesia? What mechanism should be used to prevent the poaching of illegal funds derived from corruption? The results of this study show that political parties are not transparent in reporting their finances. Thus, there is an opportunity for political parties to collect illegal funds, namely from the proceeds of corruption. This article proposes a direction of improvement through strengthening the financial transparency of political parties by: (1) requiring the financial statements of political parties as a whole to be audited and reported to the Supreme Audit Agency once a year and announced to the public; and (2) sanctions for political parties that do not report overall finances must be aggravated. This can take the form of a ban on participating in the next general election period.

## **Methods**

The research method used in this study is the doctrinal legal research method. Data sources are obtained from literature searches, laws and regulations, and mass media. Mass media is used as one of the data sources because tracking the financial sources of political parties in real terms will adhere to the mandate of Article 39 paragraphs (1) and (2) of the Political Party Law along with its

explanatory articles. The Article and its explanation mandate that the financial management of political parties be carried out in a transparent and accountable manner which is announced periodically through the mass media.

## Results and Discussion

### Theoretical Framework for Political Party Funding

The issue of political party funding has recently attracted the attention of a number of experts (Ignazi & Fiorelli, 2022). This is because funding is a complicated problem for political parties (Miragliotta et al., 2024). According to Miragliotta, fundraising for political parties requires political party organizations to be permanent. However, the prerequisites for maintaining the survival of political parties are very expensive. There are many daily and annual expenses that must be incurred by political parties including office maintenance costs, salaries, and fundraising costs beyond the expenses for participating in general elections (Miragliotta et al., 2024). Meanwhile, in general elections, political parties need funds to communicate their messages to potential voters, such as through campaign rallies and advertising (Dendere, 2021).

In order to maintain its operations, political parties receive funding from various sources. Theoretically, political party funding comes from three sources: internal party sources, the state, and the community (Surbakti & Supriyanto, 2011). Schroder classifies a number of legal sources of funding for political parties, namely: (a) membership dues; (b) admission fees from new members; (c) donations; (d) receipt in kind; and (e) funds from the government (Schroder, 2004). Beyond these funding sources, there are other sources that come from the party's commercial income. Commercial income arises from activities that expressly aim to make a profit managed by the party, either directly or indirectly. Commercial activities include the sale of goods and services, paid events, and income derived from material assets, gifts, and investments (Miragliotta et al., 2024).

However, unfortunately, in addition to legal revenues, studies have proven that political parties also seek funding from illegal sources. For example, Kuskrido Ambardi's study found that since the reformation period, political parties in Indonesia have formed a cartelized party system. This system was formed to protect a common interest in securing financial resources from the government in order to maintain the survival of political parties that are members of the cartel coalition. However, the financial resources from the government are not legal sources in the form of official allocations from APBN funds, but rather illegal funds sourced from rent-seeking, which can also be referred to as political corruption (Ambardi, 2009).

Yeni Lestari's study reveals a case of cartel political collusion in political corruption, the discovery of irregularities in Century Bank. According to her findings, the flow of Century Bank's bailout funds was partly channeled to the campaigns of presidential and vice-presidential candidates (Lestari, 2017). This finding is a clear form of how political parties finance their own needs through illegal sources by utilizing positions in both the executive and legislative branches.

As stated by Hopkin, the wave of corruption that occurred in various countries was triggered by the practice of funding political parties (Hopkin, 2004). This is driven by the large financing needs of political parties in order to run their organizations (Miragliotta et al., 2024). However, the problem that triggers political corruption is not only the need for large financing, but also the lack of transparency in political party funding to the public (Sarakinsky, 2007). This is because openness or transparency is a way to prevent corruption (Pusat Edukasi Anti Korupsi, 2023).

### Non-Transparent Financial Reports

Currently, there are 75 political parties with legal entity status (Satrio, 2022). Legal entity status is granted when a political party is declared by the Ministry of Law and Human Rights to have fulfilled various requirements listed in Article 3 of the Political Party Law. Of the total number of political

parties with legal entity status, 18 of them are political parties participating in the 2024 elections at the national level; while in the 2019 elections, 16 political parties participated.

The investigation of the financial sources of political parties in this article will be limited to political parties participating in the 2019 elections, which totaled 16 political parties. The 16 political parties include the Indonesian Democratic Party of Struggle (PDI-P), Gerindra Party (Gerindra), Golongan Karya Party (Golkar), National Awakening Party (PKB), National Democratic Party (Nasdem), Prosperous Justice Party (PKS), Democratic Party, National Mandate Party (PAN), United Development Party (PPP), United Indonesia Party (Perindo), Indonesian Solidarity Party (PSI), People's Conscience Party (Hanura), Moon Star Party (PBB), Garuda Party, Justice and Unity Party (PKN), and the Working Party (Farisa, 2022).

Generally, political party finance in various countries consist of three sources, namely: (1) funds originating from the political parties themselves, which are usually in the form of membership fees or donations from cadres who hold political positions; (2) funds derived from donations from outside parties, both private individuals and organizations and companies, usually with the purpose of bringing the relationship between political parties and voters as donors closer; (3) funds derived from state aid. The third source can be considered as compensation to political parties assigned by the state to fill political positions (Pinilih, 2017). However, not all countries adopt these three sources of finance into political party regulations to be considered as legitimate sources of finance. Indonesia is one of the many countries that have done so.

According to Article 34 paragraph (1) of the Political Party Law, the legal sources of political party finances are derived from membership dues, lawful donations, and state aid funds sourced from the APBN/APBD. For funds sourced from membership fees, the Law a quo reserves the bylaws of each political party to regulate it.

Meanwhile, according to Article 35 paragraph (1) of the Political Party Law, legal financial sources include donations originating from individual donations from members of political parties, individuals who are not members of political parties with a maximum contribution of Rp1 billion per person within one fiscal year, and donations from companies and/or business entities with a maximum contribution of Rp7.5 billion per company or business entity. Funding originating from the APBN/APBD, according to Article 34 paragraph (3) of the Political Party Law, is given to political parties that have seats in the House of Representatives/Regional People's Representative Council, proportional to vote acquisition.

To ensure the accountability of political parties for assistance funds from the state, Article 34A paragraph (1) of the Political Party Law requires every political party that receives assistance funds from the APBN/APBD to submit financial reports to the Supreme Audit Agency (BPK) once a year.

Regarding the amount of aid funds received by each political party, Article 5 of Government Regulation (PP) Number 1/2018 stipulates that the amount of assistance received by political parties is Rp1,000 (one thousand rupiah) per national valid vote for central-level political parties that obtain seats in the DPR. This means that not all legal political parties receive financial assistance from the state. Only political parties that obtain seats in the DPR based on the results of the previous general election (2019 election) are entitled to financial assistance from the state for the central level. Thus, if referring to the KPU's official announcement of the vote acquisition of political parties in the 2019 elections, there are only nine central-level political parties that currently receive funding assistance from the state based on Article 5 of Government Regulation (PP) Number 1/2018. The nine political parties are the Indonesian Democratic Party of Struggle (PDIP), Gerindra Party, Golkar Party, National Awakening Party (PKB), National Democratic Party (Nasdem), Prosperous Justice Party (PKS), Democratic Party, National Mandate Party (PAN), and United Development Party (PPP) (Hupmas KPU RI, 2019). The amounts of funding received by political parties each year are shown in the Table 1.

**Table 1.** Amount of State Aid to Political Parties

No.	Amount of Support		
	Name of Political Party	Total National Valid Votes	Grant per year (Rp)
1	Indonesian Democratic Party of Struggle (PDIP)	27.053.961	27 Billion
2	Gerindra Party	17.594.839	17,5 Billion
3	Golkar Party	17.229.789	17,2 Billion
4.	National Awakening Party (PKB)	13.570.097	13,5 Billion
5.	National Democratic Party (Nasdem)	12.661.792	12,6 Billion
6.	Prosperous Justice Party (PKS)	11.493.663	11,4 Billion
7.	Democratic Party	10.876.507	10,8 Billion
8.	National Mandate Party (PAN)	9.572.623	9,5 Billion
9.	United Development Party (PPP)	6.323.147	6,3 Billion

**Source:** Annex to the Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 67/2020, page 13.

Meanwhile, the details of political party revenues from other legal sources of funds cannot be accessed. Although Article 39 paragraph (1) of the Political Party Law requires the financial management of political parties to be carried out transparently and accountably, in practice, this standard is not met. After browsing all official websites belonging to political parties participating in the 2019 elections, it can be concluded that not a single political party openly nor routinely shared its financial reports with the public through the mass media. In fact, Article 39 paragraph (2) along with its explanatory article in the Political Party Law requires that the financial statements of each political party be audited by a public accountant once a year and announced periodically through the mass media.

This, of course, makes it difficult for the public to trace the financial sources and expenditures of political parties thoroughly. For example, what is the total amount of cash from individual or business entity donations and membership fees? How is the money that enters the political party's treasury being used? Has it been done in compliance with existing rules or not? Everything cannot be accessed. The only source of political party finances that can be publicly accessed is state aid. This is because Article 5 of Government Regulation Number 1/2018 explicitly regulates the amount of funds received by each political party.

Similar obstacles were also experienced by other authors when collecting information about political party financial reports, for example, Junaidi (2011) in *Political Party Financial Anomalies*. In writing the book, the authors directly picked up information from primary sources, namely political party cadres. The method of collecting information is done either through direct interviews with political party cadres or conducted in focus group discussions. However, again, political parties were not transparent. In fact, what is worse, according to the statements of the political party administrators interviewed, no party cadres knew the exact financial statements, except for the chairman and treasurer (Junaidi et al., 2011).

Not only that, the difficulty of accessing political party financial reports was also experienced by the Indonesia Corruption Watch (ICW). As one of the NGOs that focuses on the anti-corruption movement, ICW repeatedly requested the financial reports of political parties between 2012-2015. However, these efforts ended in a dispute at the Information Commission because political parties were reluctant to provide their financial reports. In fact, even when the Information Commission ruled in ICW's favor in these disputes, financial reports were still not provided by many political parties (Ardianto, 2019).

The various difficulties in accessing political party financial reports above illustrate how closed access to political party financial reports is. In fact, internal cadres of political parties also have difficulty accessing party financial reports. Therefore, based on these findings, it can be concluded that political parties have violated the provisions of Article 39 paragraph (1) of the Political Party Law, which mandates transparency in the financial management of political parties.

## **Cases of Political Corruption in Indonesia**

Normatively, in the Corruption Eradication Law, there is no specific definition of what political corruption is. However, political corruption is generally understood as corruption committed by a public official elected through an electoral mechanism or political appointment (Fariz, 2019). This type of corruption is committed when the official uses his political power to maintain his power, status, and wealth (Sinaga, 2019). In terms of its form, political corruption is not only in the form of money transactions between corrupt actors, but also in the form of trading influence (Putri Sjafrina, 2019).

Based on data from the Corruption Eradication Commission (KPK), as of January 22, 2024, the total number of corruption cases involving public and private officials has reached 1681 cases in the period 2004-2023. Of the total number of cases, 583 cases involved public officials elected through general elections and political appointments: Heads of Ministries and Institutions in 39 cases, Ambassadors in 4 cases, Commissioners of Institutions in 8 cases, House of Representatives/Regional People's Representative Council in 344 cases, Governors in 25 cases, and Mayors/Regents and their Deputy in 163 cases (KPK, 2024). All of these cases, in fact, involve political party cadres, with many concerning public officials elected through general elections.

Bawono Kumoro, as cited by Faisal (2018), discusses three modus operandi of political corruption. First, political parties hijack budget policies and form transactional laws and regulations through their cadres in parliament. Second, political parties place their cadres in executive institutions to open access to abundant sources of funds. Finally, political parties carry out mutually beneficial transactions with entrepreneurs. In this context, the injection of funds provided by entrepreneurs to political parties is exchanged for easy access to projects in the government (Faisal et al., 2018).

These three methods have been implemented in various corruption cases that have implicated political party cadres. Various facts in these corruption cases corroborate the allegations of corruption proceeds flowing into the pockets of political parties. Among these cases are:

First, the graft case that implicate the former Minister of Agriculture, Syahrul Yasin Limpo. In this case, he was charged with receiving gratuities amounting to IDR 44.5 billion. Of the total amount he received, Rp.40.1 million flowed into the Nasdem Party treasury. This was revealed by the Public Prosecutor at the Corruption Eradication Commission in the indictment reading session at the Central Jakarta District Court (Rianti, 2024).

Second, the bribery case involving social assistance suppliers during the COVID-19 pandemic implicated PDI-P politician Juliari Batubara in the Ministry of Social Affairs. In this case, Juliari Batubara, as the defendant, received bribes totaling IDR 17 billion. Of this total amount, the PDI-P DPC in Kendal received Rp508 million to win the Pilkada in Kendal (Putri, 2021).

Third, the PLTU Riau -1 bribery case implicate two Golkar Party cadres. In this case, Eni Maulani and Idrus Marham, Golkar Party cadres, were convincingly proven to have received bribes from Johannes Budisutrisno Kotjo, a businessman and shareholder of a Singapore-based company. Eni Maulani was proven in the trial to have received a bribe of Rp 4.750 billion from Kotjo, along with gratuities of Rp 5.6 billion and 40,000 Singapore dollars. Meanwhile, Idrus Marham was proven to have received a bribe of Rp 2.250 billion. In addition, he was also proven to have planned the scheme of receiving bribes from Kotjo (Prabowo & Meiliana, 2019).

In the PLTU Riau -1 case, some of the bribe money received by Eni Maulani allegedly flowed to the Golkar Party National Conference committee. According to Eni Maulani's confession, who at that time served as Treasurer in the National Conference, the money received by the Golkar Party National Conference committee was IDR 2 billion. In subsequent developments, this allegation was further substantiated when the Golkar Party returned the money received from Eni Maulani amounting to Rp 700 million to the KPK (Egeham, 2018).

Fourth, the corruption case of the Electronic ID card (E-KTP) procurement project implicated Irman (former Director General of Population and Civil Registration at the Ministry of Home Affairs) and Sugiharto (former Director of Information Management for Population Administration and Civil Registration at the Ministry of Home Affairs). They were proven in court to have harmed the state to the tune of Rp 2.3 trillion (Andryanto, 2017).

In addition, the trial also revealed that a number of political parties benefited from this case. In the Corruption Eradication Commission (KPK) Indictment Number DAK-15/24/02/2017, the corruption funds obtained by each political party were as follows: Golkar Party Rp 150 billion; Democratic Party Rp 150 billion; Indonesian Democratic Party of Struggle (PDI-P) Rp 80 billion; and other parties Rp 80 billion (Mochtar, 2019). Although this indictment does not have binding legal force, it illustrates the flow of corruption funds to political parties.

Fifth, in the corruption case that implicate PDI-P cadre and former Tanah Laut Regent Ardiansyah, he was proven to have received gratuities from Andrew Hidayat, the owner of PT Mitra Maju Sukses. The gratuities were received by Ardiansyah as a reward for facilitating PT Mitra Maju Sukses's mining business license in Tanah Laut Regency. During the trial of this case, Ardiansyah admitted that he asked for financial assistance from the Marketing Manager of PT Mitra Maju Sukses to organize the PDI-P congress, which took place in Bali on April 9, 2015 (Gabbrillin, 2017).

Sixth, the corruption case in the construction of the Pubalingga Islamic Center involved Hadi Iswanto, the Head of the Purbalingga Regency ULP, and Adirawinata Nababan, Hamdani Kosen, and Librata Nababan as private parties. The fourth witness in this case, Tasdif, testified in court that the corruption money, which amounted to Rp 500 million, flowed into the pockets of PDI-P Purbalingga and was used to finance its operational activities (Purbaya, 2018).

Seventh, the corruption case involving medical device procurement implicate Siti Fadilah, former Minister of Health of the United Indonesia Cabinet I. She was proven to have abused her authority in the procurement of medical equipment in 2005 and caused state losses of approximately Rp 6.1 billion. In the prosecutor's indictment, some of the money obtained as profits from private parties also flowed into the pockets of the National Mandate Party (PAN). Not only that, but the prosecutor's indictment also named former PAN Chairman Amien Rais as a party who also received funds. In the indictment, Amien Rais is said to have received a total of Rp 600 million, which was divided into six shipments (Purbaya, 2018).

Eighth, the Regional Infrastructure Adjustment Fund (DPID) corruption case involved National Mandate Party (PAN) cadre Wa Ode Nurhayati. On September 17, 2018, Wa Ode Nurhayati, who was convicted in the DPID corruption case, asked the KPK to thoroughly investigate the case that implicated her. According to her, the DPID corruption case was not completed because the alleged flow of funds received by the National Mandate Party (PAN) had not been investigated by the KPK (Yulinda, 2018).

Ninth, the corruption case involving the construction of 4G base transceiver station (BTS) towers implicate the Nasdem Party cadre, Johnny G. Plate. In this case, Mahfud MD, who at that time served as Coordinating Minister for Political, Legal, and Security Affairs, received information that corruption funds flowed to three political parties. In the case involving the Nasdem Party cadre, the state loss calculated by the Financial and Development Supervisory Agency (BPKP) reached Rp 8.03 trillion, while the total amount of funds that have been rolled out to fund this project reached Rp 10 trillion. Unfortunately, Mahfud MD did not disclose to the public the three political parties that allegedly received funds from this corruption (Achmad & Meiliana, 2023).

## **Direction of Improvement**

### **Transparency as an Anti-Corruption Strategy**

Corrupt behavior has long existed in the history of mankind. It dates back to ancient Roman times, flourished in the 17th and 18th centuries, became the basis of the economic behavior of centrally-

controlled communist regimes, and is still a common behavior in today's global market world. Historically, corruption was eradicated by each country independently. However, in the early 1990s, the international community began to recognize corruption as a global problem that must be eradicated together (Gadowska, 2010).

This awareness triggered a lot of interest from international organizations to engage in the fight against corruption, resulting in many legally binding documents and recommendations (Gadowska, 2010). The United Nations Convention Against Transnational Organized Crime (UNTOC) even categorizes acts of corruption as organized and transnational crimes. This categorization is due to corruption's devastating impact on the economy and its global prevalence (Yustia & Arifin, 2023)

Globally, transparency is considered an important strategy to prevent and eradicate corruption (Bertot et al., 2010). In line with that view, Transparency International Indonesia believes that transparency is a very important element to eradicate corruption (TI Indonesia, 2024). This belief is undeniable, as an empirical study of 75 countries around the world has shown that countries with good accountability and transparency systems have lower levels of corruption (Brusca et al., 2018).

Considering its usefulness in various aspects of life, transparency also has a positive impact on the fight against corruption in health, bureaucracy, and politics. In the health sector, Taryn Vian's study found that the lack of transparency in the health sector worsened health conditions due to rampant corruption (Vian, 2020). Meanwhile, according to Ivar Kolstad and Arne Wiig, transparency can reduce bureaucratic corruption because it makes corrupt behavior more risky to commit and makes it easier to provide incentives to public officials (Kolstad & Wiig, 2009). Evidently, in the procurement of goods and services, recent findings show that transparency in publishing information about tenders can reduce the risk of corruption (Bauhr et al., 2020).

In addition, Kolstad and Wiig also state that transparency reduces political corruption because it makes politicians more accountable to the public (Kolstad & Wiig, 2009). This opinion is in line with Sarakinsky, who states that the problem that triggers political corruption is not only the large financial requirements to manage and operate political parties, but also the lack of transparency in the funding of political parties to the public (Sarakinsky, 2007). Therefore, it is not surprising that transparency has recently been highlighted as a key strategy to fight corruption (Brusca et al., 2018).

Transparency is essentially revealing information about dishonest transactions, lax enforcement of rules, and other illicit practices that harm the state, business ethics, and society at large (Transparency International, 2020). The disclosure of this information allows civil society to test its suspicions arising from inconsistent and unreasonable events so that the public can play an active role in combating corruption (Ghosh & Kumar, 2024). As stated by Bohdan Harasymiw, transparency is one of the important elements of the success of civil society in Ukraine in the fight against corruption (Harasymiw, 2019). Therefore, the approach to improving the financial management of political parties in this article is directed at strengthening their financial transparency.

### Strengthening Transparency of Political Party Financial Reports

Political parties play a vital role in a democratic country like Indonesia. They serve as a bridge between the people and the state. Their job is to accommodate the aspirations of the people and translate them into real policies. The 1945 Constitution even explicitly signaled this important role by placing political parties as the only channel for regenerating national and local leadership. Thus, political parties play a public role that is very close to the state's financial resources, and therefore improvements in the financial management of political parties are needed to prevent the poaching of illegal funds.

In order to minimize the occurrence of illegal fundraising, a study suggested that Indonesia increase subsidies to political parties (Faisal et al., 2018). According to them, increasing the amount of financial assistance from the state to political parties can reduce the movement of political parties to seek other sources of funding, including funds from corruption. In addition, they also argued that the increase in the amount of aid can reduce the dominant influence of businesspeople and party



elites on policies made by party cadres who occupy positions in the executive and legislative branches (Faisal et al., 2018).

The Jokowi administration has proposed to increase aid subsidies to political parties as a strategy to prevent poaching of illegal funds (political corruption). In 2015, Tjahjo Kumolo, who was then the Minister of Home Affairs, proposed that state aid subsidies to political parties be increased to Rp 1 trillion per political party (ICW, 2015). However, this idea was met with a lot of resistance, so two years later, in 2018, the increase in state subsidies amounted to only Rp 1000 per national valid vote won by a political party in an election.

The idea of increasing state financial assistance is actually logical and can be adopted. As admitted by one of the Golkar Party officials, Bambang Soesatyo, the funds that are legal according to the law are not enough to finance party expenses, so illegal funds become an alternative solution to finance party activities (CNN, 2018). The data from Junaidi et. al (2011) in *Anomali Keuangan Partai Politik: Pengaturan dan Praktek* does show an imbalance between the income from legal funds and the average expenditure of each political party. Details of the data on the estimated average income and expenditure of each political party according to the data from Junaidi can be seen in the Table 2.

**Table 2.** Estimated Average Income and Expenditure of Each Political Parties at the Central Level in 2011

No.	Estimated Average Income and Expenditure of Each Political Parties at the Central Level in 2011			
	Legal Income	Total (Rp)	Expenditures	Total (Rp)
1.	Membership Fee	0	Operational Office Activities	1,4 Billion
2.	Political Party Member Donations	0,6 Billion	Consolidation	8,2 Billion
3.	Individual Donations Not Members of Political Parties	Unknown Amount	Official Travel	1,2 Billion
4.	Corporate or Private Entity Donations	Unknown Amount	Public Show	13,5 Billion
5.	State Budget Support (APBN)	0,6 Billion	Political Education and Cadres	33,7 Billion
	Total Known Income	1,2 Billion	Total Expenditures	51,2 Billion

Although the data (Table 2) is an estimate from 2011, it can at least illustrate the large deficit gap between the income and expenditure of political parties. The average expenditure of each political party amounts to Rp 51.2 billion, while the total amount of known income only amounts to Rp 1.2 billion. This means that the estimated deficit gap between lawful known income and the average expenditure of each political party per year reached Rp 50 billion. That is a huge deficit gap.

Keep in mind, if the estimated data is from 2011, then the APBN assistance funds still abided by former rules, namely Article 5 of Government Regulation Number 5/2009 concerning Financial Assistance to Political Parties. Based on this Article, each political party gets Rp 180 for every single valid vote. However, even though the data used is the latest data based on Article 5 of Government Regulation Number 1/2018, where each political party at the central level gets Rp1000 for every single valid vote in the 2019 elections, the gap between expenditure and income of political parties remains large. As an illustration, PDI-P at the central level, which gets the most funding among other parties, which is Rp 27 billion annually during the period 2019-2024 (see Table 1), faces a deficit gap of Rp 23.6 billion, based on the estimated average expenditure data for political parties in Table 2.

So, reflecting on that, on the one hand, the idea of increasing the state aid budget to political parties can be adopted to prevent poaching of illegal funds. However, on the other hand, it is not enough to prevent illegal fundraising. As explained in the previous section, the main problem with political party finances is the lack of transparency. This was also conveyed by Markus H. Simarmata in his study entitled "Obstacles to Financial Transparency of Political Parties and General Election Campaigns". In this study, he said that the lack of state aid subsidies to political parties is not the main cause of illegal fundraising (Simarmata, 2018). Within the limits of logical reasoning, increasing the amount of state aid can meet the operational needs of political parties, but it will not be optimal if the

increase in the amount of aid funds is not accompanied by transparency and adequate sanctions for political parties that receive corrupt funds from their cadres.

For instance, political parties in Mexico receive a relatively large subsidy from the state, which covers 70% of the needs of political parties (Yanuarti, 2019). However, corruption in Mexico is still relatively high. In the 2023 Corruption Perception Index report, Transparency International categorized Mexico as a country likely to be corrupt, with an index score of 31 (Transparency International, 2024). Not only that, in Spain, large state aid subsidies also have negative implications for political parties. Instead of becoming more democratic and open, political parties in Spain have become cartel parties. As a result, political parties are not open to the public, opportunist, and permissive. This is because there is a commonly held assumption in Spain that it is power that fulfills the financial needs of the party, not the people (Oktaryal & Hastuti, 2021).

Forcing political parties to periodically publish their financial reports every year is a step that must be taken to prevent illegal fundraising. Transparency of financial reports will make political parties very careful in sourcing their funding. This is important, considering that the existence of political parties is a fundamental feature of a democratic system. If the habit of political parties seeking illegal funds is not immediately corrected, then the commitment to democracy should be questioned. In a democratic country, political parties are the key to state administration. The better and greater the integrity of political parties, the better and greater the integrity of state administration.

In addition, transparency of financial reports will also increase public trust in political parties (Syawari, 2021). This is evident from the amount of public support for the transparency of political party financial reports. The results of a poll conducted by Feri Amsari et al. show that 88 percent of respondents are in support of financial reports of political parties being reported to the public periodically. While the remaining 12 percent of respondents were divided into 7 percent of respondents who chose not to answer, and 5 percent of respondents who answered that they did not want political party financial reports to be reported to the public periodically (Amsari et al., 2020).

From a political point of view, corruption generally also occurs in irrational political systems, in which great power is given to public officials and the system lacks strict supervision and monitoring mechanisms. This causes a public official who holds a political position to be very free to commit corrupt practices (Sinaga, 2019). Therefore, the closed access to political party financial reports makes it difficult for the public to supervise and monitor the income and expenditure of political parties, allowing political parties the freedom to seek illegal funds to finance their operational activities.

This phenomenon can also be understood from the theory of the causes of corruption proposed by Robert Klitgaard in *Corruption Cities: A Practical Guide to Cure and Prevention*. Klitgaard states that corruption is caused by the accumulation of three factors: the presence of monopolistic power, the discretionary authority of state officials, and the lack of public accountability (Klitgaard et al., 2000). If the phenomena of corruption used as one of the sources of financing political parties in Indonesia is applied to Klitgaard's theoretical model, then the authority given by legislation to political parties is a reflection of monopolistic power and discretionary authority of state administrators, while the closed access to political party financial reports is a reflection of the lack of public accountability.

Therefore, based on the identification of these problems, the step that should be taken to prevent illegal fundraising is to emphasize the rules regarding financial transparency of political parties. As previously explained, the Political Party Law in conjunction with Government Regulation Number 1/2018 concerning Financial Assistance to Political Parties does not explicitly regulate the transparency of political party financial reports as a whole. The transparency mechanism that is clearly regulated in the legislation a quo only applies to the reporting of state aid (APBN / APBD) received by political parties.

Article 34A paragraph (1) of the Political Party Law, which regulates this matter, states that every political party that receives assistance from the state is required to make a report on the management of aid funds to the Supreme Audit Agency (BPK) once a year. If a political party exceeds the specified deadline or does not report the management of state aid funds to the BPK, then based on Article 16 of Government Regulation Number 1/2018, the political party is subject to administrative sanctions. This administrative sanction withholds aid funds in the same fiscal year until the political party's aid fund management report is examined by the BPK.

This is different from the financial statements of political parties concerning funds that are not sourced from state aid. Article 39 of the Political Party Law does mandate that financial management be carried out in a transparent and accountable manner. Paragraph (2) along with its explanation in the Article also requires that the financial report be audited by a public accountant and announced periodically through the mass media. However, as explained in the previous section, the reports are never announced. It is in this context that the rules of financial transparency of political parties need to be emphasized through the revision of the law.

The law needs to emphasize sanctions for political parties do not make their financial reports public. Detailed rules regarding who audits the financial reports of political parties as a whole also need to be re-regulated. The auditing and financial reporting of political parties as a whole, both for funds sourced from state aid and those not sourced from state aid, should be integrated with the Supreme Audit Agency (BPK) audited and reported once a year, and announced to the public.

The current sanctions for political parties that do not report their financial management to the BPK are not enough to freeze the disbursement of state aid funds in the same fiscal year to political parties; stricter sanctions must take place. Such stronger sanctions can be in the form of a prohibition for the political party concerned to participate in the next election. This is because if the sanction is only to freeze the disbursement of state aid funds, it will not have a deterrent effect because political parties can still rely on other sources of funding, including illegal sources of funds.

### Conclusion

Based on the results and discussion of the research, the following conclusions can be drawn. First, political corruption is factually one of the sources of funding for political parties as evidenced by the nine cases of political corruption presented where the proceeds of corruption flowed into a political party treasury. Second, a mechanism that can be used to prevent the poaching of illegal funds through corruption is to emphasize the rules regarding the transparency of political party financial reports as a whole. This is because the research findings prove that the non-transparency of political party financial reports enables the use of illegal funds to finance political parties.

For future improvements, legislators need to revise the Political Party Law with the aim of emphasizing the rules regarding the transparency of political party financial reports. First, the financial statements of political parties as a whole must be audited and reported to BPK once a year and announced to the public. Second, sanctions for political parties that do not report their overall finances to the BPK must be aggravated. It is not enough to freeze the disbursement of state aid funds, but sanctions must also take the form of a ban on participating in the next general election period.

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