Integritas: Jurnal Antikorupsi
Vol 10, No. 1, 2024, pp. 187-196

https://jurnal.kpk.go.id/index.php/integritas

The impact of corruption on local revenue in Indonesia's fiscal decentralization era

Haryono Pasang Kamase [a]*, Gilbert Pore [b], Muhammad Ikbal Abdullah [c], Nina Yusnita Yamin [d]

Universitas Tadulako. Jl. Soekarno Hatta No.Km. 9, Kota Palu, 94148, Indonesia
[a] haryonokamase@untad.ac.id; [b] gilbertpore47@gmail.com; [c] ikbalabdullah@untad.ac.id; [d] nyusnita.untad@gmail.com
* Corresponding Author

Abstract: This research investigates the impact of corruption on local own-source revenue at the provincial level in Indonesia during the fiscal decentralization era, highlighting its significance for economic policy and governance. The study contributes to a deeper understanding of how corruption influences economic outcomes in decentralized governance systems, posing the hypothesis that corruption may facilitate economic activities by expediting bureaucratic processes. Using secondary data from the Ministry of Finance and the Corruption Eradication Commission (KPK) of Indonesia from 2017 to 2019, the study employs descriptive statistical analysis and the Pearson correlation to examine the impact of corruption levels on local own-source revenue realization. The results reveal a strong positive and statistically significant impact, suggesting that in the short term, corruption may "grease the wheel" in regions with bureaucratic inefficiencies. These findings have important implications for policymakers and practitioners, emphasizing the need to balance efficient economic processes with robust anti-corruption measures. The study contributes to the existing body of knowledge by providing empirical evidence from the Indonesian context and identifying areas for further research to explore the broader impacts of corruption within fiscal decentralization frameworks.
Keywords: Corruption; Economic Governance; Fiscal Decentralization; Indonesia; Local Own-source Revenue

How to Cite: Kamase, H. P., Pore, G., Abdullah, M. I., & Yamin, N. (2024). The impact of corruption on local revenue in Indonesia's fiscal decentralization era. *Integritas : Jurnal Antikorupsi*, *10*(2), 187-196. https://doi.org/10.32697/integritas.v10i2.1292

Introduction

Corruption has long been recognized as a significant barrier to economic development, often hindering growth and exacerbating inequality. However, in certain contexts, corruption has paradoxically been observed to facilitate economic activity, particularly in developing nations with poor governance and weak institutional factors, such as insufficient property rights protection (Kargin-Akkoc & Durusu-Ciftci, 2024; Yung et al., 2023), complex bureaucracy, and weak regulatory environments (Arif et al., 2023). This phenomenon is known as the classical "grease the wheels" or "helping hand" hypothesis. The theory argues that under specific conditions, corruption expedites bureaucratic processes by making them more efficient and bypassing burdensome regulations (Arif et al., 2023); avoiding penalties (Dastidar & Jain, 2023); reducing uncertainty (Yung et al., 2023); and enabling access to local government contracts, market entry permissions, and government subsidies (Kutlu & Mao, 2023). In this context, corruption drives economic development, implying that increasing anti-corruption measures may result in economic decline (Kargin-Akkoc & Durusu-Ciftci, 2024).

The literature on corruption and economic performance presents a dichotomy of perspectives. On one hand, numerous studies have documented the detrimental effects of corruption on economic growth, investment, and public trust (Afonso & de Sá Fortes Leitão Rodrigues, 2022; Mamo et al., 2024; Mauro, 1995, 1996; Tanzi & Davoodi, 1998; Uddin & Rahman, 2023; World Bank, 2023; Zhang et al., 2023). Corruption is typically associated with increased transaction costs, uncertainty, and misallocation of resources, which collectively undermine economic stability and development. On the other hand, some scholars argue that in certain situations,

corruption can act as a lubricant that mitigates bureaucratic inefficiencies, thus potentially enhancing economic activities (Arif et al., 2023; Arsandi, 2022b, 2022a; Fisman et al., 2024; Kargin-Akkoc & Durusu-Ciftci, 2024; Quoc Bui et al., 2021; Spyromitros & Panagiotidis, 2022). This paradox is particularly evident in regions with cumbersome regulatory frameworks where informal payments may facilitate smoother and quicker transactions.

Despite the extensive body of research, gaps remain in understanding the nuanced effects of corruption within the framework of fiscal decentralization, particularly in developing countries such as Indonesia. While fiscal decentralization is intended to improve governance by bringing decision-making closer to the local populace, it may also decentralize opportunities for corruption. Studies provide conflicting evidence on whether decentralization curtails or exacerbates corruption (Alfada, 2019; Fisman & Gatti, 2002; Fjeldstad, 2004; and Martinez-Vazquez et al., 2017). Furthermore, the impact of such corruption on specific economic outcomes, such as local own-source revenue, remains underexplored. This gap is critical as it questions the efficacy of fiscal decentralization in curbing corruption and promoting economic development. To address this gap, this study utilizes actual local own-source revenue (realized local revenue) as a proxy for local own-source revenue, hereinafter referred to as Pendapatan Asli Daerah (PAD). The primary reason for using actual PAD as a proxy is that it provides a more concrete measure compared to budgeted PAD.

This study targets policymakers, academic researchers, and anti-corruption practitioners by addressing the significant yet underexplored issue of corruption's impact on PAD in Indonesian provinces. Given Indonesia's ongoing efforts to implement effective decentralization, understanding the dual role of corruption is crucial for designing better governance frameworks. The findings of this study have implications for both theory and practice, potentially guiding future policy reforms aimed at mitigating corruption while optimizing economic benefits.

The purpose of this study is to evaluate the impact of corruption on PAD at the provincial level in Indonesia during the fiscal decentralization era. By analyzing data from 2017 to 2019, this research aims to contribute to the existing literature by providing empirical evidence on whether corruption acts as an economic deterrent or facilitator in the context of fiscal decentralization. The study also seeks to identify the mechanisms through which corruption influences economic outcomes at the local level, thereby informing policy interventions aimed at improving governance and economic performance.

Methods

This study employs a descriptive quantitative research method to evaluate the impact of corruption on PAD at the provincial level in Indonesia during the fiscal decentralization period. The methodology is designed to provide a comprehensive understanding of the impact of corruption on PAD, offering clear insights into the mechanisms through which corruption influences economic outcomes.

The research is quantitative, focusing on the statistical analysis of numerical data to identify patterns and causality of variables. The objective is to quantify the impact of corruption on PAD and determine whether a significant correlation exists between the two. The research approach is descriptive, aiming to provide an accurate portrayal of the characteristics of corruption and its impact on PAD. This approach involves collecting, analyzing, and presenting data to describe the current state of affairs regarding corruption and local revenue in Indonesia.

The study employs secondary data collected from two primary sources: the Ministry of Finance of the Republic of Indonesia and the KPK (see Table 1). The choice of provincial-level data is deliberate, given that fiscal decentralization in Indonesia grants significant economic autonomy to provincial governments, making them key units of analysis for understanding the impact of corruption.

The observation period from 2017 to 2019 was selected for several compelling reasons. First, this period marks a mature phase of fiscal decentralization in Indonesia, facilitating the examination of its long-term effects. While data from the Corruption Eradication Commission (KPK) has been available since 2004, we have chosen to utilize the more comprehensive data from

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2017. This decision is due to the expansion of several provinces in Indonesia up to 2016 (e.g., North Maluku, Banten, North Kalimantan, and others) with data only becoming available in 2017. We excluded data from 2020 to 2022 due to the extraordinary circumstances of the COVID-19 pandemic, which posed significant risks to data validity. Second, using recent data ensures the relevance and applicability of our findings to current policy discussions. The KPK data is selected for its verified corruption cases, ensuring the accuracy and reliability of corruption measurements. We use the number of cases verified by the KPK as a proxy for corruption, as this method is more objective than using perception-based corruption index measures. The KPK verifies reports of corruption from the public to ensure that these cases warrant their attention. To qualify, the reports must meet specific criteria, including the presence of elements of corruption and a minimum state loss of over one billion rupiah. If a corruption case does not meet these criteria, it is referred to other law enforcement agencies, such as the police or the public prosecutor's office. Additionally, financial records from the Ministry of Finance provide comprehensive documentation of PAD, making them ideal for assessing economic outcomes. In this study, local own-source revenue is proxied by the realization of PAD. Using the realization of PAD is preferred because it offers a more concrete and accurate measure than the budgeted PAD.

The analysis method involves several key steps. First, descriptive statistical analysis summarizes the basic features of the data, including the mean, standard deviation, and distribution. Descriptive statistics provide an overview of the general trends and variations in corruption cases and PAD across different provinces. Second, classical assumption tests ensure the validity of the regression model. Third, Pearson correlation analysis examines the impact of corruption levels on PAD realization. The correlation coefficient (r) and p-value are calculated to determine their strength and significance. Finally, regression analysis quantifies the impact of corruption on PAD. The regression model helps identify the extent to which changes in corruption levels affect PAD, providing a clearer understanding of the causality relationship between the two variables. The data is analyzed using SPSS Statistics Version 23.0 software.

The study focuses on analyzing corruption as reported by the KPK, considering the number of verified corruption cases at the provincial level as the primary measure of corruption. The stakeholders in the corruption issue include provincial governments, which are responsible for generating PAD and are directly affected by corruption. By analyzing the impact of corruption cases on PAD, the study aims to reveal how corruption influences the economic performance of provincial governments.

The development of the hypothesis for this study is rooted in a logical argument supported by empirical evidence and the “grease the wheel” theory, which posits that in environments characterized by poor governance, weak institutions, inadequate property rights protection, complex bureaucracy, and weak regulatory frameworks, corruption can act as a mechanism to expedite bureaucracy and facilitate economic activities (Arif et al., 2023; Arsandi, 2022b, 2022a; Fisman et al., 2024; Kargin-Akkoc & Durusu-Ciftci, 2024; Spyromitros & Panagiotidis, 2022; Yung et al., 2023). This hypothesis is juxtaposed against the “sand in the wheels” theory, which argues that corruption increases transaction costs, creates uncertainty, and misallocates resources, ultimately hindering economic growth (Afonso & de Sá Fortes Leitão Rodrigues, 2022; Mamo et al., 2024; Mauro, 1995, 1996; Tanzi & Davoodi, 1997; Uddin & Rahman, 2023; World Bank, 2023; Zhang et al., 2023).

Empirical evidence from various studies provides conflicting conclusions. For instance, studies have shown that corruption greases the wheel of economic growth in certain Asian countries such as China and South Korea (Huang, 2016), where corruption has had a positive impact on business operations by evading bureaucratic red tape to expedite the process (Arif et al., 2023; Arsandi, 2022b; Fisman et al., 2024). Conversely, other studies highlight the negative effects of corruption on economic development and public trust (Afonso & de Sá Fortes Leitão Rodrigues, 2022; Mamo et al., 2024; Uddin & Rahman, 2023; World Bank, 2023; Zhang et al., 2023). In the context of Indonesia, the decentralized governance framework presents a unique scenario where corruption's impact on local economies warrants thorough investigation. Given the fiscal decentralization in Indonesia, where provincial governments have greater autonomy over economic activities, it is plausible that corruption could play a dual role. This study hypothesizes that:

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H1: Higher levels of corruption cases are positively correlated with increased PAD realization at the provincial level in Indonesia during the fiscal decentralization period.

This hypothesis suggests that contrary to the general perception of corruption as a purely detrimental force, there may be contexts in which it plays a facilitative role, especially in regions with bureaucratic inefficiencies. By testing this hypothesis, the study aims to contribute to the ongoing debate on the complex causality relationship between corruption and economic performance.

Results and Discussion

The data collection results indicate that the thirty-four provinces in Indonesia experienced an overall increase in corruption cases from 2017 to 2019 (see Table 1). The total number of provincial-level corruption cases in Indonesia rose from 5.945 in 2017 to 6.200 in 2018, before slightly declining to 6.138 cases in 2019. The lowest number of provincial-level corruption cases was reported in East Kalimantan in 2018, with 13 cases, which subsequently increased to 166 cases in 2019. Conversely, the highest number was reported in DKI Jakarta in 2019, with 893 cases, an increase from 840 cases in 2017 and 855 cases in 2018. The total number of verified corruption cases decreased from 2018 to 2019, primarily due to the KPK's shift in focus from enforcement to prevention. However, unverified cases in 2019 rose significantly, totaling 6.804 (KPK, 2023). At face value, these observations suggest that media openness during the reform era empowered the public to report corruption in their communities. However, media openness remained relatively unchanged despite the rise in reported cases from 2017 to 2019. Nonetheless, this study does not aim to examine the specific impact of media openness on corruption case disclosure rates.

Table 1. Corruption Incidence and Local Revenue Data in Indonesian Provinces (2017 – 2019)

Provinces	Criminal Acts of Corruption[1]			PAD (in millions of IDR)[2]		
	2017	2018	2019	2017	2018	2019
Aceh	81	99	124	4.956.144	5.143.153	5.549.651
North Sumatera	489	545	518	10.732.002	10.831.006	11.312.405
West Sumatera	147	137	118	4.663.165	4.198.604	4.426.443
Riau	245	193	177	6.299.532	6.038.849	6.176.294
Jambi	138	124	116	2.859.653	2.868.830	2.949.172
South Sumatera	401	280	289	6.092.482	6.266.512	6.645.692
Bengkulu	117	87	92	1.464.273	1.598.699	1.527.820
Lampung	116	170	171	4.524.758	4.605.336	5.105.916
Bangka Belitung	28	49	51	1.643.273	1.687.215	1.634.945
Riau Island	58	47	81	3.013.883	3.214.701	3.467.482
Banten	182	184	184	14.711.440	14.673.803	15.763.359
DKI Jakarta	840	855	893	43.901.489	43.327.137	45.707.400
West Java	566	639	553	41.400.148	40.240.462	44.150.909
Sentral Java	394	401	395	26.945.326	26.766.784	28.648.042
DI Yogyakarta	40	73	75	4.349.902	4.503.176	4.742.512
East Java	605	665	571	37.263.120	37.000.782	39.344.673
West Kalimantan	97	96	67	3.888.721	4.035.131	4.179.911
Sentral Kalimantan	95	101	148	2.741.703	2.884.500	3.212.109
South Kalimantan	158	156	129	4.869.697	5.461.512	5.650.042
East Kalimantan	146	13	166	7.048.343	8.138.182	9.537.631
North Kalimantan	21	178	166	826.826	917.854	1.057.175
North Sulawesi	87	130	93	2.277.757	2.280.239	2.380.359
Sentral Sulawesi	57	56	49	2.428.171	2.284.473	2.475.587
South Sulawesi	171	169	173	8.354.954	8.225.142	8.774.005
Southeast Sulawesi	107	99	94	1.914.316	1.777.335	2.063.338
West Sulawesi	17	33	118	805.497	718.911	773.574
Gorontalo	18	52	31	1.018.447	949.713	1.047.309
Bali	64	55	101	10.737.301	11.319.957	12.305.573
West Nusa Tenggara	73	90	68	3.994.326	3.286.998	3.598.012

2615-7977 (ISSN Online) | 2477-118X (ISSN Print)

Provinces	Criminal Acts of Corruption[1]			PAD (in millions of IDR)[2]		
	2017	2018	2019	2017	2018	2019
East Nusa Tenggara	117	178	107	3.062.236	2.508.615	2.844.072
Maluku	67	68	82	926.925	1.013.417	1.045.205
North Maluku	24	34	36	845.989	841.298	990.259
Papua	118	100	78	2.480.746	2.389.421	3.496.501
West Papua	61	44	24	990.127	937.412	1.094.133
Total	5.945	6.200	6.138	274.032.670	272.935.159	293.677.511

Sources: (1) KPK annual report (accessed on November 14, 2023); and (2) Ministry of Finance report (accessed November 14, 2023)

Table 1 illustrates that provincial-level PAD realization in Indonesia increased from 2017 to 2019, alongside a rise in corruption cases (hereinafter referred to as Tipikor, abbreviated fromTindak Pidana Korupsi). The total PAD realization decreased from IDR 274.032.670 million in 2017 to IDR 272.935.159 million in 2018, and further grew to IDR 293.677.511 million in 2019. The lowest PAD level reported was in West Sulawesi province, IDR 718.911,131 million in 2018, whereas the highest reported was in DKI Jakarta province, IDR 45.707.400,004 million in 2019. Figure 1 below shows the trend of increasing corruption cases and PAD realization levels.

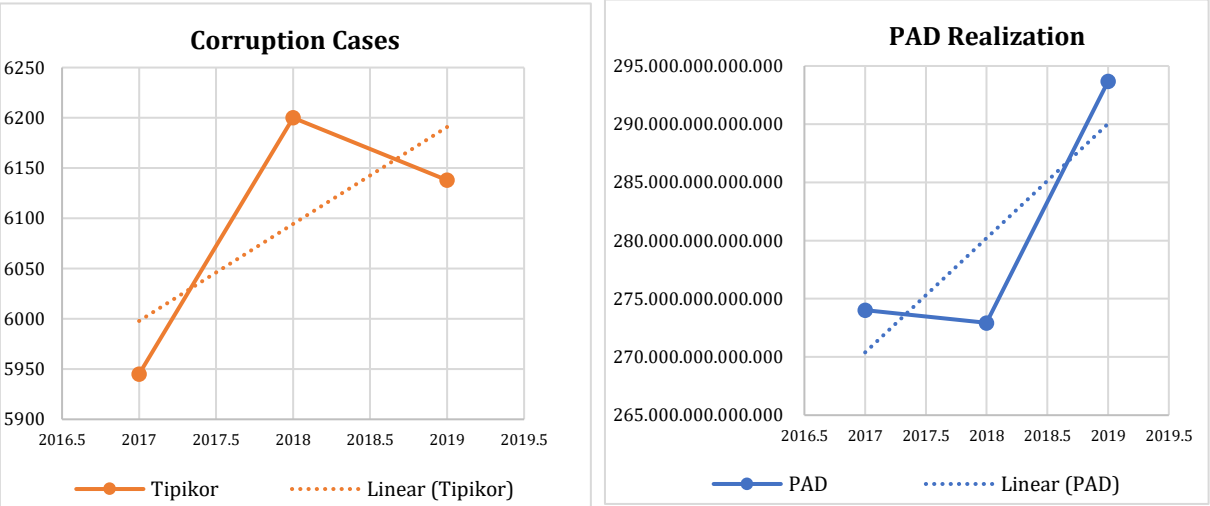

Figure 1. Trends in Corruption Cases and PAD Realization in Indonesia (2017 – 2019)

Results of Descriptive Statistics

The results of descriptive statistics provide an overview of the distribution and central tendencies of the key variables (see Table 2). The average number of corruption cases reported annually at the provincial level between 2017 and 2019 is 179,25, with a standard deviation of 193,59. This standard deviation indicates that the number of corruption cases in each province varies by approximately 193,594 cases from the mean of 179,25 cases. The larger the standard deviation, the greater the variation in the number of corruption cases among the provinces. On the other side, the average PAD is IDR 8.241.620.970.019, with a standard deviation of IDR 11.586.484.987.421. This standard deviation indicates that the PAD in each province varies by IDR 11.586.484.987.421,258 from the mean of IDR 8.241.620.970.018,98. This substantial standard deviation reveals a significant variation in PAD among the provinces. The standard deviation provides insight into data dispersion. In this case, the data for Tipikor shows considerable variation, although not as pronounced as the variation seen in the PAD data. This suggests that while there is notable variability in the number of corruption cases among provinces, the variation in PAD is much more significant.

The descriptive statistical analysis reveals significant variations in corruption levels and PAD across Indonesian provinces. The mean and standard deviation indicate the average level of corruption and PAD and the extent of variability among the provinces. This variation is critical for understanding the relationship between corruption and PAD, as it suggests that some provinces experience higher corruption levels and different PAD outcomes.

2615-7977 (ISSN Online) | 2477-118X (ISSN Print)

Table 2. Results of Descriptive Statistical Testing Variables Cases of Corruption and PAD

	Corruption Cases (Tipikor)	PAD
Valid N (listwise)	102	102
Minimum	13	718911131164
Maximum	893	45707400003802
Mean	179,25	8241620970018,98
Std. Deviation	193,594	11586484987421,258

Sources: Elaborated from SPSS 23 version output (2024)

Results of Classical Assumption Tests

Results of classical assumption tests ensure that the regression model is valid, including normality, heteroscedasticity, and multicollinearity tests that are relevant to the model. To ensure the accuracy of our regression model, we first need to confirm that the residuals (differences between observed and predicted values) are normally distributed. The Kolmogorov-Smirnov test is used for this purpose. In our study, the test results show a p-value of 0,200 (see Table 3). Since this value is greater than 0,05, we can conclude that the residuals follow a normal distribution. This is important because the normality of residuals is a key assumption in regression analysis, ensuring that the statistical tests used are valid.

Table 3. Kolmogorov-Smirnov Normality Test Results

		Unstandardized Residual
N		102
Normal Parameters	Mean	,0000000
	Std. Deviation	,69717146
Most Extreme Differences	Absolute	,053
	Positive	,053
	Negative	-,047
Test Statistic		,053
Asymp. Sig. (2-tailed)		,200

Source: elaborated from SPSS 23 version output (2024)

Heteroscedasticity occurs when the variability of the residuals is not consistent across all levels of the independent variable. To assess this, we use the Breusch-Pagan test. Our results yield a p-value of 0,931, which is much greater than the threshold of 0,05 (see Table 4). This indicates that the variance of the residuals is constant across observations, meaning our data does not exhibit heteroscedasticity. This uniformity is crucial because heteroscedasticity can lead to inefficient estimates and affect the reliability of hypothesis tests.

Table 4. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,512	,235		2,180	,032
	LNX	,004	,049	,009	,086	,931

Source: elaborated from SPSS 23 version output (2024)

The results of the multicollinearity test indicate that the Variance Inflation Factor (VIF) for the corruption variable is below 2. This value is significantly lower than the commonly accepted threshold of 10, suggesting that multicollinearity is not an issue in our model. Our independent variable demonstrates sufficient independence, thereby enhancing the reliability of the regression coefficient interpretations. This finding is rational, given that the independent variable specifically focuses on the level of corruption without the influence of other independent variables. The level of corruption in this regression model is uncorrelated with any other independent variable, which reinforces the validity of assessing the individual impact of corruption on PAD.

2615-7977 (ISSN Online) | 2477-118X (ISSN Print)

Results of Hypothesis Testing

To assess our hypothesis, we employ Pearson correlation analysis to explore the impact of corruption levels on PAD realization. The analysis yields a correlation coefficient (r) of 0.781, with a p-value less than 0.01 (see Table 5). This indicates a strong, positive, and statistically significant impact of corruption levels on PAD realization. In simpler terms, this result supports our hypothesis that higher levels of corruption are associated with higher PAD realization at the provincial level during the fiscal decentralization period in Indonesia.

Table 5. Correlation Test Results

		Corruption Cases	PAD
Tipikor	Pearson Correlation	1	,781**
	Sig. (2-tailed)		,000
	N	102	102
PAD	Pearson Correlation	,781**	1
	Sig. (2-tailed)	,000	
	N	102	102

Source: elaborated from SPSS 23 version output (2024)

The Impact of Corruption on PAD

The positive impact of corruption levels on PAD realization suggests that, within the framework of Indonesia's fiscal decentralization, corruption may facilitate economic activities by expediting bureaucratic processes. This finding aligns with the "grease the wheel" hypothesis, which posits that corruption can enhance economic efficiency in environments with cumbersome regulatory frameworks. However, it does not negate the broader negative impacts of corruption on governance and economic equity.

While corruption may temporarily boost PAD realization by facilitating quicker transactions, it undermines public trust, increases transaction costs, and misallocates resources in the long run. For example, weak internal control systems at the local government level often lead to financial irregularities (Adiguna & Sony, 2019). Forensic accounting plays a crucial role in detecting and preventing corruption by providing effective oversight mechanisms (Changwony & Paterson, 2019; Kamase, 2023). Additionally, challenges faced by prosecutors in eradicating corruption within local government capital expenditures highlight the complexities of bureaucracy and the lack of adequate resources (Arsandi, 2022b). These factors contribute to the persistence of corruption and its complex role in economic activities.

Empirical evidence from previous studies supports the dual role of corruption. For instance, Wei (1999) found that in some Asian countries, corruption facilitated business operations by reducing bureaucratic delays. Similarly, Vial and Hanoteau (2010) observed that corruption positively impacted manufacturing growth in Indonesia during the Suharto era. However, these short-term benefits are often outweighed by the long-term detrimental effects of corruption on economic development and governance, as highlighted by Afonso and de Sá Fortes Leitão Rodrigues (2022), Mamo et al. (2024), Mauro (1995), Tanzi and Davoodi (1997), Uddin and Rahman (2023), and Zhang et al. (2023).

Additionally, studies specific to Indonesia have shown that fiscal decentralization can exacerbate corruption at the local level. Alfada (2019) found that fiscal decentralization in Indonesia has led to increased corruption in local governments. Similarly, Henderson and Kuncoro (2011) highlighted the role of local political dynamics in influencing corruption levels. The evidence suggests that while decentralization aims to bring governance closer to the people, it can also create opportunities for corruption if not accompanied by strong institutional controls and accountability mechanisms.

Conclusion

This research underscores the significant role of corruption in influencing PAD at the provincial level in Indonesia during the fiscal decentralization period. It finds a strong, positive, and statistically significant impact of corruption levels on PAD, suggesting that, in certain contexts,

2615-7977 (ISSN Online) | 2477-118X (ISSN Print)

corruption "greases the wheel" by facilitating economic activities through expedited bureaucratic processes. These findings contribute to the ongoing debate on the dual role of corruption, highlighting its potential short-term benefits in localities plagued by bureaucratic inefficiencies while also acknowledging its broader long-term detrimental effects on governance, economic equity, and public trust.

The significance of these findings lies in their potential application in real-world scenarios, particularly in informing policy, practice, and decision-making. Policymakers can leverage these insights to design more effective governance frameworks that balance the need for efficient economic processes with robust anti-corruption measures. Strengthening internal controls, enhancing transparency, and providing adequate resources for law enforcement agencies are crucial steps to mitigate the negative impacts of corruption while harnessing its potential short-term economic benefits.

The study highlights the importance of forensic accounting and effective oversight mechanisms for practitioners in detecting and preventing corruption. By addressing the complexities of bureaucracy and ensuring adequate resources, practitioners can contribute to more transparent and accountable governance practices. This research provides valuable insights into the nuanced effects of corruption within the context of fiscal decentralization, supporting the hypothesis that corruption can act as an economic facilitator under specific conditions. It posits that corruption may act as a catalyst for economic activity by circumventing bureaucratic inefficiencies, encouraging informal agreements, or optimizing the exploration of the potential for local resources. However, this facilitative role is context-dependent, underscoring the importance of understanding the specific governance structures, legal frameworks, and socio-political environments in which corruption can generate short-term economic gains. Simultaneously, this study challenges the broader perception of corruption as solely detrimental. Despite its potential benefits, the research also highlights significant long-term risks, including the weakening of institutions, the erosion of public trust, and the perpetuation of inequality. This dual perspective opens avenues for further research to explore the conditions under which corruption's positive impacts can be harnessed while minimizing its negative consequences. Such explorations could contribute significantly to developing more nuanced policy frameworks in governance and development.

Limitations and Suggestions

Despite the comprehensive analysis provided in this study, several limitations need to be addressed. First, the research focuses primarily on the provincial level, which may not fully capture the dynamics of corruption and PAD at the local or national levels. Future studies should consider a more granular approach, examining the impact of corruption on PAD across different administrative levels and regions. Second, the study period coincides with Indonesia's fiscal decentralization era, which may have unique characteristics not applicable to other periods or countries. Comparative studies involving other countries undergoing similar decentralization processes could provide broader insights and validate the findings. Third, while the study acknowledges the dual role of corruption, it primarily emphasizes the short-term economic benefits. Future research should delve deeper into the long-term impacts of corruption on economic development, governance quality, and public trust. Understanding these long-term effects is crucial for designing sustainable anti-corruption policies that do not compromise immediate economic gains. Lastly, the study identifies a need for a more detailed exploration of the specific mechanisms through which corruption influences economic outcomes at the local level. Investigating these mechanisms could uncover targeted strategies to mitigate the adverse effects of corruption while leveraging its potential economic facilitation under certain conditions. Overall, addressing these limitations and areas for further research can enhance our under-standing of the complex relationship between corruption, governance, and economic development, ultimately contributing to more effective policy and practice.

2615-7977 (ISSN Online) | 2477-118X (ISSN Print)

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