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The grease of the wheel: The correlation between corruption, regional revenue and expenditure in Indonesia

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Abstract: Previous research has revealed that corruption is considered to have two types of effects on the economy. Corruption is seen as an obstacle to the economy but also as a "grease of the wheel" that accelerates the rotation of economic cogs. This study aims to determine the position of corruption in Indonesia after fiscal decentralization. The study was conducted based on secondary data obtained from the publications of the Central Statistics Agency and the Corruption Eradication Commission. The test was carried out using correlation analysis from 2006-2020 to see the effect of corruption in the regions and private sector on its economic dimension. Results show that corruption in the regions has a significant positive effect on corruption in the private sector and the realisation of regional revenue and expenditure. These results support the argument that in Indonesia, the phenomenon of corruption as a grease of the wheel still occurs.
Keywords: Corruption; Grease of the Wheel; Regional Revenue; Regional Expenditure

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Introduction

Various aspects of the study concern the concept of duality (Adiguna & Warsono, 2019). A phenomenon can be viewed from two opposite sides. This duality usually occurs because differences are found between theory and practice or between expectations and reality. As a study of social science, the phenomenon of corruption can also be viewed as having two perspectives.

The first perspective is the view that sees corruption as an obstacle to the economy. Corruption is considered to have a negative effect on domestic investment (Zakharov, 2019), foreign investment (Kasasbeh, Mdanat, & Khasawneh, 2018), economic growth (Baklouti & Boujelbene, 2020), budget composition (Hessami, 2014), the size of government spending (Vito & Davoodi, 1997), the burden of firms (Hossain, Hossain, & Kryzanowski, 2020), labor supply (Cooray & Dzhumashev, 2018), inequality, and poverty levels (Saha, Beladi, & Kar, 2021). In general, corruption has a negative impact on the micro and macro levels (Boudreaux, Nikolaev, & Holcombe, 2018).

The next perspective views corruption as the lubricant of the economic wheel, meaning that the existence of corruption will accelerate the course of the economy. This opinion was raised in the research of Leff (1964), Huntington (1968), and Lui (1985). However, this opinion is refuted in research by Wei (1999), which states that corruption as a "grease of the wheel" will only occur in countries that have too many industrial bureaucratic rules. This phenomenon is often found in Asian countries, so it is also known as the Asian Paradox (Vial & Hanoteau, 2010). Furthermore, through panel data in 142 countries, Song, Chang, and Gong (2021) found that corruption will only affect the economy and financial development of developing countries but will not affect developed countries.

From these two views, the author is interested in seeing how corruption affects the regional economy in Indonesia. Researchers take aspects of local government revenues and expenditures as objects. The scope of the research is based on panel data from 2006 – 2020. This is the time

when Indonesia had fully implemented fiscal decentralization. Since fiscal decentralization was carried out in 2001, economic authority has been handed over to local governments.

The effect of decentralization on corruption itself also has a dualism of opinion. On the one hand, there is research which suggests that the higher the decentralization authority granted, the lower the level of corruption that occurs (Mello & Barenstein, 2001). Another view is that decentralization, which reduces corruption, will only be successful in rich countries. For poor countries, decentralization will only exacerbate corruption (Lessmann & Markwardt, 2009). This strengthens the urgency of conducting research to see the influence of corruption carried out by local governments at the district/city level on regional revenues and expenditures. This research is also important when observing the effect of economic decentralization on the level of corruption in the regions.

Like research around the world, previous research in Indonesia also resulted in a dualism of perspective. The influence of corruption in Indonesia is considered to have a negative or positive effect on various dimensions of economic growth. There is also research that looks at, to some extent, the different effects that corruption can have in Indonesia.

By using the threshold model, corruption has a negative effect on economic growth if it is above the corruption threshold and vice versa if it is below the corruption threshold (Alfada, 2019). As part of twelve research objects in the Asia Pacific, the phenomenon of "Asian Paradox" is considered to have occurred in Indonesia. Corruption has a significant positive effect on economic growth (Nawatmi, 2016). Corruption also had a significant positive effect on industrial growth (Vial & Hanoteau, 2010) during the Suharto era (1975-1995). This study describes corruption as the grease of the wheel of industry in Indonesia. On the other hand, in Indonesia corruption is considered to play a role in increasing poverty (Samputra & Munandar, 2019), hindering the growth of regional industries (Arsandi, 2022) and decreasing people's welfare (Putra & Linda, 2022).

On the effect of fiscal decentralization, research in Indonesia also shows different results. Corruption is considered to have decreased as a result of decentralization in research with objects in 2001 and 2004 (Henderson & Kuncoro, 2011). However, by using the Tobit Model to explain the processing of the Supreme Court's cassation results from 2001-2009, it was found that the higher the level of decentralization, the higher the corruption that occurs.

This study will examine corruption in the era of fiscal decentralization in the period from 2006 - 2020 with regional economic aspects. The dimensions of the regional economic aspects used as variables in this study are regional original income (PAD), regional taxes, and regional levies from the revenue side. Meanwhile, in terms of spending, the variables used for realisation of Direct Expenditures and Indirect Expenditures for all regencies/cities in Indonesia. This variable is used because it is a manifestation of the principle of fiscal decentralization (Asmarani, 2020). PAD is a source of funding obtained by the regions based on potential and local laws and regulations (BPS, 2019). Meanwhile, direct and indirect expenditures are a manifestation of how regions use their money to drive the economy in their regions. Regional Taxes and Regional Levies are two types of PAD. Other types of PAD are the results of regionally owned companies and separated regional wealth management, as well as other legitimate regional original revenues. The definition of the dependent variable in this study uses Law Number 34 of 2004 concerning Regional Government and Law Number 33 concerning Financial Balance between the Central Government and Regional Government. According to these two laws, fiscal decentralization is the transfer of authority from the central government to regional governments to manage their respective regional financial affairs (Republic of Indonesia, 2004a, 2004b).

As an independent variable in this study, corruption is defined by the World Bank as an act of abuse for personal gain (World Bank, 2020). The scope of corruption in this study is corruption committed by local governments at the district/city level in Indonesia.

Methods

The study was conducted in Indonesia based on secondary data obtained from the publications of the Central Statistics Agency (https://www.bps.go.id/) and the Corruption Eradication

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Commission (https://web.kpk.go.id/id/publikasi-data/statistik (KPK, 2021)). To examine the effect of district/city government corruption on regional expenditures and revenues in the era of fiscal decentralization, fifteen years of research data were used (2006 – 2020).

The variables used are the number of corruption cases committed within the district/city government as well as corruption cases committed by the private sector as opposed to the government, as well as components in regional revenues and expenditures. For regional income, data from all regencies/cities is used which includes the total realisation of regional original income, the total realisation of regional taxes and the total realisation of regional levies. Meanwhile, for regional expenditures, data on total the realisation of direct expenditures and the total realisation of indirect expenditures are used.

This research is descriptive quantitative research. There are several analytical steps carried out to answer the research questions, including descriptive statistical analysis, classical assumption test, and correlation analysis. The analysis was carried out with the help of SPSS version 23 software. This study includes experimental research to find correlations between variables.

Some of the hypotheses proposed in this study are as follows:

H_1: $\alpha_1 \neq 0$; corruption committed by district/city governments (X1) is correlated with the realisation of local revenue for all districts/cities in Indonesia (Y1).

H_2: $\alpha_1 \neq 0$; corruption committed by district/city governments (X1) is correlated with the realisation of local taxes in all districts/cities in Indonesia (Y2).

H_3: $\alpha_1 \neq 0$; corruption committed by district/city governments (X1) is correlated with the realisation of regional levies for all districts/cities in Indonesia (Y3).

H_4: $\alpha_1 \neq 0$; corruption committed by district/city governments (X1) is correlated with the realisation of direct expenditures for all districts/cities in Indonesia (Y4).

H_5: $\alpha_1 \neq 0$: corruption committed by district/city governments (X1) is correlated with the realisation of indirect expenditures for all districts/cities in Indonesia (Y5).

H_6: $\alpha_1 \neq 0$: corruption committed by the private sector (X2) is correlated with the realisation of local revenue in all districts/cities in Indonesia (Y1).

H_7: $\alpha_1 \neq 0$: corruption committed by the private sector (X2) correlates with the realisation of local taxes in all districts/cities in Indonesia (Y2).

H_8: $\alpha_1 \neq 0$: corruption committed by the private sector (X2) correlates with the realisation of regional levies in all districts/cities in Indonesia (Y3).

H_9: $\alpha_1 \neq 0$: corruption committed by the private sector (X2) correlates with the realisation of direct expenditure in all districts/cities in Indonesia (Y4).

H_{10}: $\alpha_1 \neq 0$: corruption committed by the private sector (X2) correlates with the realisation of indirect spending in all districts/cities in Indonesia (Y5).

H_{11}: $\alpha_1 \neq 0$; corruption by district/city governments (X1) correlates with corruption by the private sector (X2).

Based on the proposed hypothesis, a research model framework can be arranged as Figure 1.

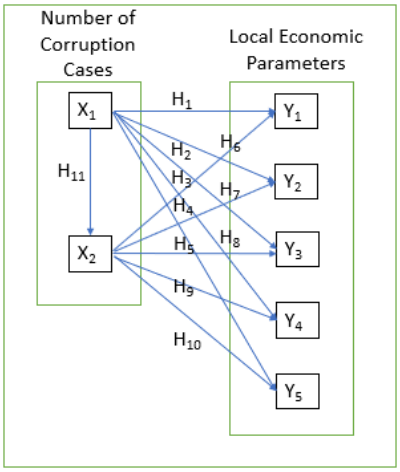

Figure 1. Research Model Framework

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Results and Discussion

As part of quantitative research, this research was conducted through three testing phases. First, a descriptive statistical test was be carried out to see an overview of the statistical values to be processed. Secondly, a classical assumption test in the form of a normality test. The third phase is a correlation test to determine the relationship between variables.

After the data cleansing technique was carried out according to the selected variables, the observation data was obtained as listed in Table 1. Table 1 is the observation data used as a variable, which includes the amount of corruption committed in the district/city government, the amount of corruption committed by the private sector, the realisation of PAD, realisation of regional taxes, realisation of regional retribution, realisation of direct expenditure, and realisation of indirect expenditure. All data presented is for the period from 2006-2020.

Based on the processing of descriptive statistics on observational data, the results are as shown in Table 2. Corruption in districts/cities has a minimum number of four cases (2006), a maximum number of 114 cases (2018), and an average of 27.27 cases. Meanwhile, corruption in the private sector ranges from three cases (2007) to 59 cases (2019), with an average of 21.73 cases. Based on Figure 2, it can be seen that the amount of corruption in districts/cities and in the private sector has an increasing trend.

Table 1. Observation Data

Year	Number of Local Gov Corruption Cases[1]	Number of Private Sector Corruption Cases[1]	Regional Original Income[2]	Regional Taxes[2]	Regional Levies[2]	Indirect Expenditure[2]	Direct Expenditure[2]
2006	4	5	13.961.949.844	4.628.027.870	4.594.277.558	87.405.357.099	99.652.408.963
2007	8	3	16.444.847.075	5.380.379.942	5.388.033.569	108.548.513.241	133.045.900.061
2008	18	12	20.243.578.574	6.686.430.135	6.151.199.970	134.527.570.742	143.692.431.250
2009	5	11	22.119.800.351	7.458.537.044	6.206.761.426	156.617.007.328	146.926.567.973
2010	8	8	24.555.374.138	8.711.056.255	6.260.523.509	188.322.077.646	142.008.916.727
2011	7	10	34.914.155.160	15.983.344.717	6.582.330.785	211.758.966.246	174.472.951.236
2012	10	16	45.540.971.484	22.050.755.049	7.090.331.555	236.101.675.857	203.351.689.273
2013	18	24	28.287.785.192	8.789.639.585	2.933.002.268	260.929.072.784	252.386.008.253
2014	19	16	77.640.520.139	35.810.965.970	10.561.206.450	287.007.446.355	295.157.998.331
2015	10	18	87.951.981.237	40.313.201.151	9.254.158.843	336.126.086.659	329.221.820.062
2016	21	28	96.257.774.436	44.843.906.635	8.342.625.938	383.243.126.468	355.399.435.814
2017	53	28	125.170.736.237	54.380.243.870	7.896.390.431	374.905.467.902	373.641.975.808
2018	114	56	114.344.840.325	58.005.909.061	7.623.228.294	392.749.572.715	374.647.448.862
2019	66	59	124.517.905.393	64.822.598.306	8.042.041.404	416.557.391.992	413.823.909.879
2020	48	32	132.784.328.921	68.395.127.774	9.990.024.618	461.776.410.508	415.997.751.574

Source: processed from data published by KPK[1] and BPS[2]

Table 2. Descriptive Statistical Results of Variable Number of Corruption Cases

	N	Range	Min	Max	Mean		Std. Deviation	Var	Kurtosis	
	Stat	Stat	Stat	Stat	Stat	Std. Error	Statistic	Stat	Stat	Std. Error
Local Gov Corruption Cases	15	110	4	114	27.27	7.923	30.684	941.495	3.749	1.121
Private Corruption Cases	15	56	3	59	21.73	4.364	16.901	285.638	1.083	1.121

Source: processed from KPK publication data through SPSS version 23

Descriptive statistics on regional financial economic variable data are shown in Table 3. The lowest PAD realisation is Rp. 13,961,949,844 (2006), the highest is Rp. 132,784,328,921 (2020), and the average is Rp. 64,315,769,900. The lowest realisation of Regional Taxes is IDR 4,628,027,870 (2006), the highest is IDR 68,395,127,774 (2020), and the average is IDR 29,750,674,891. The lowest realisation of regional levies was Rp2,933,002,268 (2013), the highest was Rp10,561,206,450 (2014), and the average was Rp7,127,742,441. Figure 3 shows the trend of PAD, Regional Taxes, and Regional Retributions which tend to increase.

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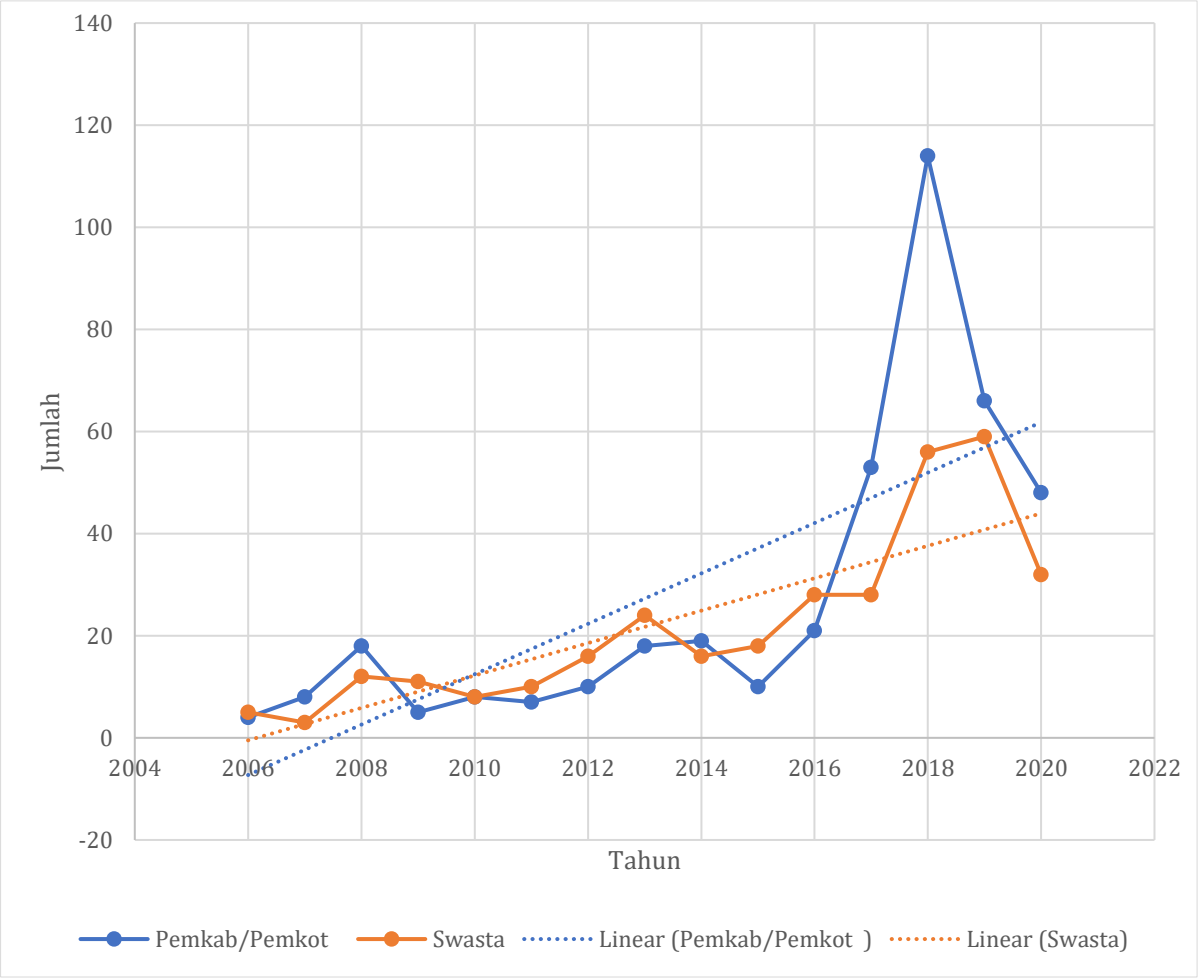

Figure 2. Trends in Corruption in District/City Governments and The Private Sector (processed from KPK publication data)

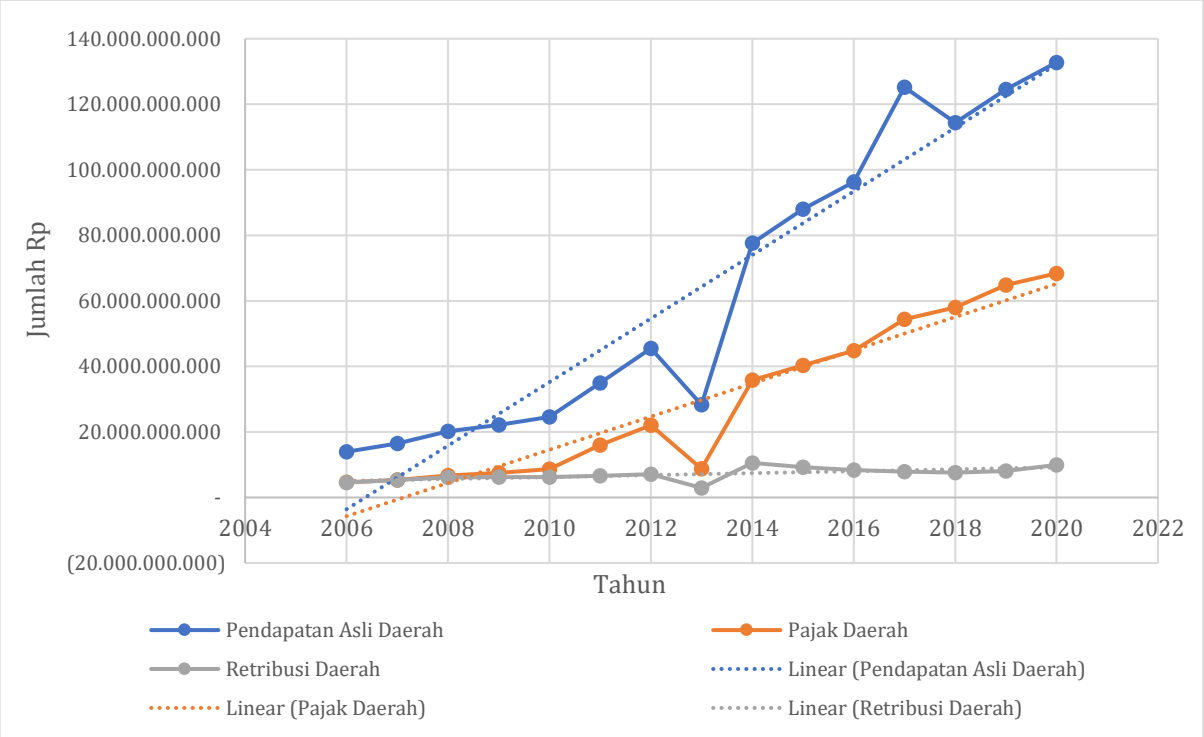

Figure 3. Trends in PAD Revenue Growth, Regional Taxes, and Regional Levies (processed from BPS data

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For the regional spending category, the lowest total direct expenditure realisation was Rp99,652,408,963 (2006), the highest was Rp415,997,751,574 (2020), and the average was Rp256,895,147,604. The lowest total realisation of Indirect Expenditure was Rp.87,405,357,099 (2006), the highest was Rp.461,776,410,508 (2020), and the average was Rp.269,105,049,569. Figure 4 shows the trend of Direct and Indirect Spending which tends to increase over time.

Table 3. Descriptive Statistical Results of Regional Economic Dimension Variables

	N	Minimum	Maximum	Mean	Std. Deviation	Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
Regional Original Income (PAD)	15	13.961.949.844	132.784.328.921	64.315.769.900	45.450.781.634	-1,705	1,121
Regional Taxes	15	4.628.027.870	68.395.127.774	29.750.674.891	23.738.641.456	-1,512	1,121
Regional Levies	15	2.933.002.268	10.561.206.450	7.127.742.441	2.027.398.954	,082	1,121
Indirect Expenditures	15	87.405.357.099	461.776.410.508	269.105.049.569	120.627.622.758	-1,331	1,121
Direct Expenditures	15	99.652.408.963	415.997.751.574	256.895.147.604	113.918.939.443	-1,724	1,121

Source: processed from BPS data through SPSS version 23

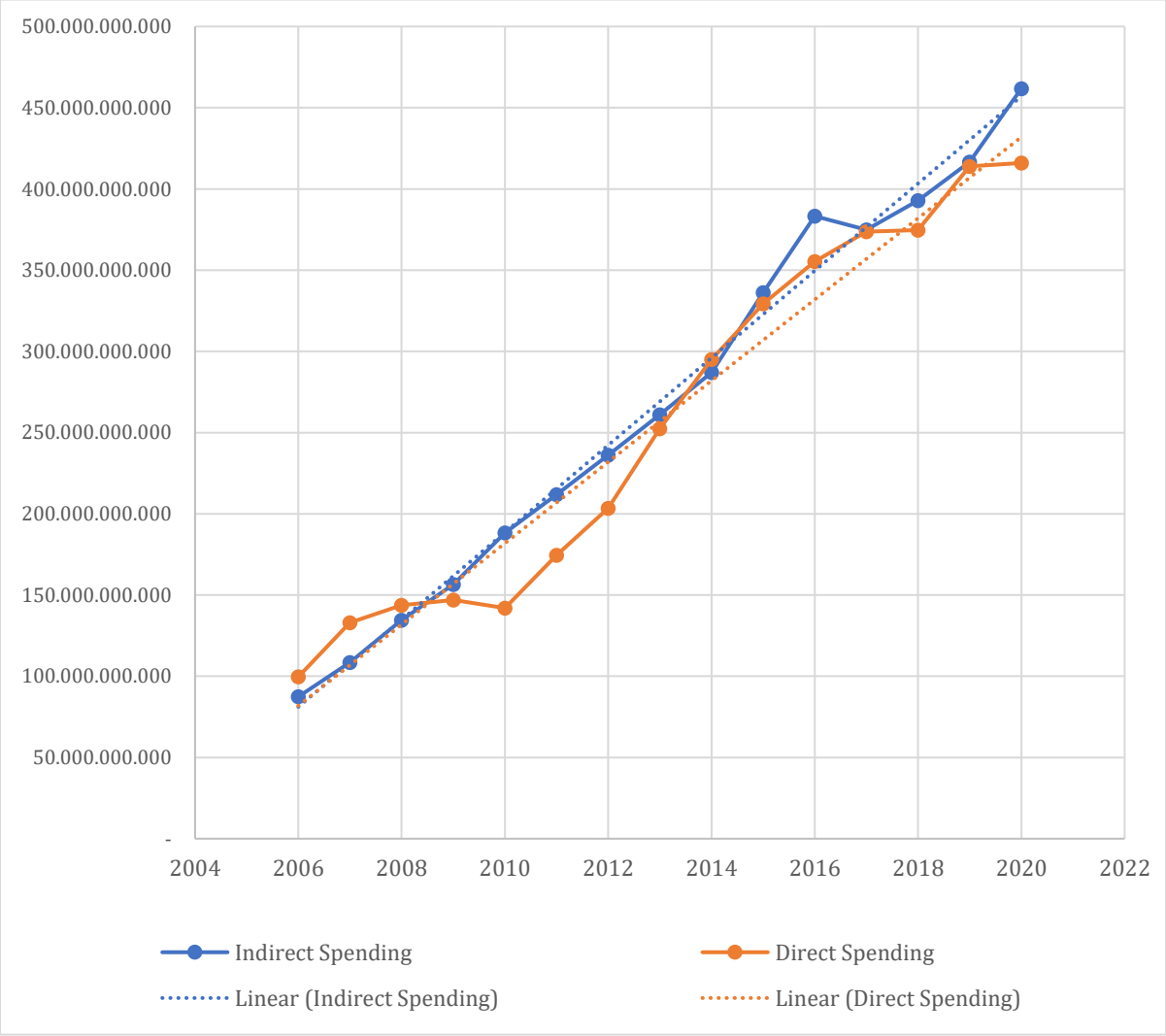

Figure 4. Direct and Indirect Spending Growth Trends (processed from BPS data)

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To test the classical assumption, a normality test was conducted to determine whether the residual data of each variable had a normal distribution. Based on the results of the Kolmogorov Smirnov normality test in Table 4, information was obtained that the significance value of the variable was 0.200. This value is greater than 0.05, so it can be concluded that the data to be tested has been normally distributed.

Table 4. Kolmogorov-Smirnov Normality Test Results

		Unstandardised Residual
N		15
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	11.39457229
Most Extreme Differences	Absolute	.166
	Positive	.166
	Negative	-.134
Test Statistic		.166
Asymp. Sig. (2-tailed)		.200[c,d]

Source: processed from BPS data through SPSS version 23

After the Kolmogorov Smirnov Test was carried out for testing the normal distribution, a correlation test was carried out to test the relationship between variables, with the results shown in Table 5. Based on Table 5, information was obtained that the calculated r value for the relationship between the amount of corruption in the district/city (x1) and PAD (y1) is 0.738. This result is bigger than the r table (0.514 [N=15, =5%]), so it can be concluded that there is a positive correlation between the amount of corruption in districts/cities (x1) and PAD (y1). Meanwhile, Sig value. (2-tailed) between the amount of corruption in the district/city (x1) and PAD (y1) is 0.002, which is lower than 0.05. This means that there is a significant correlation (with a tolerance of 5%) between the amount of corruption in the district/city (x1) and PAD (y1).

Furthermore, the calculated r value for the relationship between the amount of corruption in districts/cities (x1) and local taxes (y2) is 0.754. This result is bigger than the r table (0.514 [N=15, =5%]), so it can be concluded that there is a positive correlation between the amount of corruption in districts/cities (x1) and local taxes (y2). Another result shows that sig value. (2-tailed) between the amount of corruption in the district/city (x1) and local taxes (y2) is 0.001, which is lower than 0.05. This means there is a significant correlation between the amount of corruption in the district/city (x1) and local taxes (y2).

For the regional retribution variable, the calculated r value for the relationship between the amount of corruption in the district/city (x1) and regional retribution (y3) is 0.315. This r value is lower than the r table (0.514 [N=15, =5%]), so it can be concluded that there is no correlation between the amount of corruption in districts/cities (x1) and regional retribution (y3). To strengthen this result, the sig value. (2-tailed) between the amount of corruption in the district/city (x1) and the regional retribution (y3) is 0.253, which means that there is no significant correlation between the amount of corruption in the district/city (x1) and the regional retribution (y3).

Furthermore, the calculated r value for the relationship between the amount of corruption in districts/cities (x1) and indirect spending (y4) is 0.686. This r value is higher than the r table (0.514 [N=15, =5%]), so it can be concluded that there is a positive correlation between the amount of corruption in districts/cities (x1) and indirect spending (y4). Meanwhile, the sig value. (2-tailed) between the amount of corruption in districts/cities (x1) and indirect spending (y4) is 0.005, which is lower than 0.05. This means that there is a significant correlation between the amount of corruption in districts/cities (x1) and indirect spending (y4).

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Table 5. Correlation Test Results

		Local Gov Corruption	Private Sector Corruption	Regional Original Income	Regional Taxes	Regional Levies	Indirect Expenditure	Direct Expenditure
Local Gov Corruption	Pearson Correlation	1	.764**	.738**	.754**	,315	.686**	.711**
	Sig. (2-tailed)		,001	,002	,001	,253	,005	,003
	N	15	15	15	15	15	15	15
Private Sector Corruption	Pearson Correlation	.764**	1	.683**	.647**	,322	.630*	.657**
	Sig. (2-tailed)	,001		,005	,009	,241	,012	,008
	N	15	15	15	15	15	15	15
Regional Original Income	Pearson Correlation	.738**	.683**	1	.994**	.738**	.957**	.970**
	Sig. (2-tailed)	,002	,005		,000	,002	,000	,000
	N	15	15	15	15	15	15	15
Regional Taxes	Pearson Correlation	.754**	.647**	.994**	1	.742**	.954**	.962**
	Sig. (2-tailed)	,001	,009	,000		,002	,000	,000
	N	15	15	15	15	15	15	15
Regional Levies	Pearson Correlation	,315	,322	.738**	.742**	1	.667**	.663**
	Sig. (2-tailed)	,253	,241	,002	,002		,007	,007
	N	15	15	15	15	15	15	15
Indirect Expenditures	Pearson Correlation	.686**	.630*	.957**	.954**	.667**	1	.984**
	Sig. (2-tailed)	,005	,012	,000	,000	,007		,000
	N	15	15	15	15	15	15	15
Direct Expenditures	Pearson Correlation	.711**	.657**	.970**	.962**	.663**	.984**	1
	Sig. (2-tailed)	,003	,008	,000	,000	,007	,000	
	N	15	15	15	15	15	15	15

Source: processing results using SPSS version 23

For the direct expenditure variable, the calculated r value for the relationship between the amount of corruption in districts/cities (x1) and direct spending (y5) is 0.711. This r value is higher than the r table (0.514 [N=15, =5%]), so it can be concluded that there is a positive correlation between the amount of corruption in districts/cities (x1) and direct spending (y5). To strengthen this result, the sig value. (2-tailed) between the amount of corruption in districts/cities (x1) and direct spending (y5) is 0.003. As it is lower than 0.05, there is a significant correlation between the amount of corruption in districts/cities (x1) and direct spending (y5).

The results of the test of the influence of corruption in the private sector on the regional economic dimension show similar results to the effect of corruption in district/city governments. Based on Table 5, information was obtained that the calculated r value for the relationship between the amount of corruption in the private sector (x2) and PAD (y1) is 0.683. This r value is higher than the r table (0.514 [N=15, =5%]), so it can be concluded that there is a positive correlation between the amount of corruption in the private sector (x2) and PAD (y1). The sig value. (2-tailed) between the amount of corruption in the private sector (x2) and PAD (y1) is 0.005, which means there is a significant correlation (with tolerance 5%) between the amount of corruption in the private sector (x2) and PAD (y1).

The calculated r value for the relationship between the amount of corruption in the private sector (x2) and local taxes (y2) is 0.647. This r value is also higher than the r table (0.514 [N=15,

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=5%]), so it can be concluded that there is a positive correlation between the amount of corruption in the private sector (x2) and local taxes (y2). In line with this result, the sig value. (2-tailed) between the amount of corruption in the district/city (x1) and local taxes (y2) is 0.009, which means that there is a significant correlation (with tolerance 5%) between the amount of corruption in the private sector (x2) and local taxes (y2).

For the regional levy variable, the calculated r value for the relationship between the amount of corruption in the private sector (x2) and regional retribution (y3) is 0.322. This result is lower than the r table (0.514 [N=15, =5%]), so it can be concluded that there is no correlation between the amount of corruption in the private sector (x2) and local user fees (y3). The sig value. (2-tailed) between the amount of corruption in the district/city (x1) and local retribution (y3) is 0.241, which means that there is no significant correlation between the amount of corruption in the private sector (x2) and local user fees (y3).

The calculated r value for the relationship between the amount of corruption in the private sector (x2) and indirect spending (y4) is 0.630. This value is higher than the r table (0.514 [N=15, =5%]), so it can be concluded that there is a positive correlation between the amount of corruption in the private sector (x2) and indirect spending (y4). To strengthen this result, the sig value. (2-tailed) between the amount of corruption in the private sector (x2) and indirect spending (y4) is 0.012, which means that there is a significant correlation between the amount of corruption in the private sector (x2) and indirect spending (y4).

For the direct expenditure variable, the calculated r value for the relationship between the amount of corruption in the private sector (x2) and direct spending (y5) is 0.657. This value is higher than the r table (0.514 [N=15, =5%]), so it can be concluded that there is a positive correlation between the amount of corruption in the private sector (x2) and direct spending (y5). The sig value. (2-tailed) between the amount of corruption in the private sector (x2) and direct spending (y5) is 0.008, which means that there is a significant correlation between the amount of corruption in the private sector (x2) and direct spending (y5).

The last correlation test was conducted between independent variables. The calculated r value for the relationship between the amount of corruption in districts/cities (x1) and corruption in the private sector (x2) is 0.764. This is higher than the r table (0.514 [N=15, =5%]), so it can be concluded that there is a positive correlation between the amount of corruption in districts/cities (x1) and corruption in the private sector (x2). To strengthen the result, the sig value. (2-tailed) between the amount of corruption in districts/cities (x1) and corruption in the private sector (x2) is 0.001, which means there is a significant correlation between the amount of corruption in districts/cities (x1) and corruption in the private sector (x2).

Based on the correlation test, it was concluded that hypotheses 1, 2, 4, 5, 6, 7, 9, 10, and 11 were accepted, while hypotheses 3 and 8 were rejected. This study proves that corruption at the district/city and private levels has a significant positive correlation with the realisation of total PAD, local taxes, indirect spending, and direct spending. Unfortunately, this study shows that the higher the regional economy growth which is characterized by increased revenue and spending, the higher the level of corruption that occurs there. However, corruption at the district/city and private levels has no correlation with the realisation of regional retributions. Regional retributions are the only variable that is not affected by the level of corruption, both public and private.

This study only uses corruption case which is published by Corruption Eradication Commission (KPK). It means that the number of corruption cases mentioned does not include various other corruption cases, whether handled by other law enforcement officials or those that have not been detected. Therefore, the scope of corruption cases used in this research may not yet be representative of the national case population.

These results generally explain that in Indonesia, corruption is still a “grease of the wheel”. According to Wei (1999), this phenomenon indicates that the bureaucratic rules in the country are still overly complicated. Industry is forced to commit corruption to launch business incentives in Indonesia. The effect of corruption in the period of fiscal decentralization, which has a significant positive correlation with the regional economic dimension, shows that decentralization does not hinder the rate of corruption. The growth of corruption in the

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government sector has a significant positive correlation with corruption in the private sector. The growth of corruption in both sectors was also followed by the growth of regional income and expenditure.

Conclusion

This study has several limitations. First, the researcher cannot elaborate further from the results of statistical tests on the reasons why corruption continues to increase in the period of fiscal decentralization. Thus, this could be an interesting object of research in the future. The researcher believes that this problem would be answered through qualitative research, such as in-depth interviews with businesspeople and public officials. Secondly, the researcher only processed data on local government corruption publications published by the Corruption Eradication Commission (KPK). Therefore, it is unlikely that this number covers all corruption crimes in Indonesia, omitting those which have not been disclosed to law enforcement. Exceptions to regional levies that are not correlated with corruption in the public or private sector could also be an interesting object of further research.

This study shows that corruption in district/city governments and the private sector in general has a significant positive correlation with local revenues and expenditures. The amount of corruption that district/city governments and the private sector are experiencing is increasing trend, as are the components of regional income and expenditure.

The amount of corruption in the district/city government sector has a significant positive correlation with corruption in the private sector. The growth of corruption in both sectors is also significantly positively correlated with the realisation of PAD, Regional Taxes, Direct Expenditures, and Indirect Expenditures. However, corruption does not have a correlation with the realisation of regional levies. These results explain that in general, in Indonesia corruption is a "grease of the wheel". The results of this study also indicate that the growth in the amount of corruption in district/city governments did not decline during the era of fiscal decentralization.

Previous research on the "grease of the wheel" concept shows that this phenomenon occurs due to bureaucracy and regulations in a country that are too complicated. Therefore, based on this research, the authors suggest that the government, as a regulator, simplify bureaucratic affairs to increase business certainty in Indonesia.

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