Vol. 10, No. 3, 2024, pp. 949-960
DOI: https://doi.org/10.29210/020244441

Contents lists available at Journal IICET

JPPI (Jurnal Penelitian Pendidikan Indonesia)
ISSN: 2502-8103 (Print) ISSN: 2477-8524 (Electronic)

Journal homepage: https://jurnal.iicet.org/index.php/jppi

The influence of fiscal decentralization, accountability, and financial performance on the level of corruption in Indonesian provincial governments

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Article Info

Article history:

Received Jul 13th, 2024
Revised Aug 24th, 2024
Accepted Sept 30th, 2024

Keywords:

Level corruption
Decentralization fiscal
Provincial goverment
Panel data regression

ABSTRACT

Corruption is one of the main challenges hindering development and welfare in Indonesia, particularly at the regional government level. This study aims to analyze the effectiveness of anti-corruption programs in provincial governments in Indonesia, focusing on the influence of fiscal decentralization, accountability, and regional financial performance on the level of corruption. The study employs a quantitative approach using panel data obtained from regional financial reports and audit results from the Audit Board of Indonesia (BPK) on provincial governments in Indonesia during the period 2018-2022. The results indicate that fiscal decentralization has a significant impact on the level of corruption, while the variables of accountability and regional financial performance, as measured through audit opinions and regional investment, do not show a significant impact on corruption levels. These findings suggest that although there are financial oversight mechanisms in place, other factors such as transparency, stricter supervision, and public participation in budget management need to be strengthened to enhance the effectiveness of anti-corruption programs at the provincial level. The study recommends the need for a more comprehensive approach to tackling corruption, including governance reforms and strengthening internal controls in each region.

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Introduction

Corruption is a major and persistent problem in Indonesia, leading to social ills and prolonged negative impacts (Putra & Linda, 2022). Corruption is a specific criminal act involving the misuse of position or power for personal gain, which results in significant losses to the state (Christin, 2017). The GONE Theory proposed by Bologne, which states that the causes of corruption are greed, opportunity, need, and exposure (punishments do not deter) (Suryana, 2023). Corruption has tangible and detrimental impacts on society at large, particularly through poor public services and the loss of potential state revenue (Remeikienė & Gaspareniene, 2023). When public funds are misappropriated, budgets intended to improve the quality of infrastructure, education, and healthcare services become constrained, resulting in limited access to adequate basic services for the population (Ajibolade & Oboh, 2017). Furthermore, corruption undermines the government's effectiveness in managing resources, which in turn erodes public trust in state institutions (Adelopo & Rufai, 2020). Potential state revenues are also lost due to tax manipulation, budget embezzlement, or bribery practices that weaken fiscal revenues

(Nor & Mohamed, 2024). This condition not only hampers development but also exacerbates social and economic disparities within society, thereby reducing opportunities to improve welfare equitably (Wibowo, 2023).

The level of corruption in Indonesia in 2022 ranked 110th with a score of 34. This score dropped from the previous year, which was 38. Most of the main perpetrators in Corruption Crimes are government officials or high-ranking government officials. According to data from the kpk.go.id website, since 2004 until 2022, no fewer than 22 Governors and 148 regents/mayors have been prosecuted by the KPK (Zabar, 2022). The high number of corruption cases in Indonesia, especially those that occur at the regional government level, has caused the public to lose trust in the government (Prasetyo, 2023). The function of regional autonomy should be to increase the effectiveness of regional government administration and public services, but in reality, regional autonomy has led to many cases of corruption in regional governments (Fatoni, 2020; Konte & Vincent, 2021). The public only believes in concrete evidence such as regional financial reports that reflect government financial performance and accountability as an improvement in response to slow responses to corrupt practices and ineffective anti-corruption programs (Koeswayo et al., 2024; Mugellini et al., 2021).

One ineffective anti-corruption program is fiscal decentralization. With fiscal decentralization, authority is not only tied to the central government, and local governments gain the power to manage their regions. However, its implementation has been ineffective because corruption practices have spread following the decentralization pattern (Yunan et al., 2023); (Salahudin, 2018). Similarly, (Syarif, 2023) found that fiscal decentralization positively affects corruption levels; higher fiscal decentralization leads to increased corruption. This presents a significant challenge for the government in implementing good governance to restore public trust. Another policy that can promote the effectiveness of anti-corruption efforts is good regional financial performance and accountability. Accountability is the government's responsibility to the public through the disclosure of information on government activities and performance (Anggara, 2022). According (Saraswati & Triyanto, 2020), higher accountability scores positively impact reducing corruption levels. Meanwhile, government financial performance is the degree of achievement in implementing activities or programs to realize the vision, mission, and goals of a government. Regional financial performance reflects the government's success in managing regional finances. According to (Suhardjanto et al., 2020), regional financial performance measured by capital expenditure significantly negatively affects corruption levels; if the government cannot manage capital expenditure well, corruption levels will increase.

Fiscal decentralization, accountability, and financial performance were selected as research variables because they play key roles in determining the effectiveness of governance, particularly at the regional level, in the context of preventing and combating corruption. Fiscal decentralization grants greater authority to regional governments to manage resources, but without adequate accountability, this authority can be misused, increasing the risk of corruption. Accountability is essential to ensure transparency and oversight in the management of public budgets, while financial performance serves as an important indicator to assess the efficiency and effectiveness of fund utilization by regional governments. By examining the relationship among these three variables, this study aims to provide a more holistic understanding of how sound financial governance can reduce corruption and improve the quality of public services in the era of decentralization.

Signaling theory posits that information conveyed by the government, such as financial reports or regional performance indicators, serves as signals to the public and other stakeholders regarding the integrity and efficiency of public resource management. Strong transparency and accountability create positive signals that can enhance public trust and reduce opportunities for corruption. Stakeholder theory, on the other hand, emphasizes that the government has a responsibility to meet the interests of various parties, including the public, investors, and oversight institutions, in executing sound financial management. In this study, both theories help explain how fiscal decentralization, when managed with accountability and optimal financial performance, can strengthen the positive relationship between local governments and stakeholders while minimizing the potential for deviations such as corruption.

The research gap lies in the lack of holistic studies that directly link the impact of fiscal decentralization, accountability, and regional financial performance on corruption levels, particularly in the context of local governance in the era of decentralization. Most previous studies tend to focus on isolated aspects, such as the effectiveness of fiscal decentralization or the general impact of anti-corruption policies, without exploring the dynamic relationship between these three variables. Moreover, existing studies often adopt a macro or national approach, failing to highlight the variations and complexities at the regional level. This gap presents a significant challenge to address, as comprehensively understanding the relationship between fiscal decentralization, accountability, and regional financial performance can provide deeper insights for designing effective anti-corruption strategies at the local level.

The objective of this study is to evaluate the effectiveness of anti-corruption programs by identifying the influence of fiscal decentralization, accountability, and regional financial performance on corruption levels. This research aims to understand the extent to which decentralization, which grants greater authority to local governments, can contribute to strengthening governance or, conversely, increase the risk of corruption. Additionally, this study seeks to provide a holistic analysis that integrates fiscal, accountability, and regional financial performance aspects, thereby offering more effective policy recommendations for preventing and combating corruption at the local level.

Literature Review

Fiscal Decentralization

Fiscal decentralization arises from the disparity between the central and local governments. This disparity exists because the flow of information has made the public aware that central government development and distribution are inefficient, and the central government cannot control complex processes. Therefore, fiscal decentralization emerged to encourage relations between the central and local governments by transferring funds from the central to local governments and providing appropriate actions to collect taxes and retributions according to their rights to achieve the goals of fiscal decentralization (Mardiasmo, 2018). As power shifts from one central authority to multiple centers of power, corruption follows the shift in power. Additionally, fiscal decentralization faces significant challenges in implementation, such as weak central government control over local realization of regional financial resources (Batin, 2022). Weak central government control leads to power abuse and potential corruption in local governments. Consistent with (Syarif, 2023), fiscal decentralization positively affects corruption levels, as found in (Ewetan et al., 2020), which states that fiscal decentralization significantly increases corruption. Fiscal decentralization must be accompanied by appropriate policies to be effective in reducing corruption. This is also supported by (Fuadi & Mabrur, 2021), stating that higher fiscal decentralization leads to higher corruption levels.

H1: Fiscal decentralization positively affects corruption levels.

Accountability

Accountability is the government's obligation to disclose, present, and report on its responsibilities for all activities to the public, who have public rights and authority (Mardiasmo, 2018). Accountability can be defined as the principle of responsibility for public rights to know the policies taken by the government to achieve accountability principles. The demand for public accountability requires public sector institutions to emphasize accountability to the wider community or implement horizontal accountability in response to societal demands. This demand necessitates the creation of financial and non-financial reports that depict the performance of public sector institutions with the aim of fulfilling public rights and achieving accountability. Accountability is not just about demonstrating financial performance or how public funds are spent, but also includes the ability to create performance indicators as a basis for effective and efficient performance assessment (Hoesada, 2022). Achieving accountability is the main goal of government efforts to make better changes in the public sector. Weak accountability can lead to corruption potential, making accountability a preventive strategy for corruption crimes. This is supported by (Klitgaard in Suhardjanto et al., 2020)), stating that accountability is considered an important factor contributing to reducing corruption levels in local governments after implementing decentralization. Consistent with (Jadara & Al-Wadi, 2021)), accountability can reduce financial and administrative corruption, supported by (Saraswati & Triyanto, 2020), which states that accountability positively impacts reducing corruption crimes.

H2: Accountability negatively affects corruption levels.

Regional Financial Performance

Based on the ideas presented, the framework of thought in this research can be outlined as Figure 1.

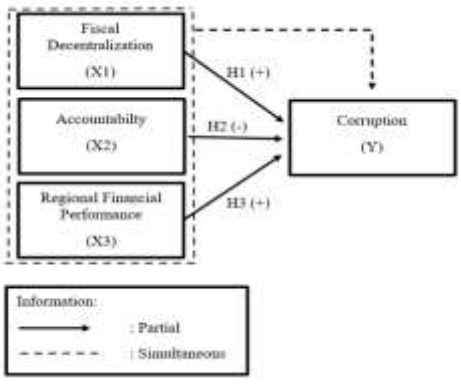

Figure 1 <Conceptual Framework>

Regional financial performance is a measure used to assess a region's ability and achievements in carrying out regional autonomy according to applicable regulations (Halim, 2016). Regional financial performance reflects the region's financial condition and the success of local government. The higher the regional investment ratio, the higher the likelihood of corruption crimes (Suhardjanto et al., 2020). This is supported by (Alfada, 2019), stating that regional investment positively affects corruption levels, and (Wicaksono & Prabowo, 2022) stating that higher regional investment increases corruption. H3: Regional financial performance, as measured by regional investment, has a positive influence on the level of corruption.

Method

The method used in this research is quantitative with a descriptive research objective. The dependent variable used is the level of corruption, measured by the number of corruption cases in Provincial Governments in Indonesia from 2018-2022. Meanwhile, the independent variables used are fiscal decentralization, accountability, and regional financial performance, measured by regional investment. The data collected is from Provincial Governments in Indonesia, consisting of 34 provinces over the period 2018-2022, using documentation data collection techniques. The data used in this research is secondary data sourced from the Corruption Crime Statistics published by the KPK, Budget Realization Reports (LRA) from the Provincial Government websites in Indonesia, and Audit Reports (LHP) from the Supreme Audit Agency of Indonesia (BPK RI) on the examination of Regional Government Financial Reports (LKPD).

The sample in this study consists of Provincial Local Governments in Indonesia. The sampling technique used in this research is Nonprobability Sampling with the Purposive Sampling method. Nonprobability Sampling is a sampling technique that does not provide equal opportunity for every element of the population to be selected as a sample (Pace, 2021). Meanwhile, purposive sampling is a sampling technique based on specific considerations (Campbell et al., 2020). The purposive sampling technique was used because this study requires the selection of samples based on specific criteria, such as regions with audited financial reports and measurable corruption data. This technique was chosen as it is more relevant for ensuring that the selected samples possess characteristics aligned with the research objectives, compared to other methods that might not adequately capture the specific context of this study.

Table 1 <Research Sample Criteria

Research Sample Criteria	2018	2019	2020	2021	2022	Total
Number of Province in Indonesia 2018-2022	34	34	34	34	34	**170**
Provinces in Indonesia that do not have complete data for all independent variables in 2018-2022	(11)	(10)	(9)	(9)	(9)	**(48)**
Final Total Sample						122

Based on Table 1, the total population for the research, which includes Provincial Governments in Indonesia from 2018-2022, consists of 170 observations. Out of these 170 observations, 48 observations do not have complete data for all independent variables for 2018-2022, resulting in a final sample of 122 observations that are adequate for the study.

Measuring Variables

Fiscal Decentralization

The indicator used to measure fiscal decentralization in this research is the ratio of Regional Own-source Revenue (PAD) to total regional revenue (Tiyaningsih in Sistiana & Makmur, 2014), as stated in the Budget Realization Report of Provincial Governments in Indonesia from 2018-2022.

Fiscal Decentralization

$$Fiscal\ Decentralization = \frac{Regional\ \ Revenue}{Total\ Revenue} \times 100\%$$

This proxy was chosen because PAD (Regional Own-Source Revenue) reflects the extent to which a region can rely on its own internal revenue sources without depending on transfer funds from the central government. The higher the ratio of PAD to total regional revenue, the greater the level of fiscal decentralization achieved, as it indicates the region's ability to independently finance development and manage its finances. The data is sourced from the Budget Realization Reports of Provincial Governments in Indonesia from 2018 to 2022, providing clear and detailed information on regional revenue allocation and total revenue received by the regional governments. Thus, this ratio serves as a relevant indicator for measuring how fiscal decentralization

can influence the level of corruption in a region through more independent and transparent resource management.

Accountability

According to Law Number 5 of 2009 on the Supreme Audit Agency (Anggara, 2022), the BPK's audit results on Regional Government Financial Reports (LKPD), presented in the Audit Report (LHP), reflect the level of accountability, determined by Audit Opinions. The indicator used to measure accountability in this research is the audit opinion on the fairness of regional financial reporting in Indonesia, obtained from the BPK Audit Reports (LHP) and presented using a scale of 1-4.

Table 2 <Accountability Indicators>

Audit Opinion	Value
WTP	4
WDP	3
TW	2
TMP	1

In this study, the Accountability variable is measured using the audit opinions provided by the Audit Board of Indonesia (BPK) on the Regional Government Financial Reports (LKPD). These audit opinions reflect the level of accountability of regional governments in preparing and reporting financial data in accordance with transparency principles and sound governance practices. The proxy used is the audit opinion contained in the BPK Audit Reports (LHP), which evaluates the fairness of regional financial reports. The audit opinions are categorized on a scale of 1 to 4, where an Unqualified Opinion (WTP) is assigned a value of 4, indicating compliance with applicable accounting standards; a Qualified Opinion (WDP) is assigned a value of 3, indicating some inconsistencies, although the financial statements are generally acceptable; an Adverse Opinion (TW) is assigned a value of 2, indicating significant discrepancies; and a Disclaimer of Opinion (TMP) is assigned a value of 1, meaning the financial statements could not be audited due to fundamental issues in their preparation. The use of audit opinions as an accountability indicator was chosen because it directly reflects how effectively regional governments manage and report public finances, playing a crucial role in reducing corruption potential through transparency and accountability.

Regional Financial Performance

Corruption practices in Indonesia are closely related to budget abuse; therefore, measuring regional financial performance can reflect the potential for corruption crimes based on the region's financial condition. The health of local government finances can be assessed by analyzing regional financial ratios based on budget realization report information (Susanto, 2019). The indicator used is regional investment, which relates to the government's commitment to improving public service capacity, such as infrastructure development, public facilities provision, and other fixed asset purchases prone to corruption crimes. Data for measuring regional investment is obtained from the Budget Realization Report (LRA) of Provincial Governments in Indonesia for 2018-2022. The regional investment ratio is formulated as follows:

$$Regional\ Investment = \frac{Capital\ Expenditure\ Realization}{Total\ Regional\ Expenditure} \times 100\%$$

In this study, the Regional Financial Performance variable is measured using the Regional Investment Ratio, which is calculated by comparing the actual capital expenditure to the total regional expenditure. This proxy was chosen because capital expenditure is a key indicator of the investments made by regional governments in infrastructure development and projects that can enhance economic growth and public welfare. The higher the ratio of capital expenditure to total regional expenditure, the larger the proportion of the budget allocated to investment activities, reflecting good regional financial performance. The data to measure this ratio is obtained from the Budget Realization Reports (LRA) of Provincial Governments in Indonesia for the period 2018-2022. The use of this ratio is expected to illustrate how regions allocate resources into productive investments, which influence regional competitiveness and economic development, and help assess the efficiency of regional financial management that can affect the level of corruption.

Data Analysis Technique

The data analysis technique used in this study is panel data regression, which combines time series data and cross-sectional data to analyze the relationship between fiscal decentralization, accountability, and financial performance on the level of corruption. This analysis method was chosen because it captures the dynamics of changes over time and variations between regions, as well as allowing for the control of unobserved variables that remain constant within each analysis unit (fixed effects). Additionally, panel data regression provides

flexibility to accurately identify the specific effects of independent variables on the dependent variable. The analysis process includes testing classical assumptions such as multicollinearity, heteroscedasticity, and autocorrelation, as well as selecting the best model between fixed effects, random effects, or pooled ordinary least squares (OLS) based on the Hausman test. This technique allows for more valid and reliable results to empirically address the research objectives. The panel data regression analysis in this study uses Eviews12 (Economic Views) software to test the hypotheses of this research.

Determining the panel data regression model involves several systematic steps to ensure that the model chosen is suitable for the data characteristics and research objectives. The following is an explanation of the steps:

Chow Test
This test is used to determine whether the Common Effect (Pooled Least Squares) or Fixed Effect model is more appropriate for panel data. The Common Effect model assumes that all data has the same characteristics without taking into account differences between individuals or time, while the Fixed Effect model considers specific differences between individuals (companies) in the data. If the test results show a probability value (p-value) below the significance level of 0.05, then the Fixed Effect model is better to use.

Hausman Test
After the Fixed Effect model is selected through the Chow Test, the next step is the Hausman Test to determine whether the Fixed Effect or Random Effect model is more appropriate. This test evaluates the consistency of parameter estimates between the two models. If the test results show a probability value (p-value) below the significance level of 0.05, then the Fixed Effect model is chosen because the estimates are more consistent. Conversely, if the probability value is above 0.05, then the Random Effect model is more suitable.

Lagrange Multiplier (LM) Test
This test is performed if the Chow Test indicates that the Common Effect model is more appropriate, but there is a suspicion that the Random Effect model can be used. The LM test evaluates whether the Random Effect model is better than the Common Effect. If the probability value (p-value) of the test results is below the significance level of 0.05, the Random Effect model is selected.

Classical Assumption Test
After the best model is determined (either Fixed Effect or Random Effect), classical assumption testing is carried out to ensure the validity of the regression model. Classical assumptions include: 1) Multicollinearity test to ensure that there is no strong linear relationship between the independent variables. 2) Heteroscedasticity test to ensure that the residual variance is homogeneous. 3) Autocorrelation Test to ensure that the residuals are not serially correlated. 4) Normality Test to ensure that the residuals are normally distributed. In addition, significance tests are conducted to determine whether the influence of each independent variable on the level of corruption is statistically significant. By using this method, this study aims to provide empirical evidence regarding the impact of fiscal decentralization, accountability, and financial performance on the level of corruption at the regional government level in Indonesia.

Results and Discussions

Table 1 <Panel Data Regression Model Selection Test>

Test	Probability	Information
Fixed Effect Test (Chow Test)	Prob 0.0001	If the probability value (cross-section F) < 0.05, then panel data regression analysis uses the Fixed Effect model (Ghozali, 2018).
Random Effect Test (Hausman Test)	Prob 0.2357	If the probability value (cross-section random) > 0.05, then panel data regression analysis uses the Random Effect model (Ghozali, 2018)
Lagrange Multiplier	Breusch Pagan 0.0001	If the probability (Breusch-Pagan (BP)) < 0.05 (significance level = 5%), then panel data regression analysis uses the Random Effect method (Ghozali, 2018).

Table 3 shows the results of the panel data regression model selection test, which consists of three tests: the Fixed Effects Test (Chow Test), the Random Effects Test (Hausman Test), and the Lagrange Multiplier Test

(Breusch-Pagan Test). The Chow Test result shows a probability value of 0.0001, which is smaller than 0.05, indicating that the appropriate panel data regression model should be the Fixed Effects model. However, the Hausman Test result shows a probability value of 0.2357, which is greater than 0.05, suggesting that the Random Effects model is more suitable. Given the inconsistency between the results of the Chow and Hausman tests, the Lagrange Multiplier Test (Breusch-Pagan) was conducted to determine the appropriate model, with a probability result of 0.0001, which is smaller than 0.05. Therefore, based on the results of the Lagrange Multiplier Test, the Random Effects model was chosen as the most appropriate regression model for this study, as it provides more consistent and significant results compared to the Fixed Effects model.

BLUE (Best Linear Unbiased Estimator)

BLUE means that the parameter values obtained are unbiased, linear, and have the smallest/minimum variance among various possible estimators. The tests conducted are classical assumption tests, which are prerequisites to fulfill the assumptions underlying the multiple linear regression model based on Ordinary Least Square (OLS) to produce equations that are Best Linear Unbiased Estimation (BLUE). According to Ghozali (2018:159), to determine the accuracy of the model, it is necessary to test several classical assumptions, which include the normality test, multicollinearity test, and heteroscedasticity test, as explained below:

Normality Test

Normality test is a statistical technique used to test whether data follows a normal distribution or not. One of the commonly used normality tests is the Kolmogorov-Smirnov test or the Shapiro-Wilk test. The purpose of normality testing is to ensure that the research data approximates a normal distribution, thereby meeting certain statistical assumptions for further analyses such as parametric tests. The normality test aims to examine whether the regression model for the dependent variable (Y) and the independent variables (X) or both have a normal distribution in the resulting regression.

The basis for decision-making is the probability, which is 0.6564 < 0.05, indicating that the data is normally distributed (Ghozali, 2018). Based on the results of the normality test, it can be seen that the obtained probability value is 0.65, which is greater than 0.05. Therefore, the model in this study meets the assumption of normality testing.

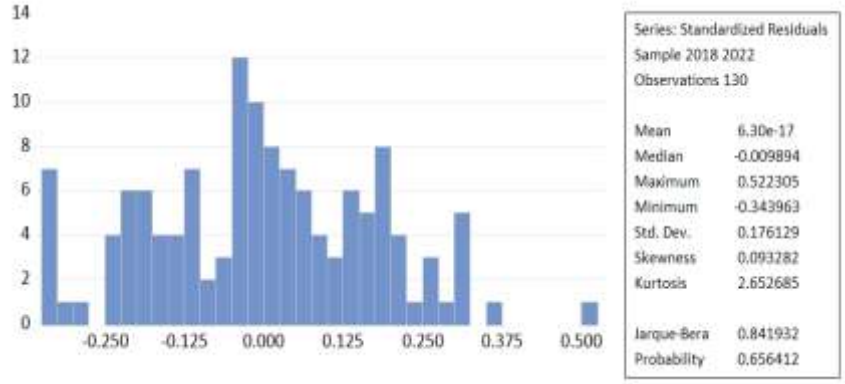

Figure 2 <Normality Test Histogram

Multicollinearity Test

The multicollinearity test aims to examine a regression model with two or more independent variables to determine whether there is any correlation among the independent variables.

Table 2 <Multicollinearity Test>

	DEST	ACC	REGPERF
DEST	1	0.20953144	0.07056283
ACC	0.20953144	1	0.12994342
REGPERF	0.7056283	0.12994342	1

Dest: Fiscal Decentralization, Acc: Accountabillity, Regperf: Regional Financial Performance

The analysis results show that the correlation between the independent variables in this study is less than 0.90, indicating that there is no significant multicollinearity or overly strong relationship between the independent variables. This means that each independent variable in the regression model can be considered independent of each other, so there is no concern about overlapping influences between variables that could undermine the validity of the model. Therefore, the basic assumption of regression, which requires the absence

of multicollinearity between the independent variables, is met, supporting more accurate and reliable analysis results (Ghozali, 2018).

Heteroscedasticity Test

The heteroscedasticity test involves checking whether there is unequal variance from one observation's residuals to another or if there are disturbances for different independent variables (Ghozali, 2018). If the variance of the disturbance variables is not constant, it is called heteroscedasticity. Heteroscedasticity does not occur in the Random Effect Model because the model already uses Generalized Least Square (GLS), which is one of the regression healing techniques.

Simultaneous Test (F Test) and Coefficient of Determination (R2)

According to (Ghozali, 2018), the F-statistic test is used to determine the simultaneous influence of independent variables on the dependent variable. Meanwhile, the coefficient of determination (R2) assesses the ability of the research model to explain the variation in the dependent variable. A higher R-square value indicates a better research model, and vice versa (Ghozali, 2018).

Table 3 <Simultaneous Test and Coefficient of Determination

R-squared	0.067039	Mean dependent var	3.672008
Adjusted R-squared	0.044826	S.D dependent var	4.538663
S.E. of regression	4.435772	Sum squared resid	2479.185
F-statistic	3.017979	Durbin-Watson stat	1.703385
Prob(F-statistic)	0.032396		

The results of the F-statistic test in this study show an F-statistic value of 3.017979 with a probability of Prob(F-statistic) = 0.032396. This probability value is less than 0.05, indicating that the regression model as a whole has a significant effect on the dependent variable. In other words, the independent variables used in the regression model can statistically significantly explain changes in the dependent variable. This F-test confirms that the model used is valid and reliable for analyzing the relationship between fiscal decentralization, accountability, financial performance, and corruption levels in local government.

Additionally, the R-squared value of 0.067039 indicates that approximately 6.7% of the variation in the dependent variable can be explained by the regression model used. Although this R-squared value is relatively low, it is still acceptable, as in social and economic research, independent variables often cannot fully explain the variation in the dependent variable. Meanwhile, the Adjusted R-squared value of 0.044826 suggests that after considering the number of independent variables in the model, the proportion of variation explained by the model becomes slightly lower, but still adequately reflects the existing relationship. This value also indicates that there are other factors influencing the level of corruption beyond the variables tested in this model, such as the quality of accounting practices, audit findings, performance accountability, and transparency.

Partial Test (T Test)

The partial test (T-test) is used to determine the influence of independent variables, namely fiscal decentralization, accountability, and regional financial performance, on the dependent variable, which is the level of corruption (Ghozali, 2018).

Table 4 <Partial Test (T Test)>

Variable	Coeff	Std.Error	t-Statistic	Prob.
C	1.210920	9.091074	0.133199	0.8942
DEST	6.725316	2.339122	2.875146	0.0047
ACC	0.200180	2334113	0.085763	0.9318
REGPERF	-3.752580	4.185647	-0.896535	0.3717

The table above shows the regression results for the variables affecting the level of corruption in the region. Here is a further explanation of each variable:

Constant (C):

The coefficient for the constant is 1.210920 with a standard error of 9.091074. The t-statistic for the constant is 0.133199 with a probability of 0.8942. The probability value greater than 0.05 (i.e., 0.8942) indicates that this constant is not statistically significant, meaning that the constant does not significantly affect the level of corruption in this model.

Fiscal Decentralization (DEST):

The coefficient for fiscal decentralization is 6.725316, meaning that each one-unit increase in fiscal decentralization will increase the level of corruption by 6.725316 units. The standard error for this coefficient is

2.339122, with a t-statistic of 2.875146 and a probability of 0.0047. Since the probability value is less than 0.05, the fiscal decentralization coefficient is statistically significant, indicating that fiscal decentralization has a significant effect on the level of corruption.

Accountability (ACC):
The coefficient for accountability is 0.200180, indicating a very small positive relationship between accountability and the level of corruption. However, the standard error for this coefficient is quite large (2334113), resulting in a t-statistic of 0.085763 and a probability of 0.9318. The probability value far greater than 0.05 suggests that accountability is not statistically significant in affecting the level of corruption in this model.

Regional Financial Performance (REGPERF):
The coefficient for regional financial performance is -3.752580, indicating that an improvement in financial performance will reduce the level of corruption. However, the t-statistic for this coefficient is -0.896535 with a probability of 0.3717, which is greater than 0.05. This suggests that regional financial performance is not statistically significant in affecting the level of corruption in this model. Based on the table, the panel data regression equation used in this research is:

$$CORRUPTi,t = 1.210920 + 6.725316\ DESTi,t + 0.200180\ ACC\ i,t - 3.752580\ REGPERF\ i,t + e$$

The regression model above reveals the relationship between the level of corruption (CORRUPT) in the region and three independent variables: fiscal decentralization (DEST), accountability (ACC), and regional financial performance (REGPERF). The regression equation can be explained as follows: 1) Constant (Intercept): The value of 1.210920 represents the average level of corruption when all independent variables are zero. This means that, in the absence of the influence of fiscal decentralization, accountability, and financial performance, the baseline level of corruption is 1.210920. 2) Fiscal Decentralization (DEST): The coefficient of 6.725316 indicates that for each one-unit increase in fiscal decentralization (measured by the ratio of PAD to total regional income), the level of corruption will increase by 6.725316 units, assuming other variables remain constant. This indicates a positive relationship between fiscal decentralization and corruption levels, suggesting that the greater the fiscal decentralization, the higher the potential for corruption in the region. 3) Accountability (ACC): The coefficient of 0.200180 shows that for each one-unit increase in accountability (measured by the audit opinion from the BPK), the level of corruption will increase by 0.200180 units. Although this relationship is positive, the small coefficient suggests that the impact of accountability on corruption levels is not very significant. 4) Regional Financial Performance (REGPERF): The coefficient of -3.752580 shows that for each one-unit increase in regional financial performance (measured by the ratio of capital expenditure to total regional expenditure), the level of corruption will decrease by 3.752580 units. This indicates a negative relationship between regional financial performance and corruption levels, suggesting that regions with better financial performance tend to have lower levels of corruption. 5) Error Term (e): Included in the regression equation to account for other factors that are not explained by the model, or variables that influence corruption levels but are not included in this model.

Overall, this model illustrates how fiscal decentralization, accountability, and regional financial performance affect corruption levels in the region, with results showing varying influences between the respective variables.

The Impact of Fiscal Decentralization on Corruption Levels
The analysis results show that fiscal decentralization has a significant positive impact on corruption levels. This means that the greater the fiscal decentralization received by local governments, the higher the potential for corruption. A decrease in reliance on central government fund allocations can open more opportunities for local officials to abuse their power in managing regional financial resources. This findings is in line with previous research, such as the study by Syarif (2023), stating that fiscal decentralization positively influences the level of corruption, and the study by Ewetan et al., (2020), which states that fiscal decentralization can significantly increase corruption. Fiscal decentralization must be accompanied by appropriate policies for decentralization to effectively reduce corruption. This is also supported by the study by Fuadi & Mabrur (2021), which states that higher fiscal decentralization leads to higher levels of corruption.

Theoretically, fiscal decentralization allows local governments to have more control over the management and use of budgets, which can create room for irregularities or corruption. When a region has more sources of income, but this is not matched by adequate oversight, it can increase the tendency for misuse of regional funds. Local governments that lack strong internal control mechanisms or are not transparent in financial management processes can exploit this authority for personal interests, ultimately leading to high corruption levels. However, although fiscal decentralization has the potential to increase corruption, supporting factors such as accountability and transparency in budget management can mitigate this negative effect. In this case, fiscal decentralization does not always lead to corruption if there is a good oversight system, both from the central government and the public. On the other hand, if a region lacks policies that strengthen accountability and

oversight, fiscal decentralization could become a factor that worsens corruption levels. Therefore, it is important to ensure that fiscal decentralization policies are supported by strict oversight mechanisms so that the goals of decentralization, such as improving the welfare of society, can be achieved without increasing corruption.

The Impact of Accountability on Corruption Levels

The research results showing that accountability does not have a significant impact on corruption levels may be surprising, considering accountability is often seen as one of the key factors in preventing corruption. In this context, accountability is measured using audit opinions given by the Financial Audit Board (BPK) on regional financial reports. Although audits and the Unqualified Opinion (WTP) indicate that financial reports are well-managed, this study's findings show that this is not enough to reduce corruption levels in the regions. One explanation is that, despite receiving the WTP opinion, the implementation and oversight of existing policies may still be weak, causing a gap between the audited reports and the actual practices on the ground. This aligns with the research by Fuadi & Mabrur (2021), which states that accountability does not have a significant effect on corruption; high accountability scores do not influence the level of corruption.

One factor that may explain these results is that accountability, as measured solely through financial reports, does not cover other dimensions of accountability, such as transparency in decision-making, resource distribution, and effective oversight of budget management. While financial reports may show that regional financial management meets established standards, this does not guarantee that decision-making processes or the use of public funds always occur with high integrity. Without a transparent and participatory oversight system, accountability through financial reports alone is insufficient to reduce corruption practices that may occur at the operational or micro-level of budget management.

Additionally, in some cases, a favorable audit opinion from the BPK may only reflect formalities and not actual financial management practices on the ground. Regional governments could manipulate financial reports to obtain a good opinion, while in reality, there may be abuse of authority and undetected irregularities. Therefore, while formal accountability through financial audits is important, other factors such as the quality of internal oversight, strengthening oversight institutions, and fostering a strong integrity culture among government officials play a more significant role in effectively reducing corruption levels. Without comprehensive reform in the financial management system and strict oversight, accountability through financial reports alone is not enough to prevent corruption.

The Impact of Regional Financial Performance on Corruption Levels

The research results, which show that regional financial performance, measured by the regional investment ratio, does not have a significant impact on corruption levels, can be explained by several factors. The regional investment ratio is calculated by comparing capital expenditures to total regional expenditures, which is expected to reflect the region's ability to manage the budget for development and investment. However, although good regional financial performance can indicate efficient resource allocation, it does not necessarily guarantee that the region's corruption level will be low. One of the main reasons is that even if a region has sufficient financial capacity, the management and oversight systems of the regional budget may be ineffective, increasing the likelihood of misuse of public funds. The research results are inconsistent with Aditia (2023), which found that capital expenditure have a positive effect on the level of corruption.

Furthermore, while regional investment is expected to drive development and public welfare, good financial performance does not always translate into clean management free from corruption. In many cases, the management of investment funds can still be vulnerable to misuse, especially if there is inadequate transparency in the budgeting and project implementation process. Without tight controls, regional officials may exploit gaps in budget management for personal gain, even if the budget is intended for development. Therefore, good regional financial performance is not the only determinant of reducing corruption at the regional level. Additionally, positive financial performance, such as high regional investment levels, may not be enough to curb corruption if there are weaknesses in other aspects of governance. In this regard, factors such as budget transparency, strong oversight, and public participation in decision-making can play a more significant role in reducing corruption. In other words, while regional investment may reflect good fiscal capacity, success in managing regional finances to reduce corruption requires a more comprehensive approach that includes governance reforms, an effective oversight system, and the establishment of a culture of integrity among regional government officials.

Overall, the main findings of this study indicate that while fiscal decentralization significantly affects corruption levels in regions, the variables of accountability and regional financial performance, measured through audit opinions and regional investment, do not show a significant impact on corruption levels. This suggests that while audited financial reports may reflect accountability, and good regional financial performance in terms of investment, neither is sufficient to reduce corruption without stricter oversight, transparency, and

broader system reforms. This study recommends the need for a more holistic approach to addressing corruption, which includes strengthening internal controls, transparency in budget management, and empowering the public in local government oversight.

However, this research has several limitations. First, it only covers 34 provinces in Indonesia and only provincial governments, not local governments. Second, there is a limitation in obtaining complete secondary data for the period used in this research. Third, many other factors cause corruption, which can better explain the levels of corruption in Indonesia, such as audit findings and the quality of accounting practices. This provides a great opportunity to develop this research further.

Conclusions

The conclusion of this study shows that the effectiveness of anti-corruption programs in provincial governments in Indonesia is still influenced by various complex factors. The study finds that although fiscal decentralization has a significant impact on corruption levels, other variables such as accountability and regional financial performance do not show a significant effect. This indicates that while formal mechanisms such as audits and financial reports exist, factors such as transparency, effective oversight, and deeper implementation of anti-corruption policies are still needed to combat corruption at the regional level. Therefore, to improve the effectiveness of anti-corruption programs, a more holistic approach is required, which includes enhancing the quality of oversight, reforming regional financial management, and increasing public participation in the government decision-making process.

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