

Transparency of Regional Financial Management and The Human Development Index on The Level of Corruption in Indonesia

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ABSTRACT

Corruption remains a major challenge that hampers development in Indonesian, highlighting the need to examine key influencing factors such as financial management transparency and the Human Development Index. This study aims to analyze the effect of these variables on corruption levels, both partially and simultaneously, using a quantitative approach with multiple linear regression based on secondary data from BPS, IKIP, and ICW covering 34 provinces during the 2021–2024 period. The findings reveal that financial management transparency has a significant influence on corruption levels, indicating its role in shaping accountability and public oversight. In contrast, the Human Development Index does not demonstrate a significant direct effect on corruption, suggesting that improvements in human development alone are not sufficient to reduce corrupt practices. Furthermore, both variables simultaneously do not show a significant combined effect, indicating the presence of other more dominant factors influencing corruption. These results emphasize the importance of strengthening transparency and supervisory mechanisms, while future research is encouraged to incorporate additional relevant variables to provide a more comprehensive understanding.

Keywords: Corrupt, Financial Management Transparency, Human Development Index

INTRODUCTION

In the context of modern public administration, the government sector is required to implement structured, accountable, and quality-oriented governance as part of efforts to realize the principles of good governance. Bureaucratic reform and the implementation of regional autonomy have increased the importance of transparency, particularly in regional financial management (Edowai et al., 2021). Transparency is not only understood as openness of information, but also as a social control mechanism that enables the public to monitor the entire budget management process, from the planning stage to reporting (Novita et al., 2022). In addition, public information disclosure also plays a role in reducing information asymmetry and preventing deviations, including corrupt practices and abuse of authority (Difinubun & Andriyan, 2022).

Despite various efforts to improve governance, corruption remains a serious problem that hampers development in Indonesian and reflects suboptimal government performance. Corruption not only causes financial losses to the state but also has far-reaching impacts on economic, social, and political stability, hindering the achievement of public welfare (Puanandini et al., 2025). This condition is reinforced by the Corruption Perceptions Index (CPI) and Corruption Perception Index (CPI) data which show a fluctuating trend, thus indicating that efforts to eradicate corruption have not been carried out consistently (Transparency International, 2023). According to (Luthfi et al., 2024) the public sector is not formed for private interests, but is established, financed, and run by the government on behalf of the community.

On the other hand, the quality of human development, as reflected in the Human Development Index (HDI), is a crucial indicator for assessing development success and the level of community welfare (Khotimah et al., 2024). Although Indonesia's HDI shows an upward trend, corrupt practices still have the potential to hinder the effective use of public funds, thus impacting the quality of

development outcomes (Dita Ayu Anantika, 2020).

Theoretically, this can be explained through the Theory of Planned Behavior, which states that individual behavior, including corrupt behavior, is influenced by intentions formed from attitudes, subjective norms, and perceived behavioral control (Apip et al., 2025). However, previous research generally examines the relationship between these variables separately, thus not providing a comprehensive picture. Therefore, this study focuses on analyzing the influence of financial management transparency and the Human Development Index on the level of corruption in Indonesia, both partially and simultaneously, in order to provide empirical contributions and more targeted policy recommendations.

LITERATURE STUDY

Agency Theory

Agency theory explains the contractual relationship between the principal and the agent, where the agent is empowered to make decisions in the principal's best interest and is accountable for his or her actions. In practice, transparency allows for information disclosure, increased accountability, and strengthened public oversight of regional financial management, thereby reducing the potential for corrupt practices. This aligns with research (Mungiu-Pippidi, 2023), which confirms that transparency is a crucial instrument in reducing corruption through social control mechanisms and increasing government accountability. Therefore, the first hypothesis in this study states that transparency in financial management influences levels of corruption in Indonesian.

Transparency of Financial Management Against Corruption Levels in Indonesian

Based on the findings of the study Corruption vs. Human Development: An Empirical Analysis by (Sarkar, 2024), there is a strong relationship between the level of corruption as measured by the Corruption Perception Index (CPI) and the quality of human development as measured by the Human Development Index (HDI). The results of the analysis show that countries with lower levels of corruption tend to have higher levels of human development, thus indicating that corruption plays a role in influencing the quality of public welfare. This study also confirms that corruption can hinder the improvement of the quality of human resources through inefficient public budget allocation, especially in strategic sectors such as education and health. Thus, these findings reinforce the close relationship between the level of corruption and human development, where reducing corruption has the potential to encourage more optimal improvements in the quality of human development.

H₁: Transparency in regional financial management influences the level of corruption in Indonesian.

Community Development Index Against Corruption Levels in Indonesian

Agents typically possess more information than the principal, resulting in information asymmetry. This imbalance can potentially be exploited for personal gain, especially when oversight systems are weak. In financial reporting, this situation can open up opportunities for manipulation or misrepresentation of information, particularly when pressure to achieve performance targets drives agents to act unethically (Vista Yulianti et al., 2023).

H₂: The Human Development Index influences the level of corruption in Indonesian.

Transparency of Regional Financial Management and the Human Development Index on the Level of Corruption in Indonesian

Several empirical studies indicate that, simultaneously, financial management transparency and the quality of human development play a role in influencing corruption levels. (Dracea et al., 2024) emphasize that budget transparency, when accompanied by good governance quality, can enhance accountability and reduce corrupt practices, ultimately contributing to improved societal welfare. Furthermore, (Pham, 2025) find that corruption negatively affects human development through inefficient allocation of public resources, implying that the combination of increased transparency and improved human development quality is essential in reducing corruption. This is further

supported by (Koeswayo et al., 2024) who state that strong public governance, including transparency, contributes to lowering corruption levels. Therefore, these findings support the hypothesis that financial management transparency and the Human Development Index simultaneously influence corruption levels.

H₃: Transparency of financial management and the Human Development Index simultaneously influence the level of corruption in Indonesian.

Research Framework

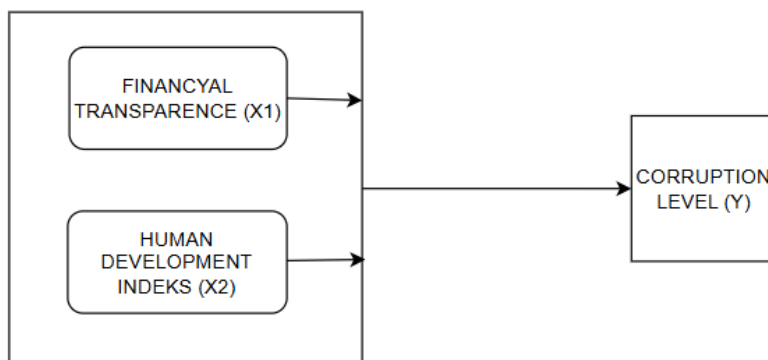


Figure 1. Research Framework

METHOD

This study uses local governments in Indonesian as its object, using a quantitative approach based on secondary data sourced from the Teachers' Training College (IKIP), Statistics Indonesia (BPS), and the Indonesian Corruption Watch (ICW). IKIP is used to measure public information transparency, BPS for the Human Development Index (HDI), and ICW to describe corruption conditions. The study population covers 34 provinces in Indonesian, using a saturated sampling technique, thus sampling the entire population during the 2021–2024 period. Data collection techniques were carried out through literature studies and secondary data documentation from these three sources.

Research variables refer to the definition (Sugiyono, 2020), the independent variables are financial management transparency and the Human Development Index, and the dependent variable is the level of corruption in Indonesia. Data analysis was conducted using a quantitative approach with the help of SPSS software through statistical testing to examine the relationships between variables.

RESULTS AND DISCUSSION

Descriptive Analysis

Descriptive statistical calculations involve the use of minimum, average, maximum, and standard deviation values for each variable in the study. Below are the results of the descriptive statistical analysis:

Table 1. Descriptive Test Results

	<i>N</i>	<i>Minimum</i>	<i>Maximum</i>	<i>Mean</i>	<i>Std. Deviation</i>
Financial transparency	34	23711	33014	29657,32	1952,142
Human development index	34	26360	32830	28991,29	1405,623
Level of corruption	34	12	173	64,29	35,034
Valid N (listwise)	34				

Source: SPSS 2022 processed data

The financial management transparency (X_1) and Human Development Index (X_2) variables each have 34 observations with minimum–maximum values of 23,711–33,014 and 26,360–32,830. The average values are 29,657.32 and 28,991.29, respectively, with standard deviations of 1,952.142 and 1,405.623, indicating relatively small data variation. Meanwhile, the corruption level variable (Y) also has 34 observations, with a minimum value of 12, a maximum of 173, and an average of 64.29. The standard deviation of 35.034 indicates significant data variation between observations.

Normality Test

The purpose of normality testing is to evaluate whether the data from the variables used in the study, both dependent and independent variables, are normally distributed or not. Normality testing is important before linear regression analysis, because one of the basic assumptions of regression is that residual data must be normally distributed.

Table 2. Normality Test Results

	<i>Kolmogorov-Smirnov^a</i>			<i>Shapiro-Wilk</i>		
	<i>Statistic</i>	<i>Df</i>	<i>Sig.</i>	<i>Statistic</i>	<i>df</i>	<i>Sig.</i>
Financial transparency	.129	34	.161	.944	34	.082
Human development index	.175	34	.010	.936	34	.046
Level of corruption	.180	34	.007	.913	34	.010

Source: SPSS 2022 processed data

The results of the normality test using the Kolmogorov–Smirnov and Shapiro–Wilk methods show that the financial transparency variable has a significance value of 0.161 and 0.082, both of which are greater than 0.05, indicating a normal distribution. In contrast, the Human Development Index variable has a significance value of 0.010 and 0.046, while the corruption level variable has a significance value of 0.007 and 0.010, all of which are below 0.05.

This shows that the data on the Human Development Index and corruption level variables are not normally distributed, so that only the financial transparency variable meets the normality assumption in this study.

Hypothesis Testing

Coefficient of Determination (R^2) Test

The coefficient of determination (R^2) test is used to measure the model's ability to explain the independent variables.

Table 3. Results of Determination Test (R^2)

Model	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.379 ^a	.144	.089	33.44562

Source: SPSS 2022 processed data

The R Square value of 0.144 indicates that transparency in financial management and the human development index are only able to explain 14.4% of the variation in the level of corruption, while the remaining 8.9% is influenced by other factors outside the model, so the model's capabilities are still relatively limited.

Persian t-test (t-test)

Table 4. Results of the Percentage t Test (t Test)

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	30.532	125.949		.242	.810
	Financial transparency	.008	.003	.420	2.243	.032
	Human development index	-.007	.005	-.262	-1.402	.171

Source: SPSS 2022 processed data

The t_{table} value was 2.039 based on the t_{table} calculation (0.025;31). Based on the t_{test} results, the financial management transparency variable had a t-count of 2.243 with a significance level of 0.032, making it greater than the t_{table} and less than 0.05. This indicates that H_1 is accepted, meaning that financial management transparency has a significant effect on the level of corruption in Indonesian.

Meanwhile, the Human Development Index variable had a t_{count} of -1.402 with a significance level of 0.171, which is less than the t_{table} and greater than 0.05. Therefore, H_2 is rejected, meaning that the Human Development Index does not have a significant effect on the level of corruption in Indonesian.

Simultaneous F-Test (F-Test)

Table 5. Results of the Simultaneous F-Test (F-Test)

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	5826.171	2	2913.086	2.604	.090 ^b
	Residual	34676.888	31	1118.609		
	Total	40503.059	33			

Source: SPSS 2022 processed data

The F_{table} value was 3.305 based on the F_{table} calculation (0.05: 34-2-1). The F-test results showed a calculated F_{value} of 2.604 with a significance level of 0.090, which is greater than 0.05. Thus, it can be concluded that the variables of financial management transparency and the human development index do not significantly influence the level of corruption in Indonesian simultaneously. Therefore, the regression model was unable to demonstrate a meaningful relationship together.

Multiple Linear Regression Analysis

Table 6. Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	30,532	125,949		,242	,810
	X ₁	,008	,003	,420	2,243	,032
	X ₂	-,007	,005	-,262	-1,402	,171

Source: SPSS 2022 processed data



The resulting regression equation is $Y = 30.532 + 0.008X_1 - 0.007X_2$. The constant value of 30.532 indicates that the corruption rate is equal to that value when variables X_1 and X_2 are held constant. The X_1 coefficient of 0.008 indicates a positive effect of financial management transparency on the corruption rate, while the X_2 coefficient of -0.007 indicates a negative effect of the human development index on the corruption rate. However, only financial management transparency has a significant effect, while the human development index has no significant effect on the corruption rate.

Discussion

The Effect of Financial Management Transparency (X_1) on the Corruption Rate (Y)

Financial management transparency plays an important role in influencing corruption levels, as greater openness in information increases opportunities for public oversight and strengthens government accountability. This is supported by (Farazmand et al., 2022), who state that transparency and accountability can reduce the misuse of public resources through stronger institutional control mechanisms. In line with this, (Siahay, 2024) emphasizes that budget transparency and public access to information contribute to lowering corruption risks in the public sector. Furthermore, (Agu, 2024) highlight that enhancing transparency is a key element in combating corruption while also strengthening public trust in government. However, this perspective is not entirely consistent with (Xu, 2018)), who contend that transparency primarily facilitates the exposure of corrupt practices but does not necessarily lead to their reduction without the presence of strong accountability systems and effective sanctions, indicating that the impact of transparency depends on the broader governance framework.

The Effect of the Human Development Index (X_2) on the Corruption Level (Y)

Based on the partial test results, the Human Development Index does not show a significant effect on corruption levels in Indonesian. Although the relationship is negative, the influence is not strong enough to explain variations in corruption, indicating that other factors such as institutional quality and governance play a more dominant role. This finding is consistent with (Emara, 2020), which states that the relationship between human development and corruption is not always significant due to structural and institutional influences. In addition, (Dita Ayu Anantika, 2020) also finds that improvements in human development do not automatically reduce corruption, as inefficiencies in public budget management and weak governance systems still persist. However, this finding is not in line with (Shrabani Saha, 2021) who argue that improvements in human development can reduce corruption through better education, awareness, and public participation in oversight. This difference may be caused by suboptimal institutional conditions, where improvements in human resource quality are not fully accompanied by effective supervision and law enforcement systems. From an agency theory perspective, improving the quality of human resources alone is not sufficient to reduce conflicts between agents and principals without being supported by transparency and adequate control mechanisms, thereby allowing opportunistic behavior such as corruption to persist.

The Effect of Financial Management Transparency (X_1) and the Human Development Index (X_2) on the Level of Corruption (Y)

Based on simultaneous testing, financial management transparency and the Human Development Index do not have a significant effect on corruption levels in Indonesian, indicating that both variables are insufficient to explain variations in corruption. This finding is consistent with as well as (Dracea et al., 2024) dan (Sarkar, 2024), which show that transparency and human development do not necessarily reduce corruption without strong institutional quality and effective governance. However, this result contradicts (Waqas, 2025) who find that the combination of human development and good governance, including transparency, can significantly reduce corruption. This difference likely arises from variations in institutional quality and law enforcement effectiveness. From an

agency theory perspective, improving transparency and human resource quality alone is insufficient; strong oversight and institutional mechanisms are also required to minimize opportunistic behavior such as corruption.

CONCLUSION

The results of the study indicate that financial management transparency influences corruption levels, meaning that increased transparency can influence both prevention and disclosure of cases. Conversely, the human development index had no significant effect, suggesting that improving human resource quality does not necessarily reduce corruption. Simultaneously, both variables also had no effect, indicating that other factors are more dominant in explaining corruption levels in Indonesian. Future researchers are advised to add variables such as institutional quality, oversight effectiveness, organizational culture, and political factors to provide a more comprehensive analysis of corruption. Furthermore, the public needs to increase its role in overseeing public budgets and raise awareness of transparency and accountability to support better governance.

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