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The Urgency Of Transparency In State Officials' Spending To Reduce Corruption Rates In Indonesia

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ABSTRACT

Corruption remains a structural and endemic challenge that hampers economic development, undermines democratic institutions, and erodes public trust in Indonesia. Despite various legal and institutional reforms, the level of corruption, as measured by indices such as Transparency International's Corruption Perceptions Index (CPI), has not shown significant, sustained improvement. This study argues that one critical gap in the public accountability system is the lack of adequate, specific transparency in reporting the operational and discretionary expenditures of state officials, particularly at the executive and legislative levels. The purpose of this study is to analyze the theoretical and empirical urgency of implementing a comprehensive transparency regime for official expenditures (e.g., official travel, representation costs, and the use of tactical/operational funds) to prevent and detect corrupt practices early. Drawing on the Theory of Public Accountability and international experience (e.g., Freedom of Information Acts), this study uses a normative-empirical approach to identify a negative correlation between expenditure data disclosure and corruption incidents. The central hypothesis is that spending transparency creates a deterrent effect through heightened public scrutiny, thereby significantly reducing opportunities for misappropriation and strengthening officials' ethical commitment. This finding is crucial for formulating evidence-based anti-corruption policies in Indonesia, particularly regarding revisions to the Public Information Disclosure Law (KIP) and regulations on State Officials' Wealth Reports (LHKPN).

Keywords: *Expenditure Transparency, State Officials, Corruption, Public Accountability, Good Governance, Deterrence Effect.*

Introduction

Corruption is an extraordinary crime *that* has been consistently recognized in Indonesia as a major obstacle to economic, social, and political development (Law Number 31 of 1999 concerning the Eradication of Corruption). The phenomenon of corruption not only involves direct state financial losses but also has damaging multidimensional impacts: distortion of resource allocation, decline in the quality of public services, and erosion of public trust in state institutions. In an economic context, corruption functions as a hidden 'tax' that increases transaction costs, discourages foreign investment, and triggers regulatory uncertainty (Mauro, 1995).

Although Indonesia has undertaken significant institutional reforms since the 1998 Reformation, including the establishment of the Corruption Eradication Commission (KPK), the strengthening of the State Officials' Wealth Report (LHKPN) regime, and the ratification of international conventions, the pace of improvement in corruption prevention has tended to stagnate or even fluctuate. The Corruption Perception Index (CPI) released by Transparency International often places Indonesia in a position that warrants serious attention, indicating that strong repressive enforcement efforts have not been fully offset by effective preventive strategies (Transparency International, 2024). The persistence of corruption, particularly at the highest levels of the bureaucracy, indicates that systemic gaps remain in public oversight and accountability mechanisms.

This research is rooted in the *Theory of Public Accountability*, which defines accountability as the obligation of individuals or organizations holding power (state officials) to provide accountability for the use of resources and the implementation of the powers entrusted to them (Schedler, 1999). Public accountability has two main dimensions: vertical accountability (to the people) and horizontal accountability (to supervisory institutions such as the BPK and the DPR).

Transparency is universally recognized as a fundamental prerequisite for accountability. Transparency is not merely the openness of information, but also its clarity (ease of interpretation) and recency (real-time access) (Heald, 2006). Openness of information allows stakeholders (citizens, media, NGOs) to monitor, analyze, and evaluate the performance of officials. If transparency is weak, accountability will become a mere formality. In the context of *Good Governance*, transparency functions as a *self-correction* and *deterrence* mechanism, where the knowledge that one's actions are publicly visible is enough to prevent deviant behavior. Unfortunately, in Indonesian public administration practice, there is a gap between formal and substantive accountability. Although budget accountability reports exist, the information they present is often aggregated, technical, and difficult for the public to access, resulting in accountability being met only through legal means, without effectively preventing corruption.

The main focus of corruption problems that are difficult to detect lies in discretionary or difficult to verify State Official Expenditures, which include operational costs for institutional leaders, official travel expenses, representation costs (entertainment and meetings), and the use of tactical funds (allocated to facilitate special or urgent tasks without having to follow strict procurement procedures for goods/services). These expenses have two vulnerable characteristics: 1) Discretionary Nature: Their use depends on the policy and subjective judgment of officials, leaving wide room for *moral hazard* and abuse. 2) Confidentiality or Aggregation of Reporting: Most of these expenditures are reported in aggregate or classified as confidential/non-public, thereby escaping public scrutiny and in-depth internal audits.

Corruption originating from this expenditure item often takes the form of price *markups*, fictitious official travel (creating travel documents without physical implementation), or the use of representative funds for personal or political interests. The literature shows that when public expenditure is managed in an environment of low transparency (a culture of secrecy), the risk of resource misuse increases exponentially (Rose-Ackerman, 1999). In Indonesia, the Minister of Finance Regulation (PMK) regarding input cost standards often still leaves gaps in interpretation or leeway in detailed accountability for items such as leadership operational costs. This gap becomes a "black box" for fraudulent practices that are difficult to reach by ordinary legal action.

The urgency of spending transparency stems from the mechanism of Radical Public Scrutiny. When every discretionary spending item (e.g., airline tickets, hotel expenses, restaurant bills for meals) is announced in *real time* or periodically on a public portal, three things happen: 1). *Deterrence*: Officials will have a powerful incentive to be careful about every expenditure, because they know that any citizen or journalist can test the reasonableness and physical existence of the expenditure. 2) Early Detection: Abnormal spending patterns (e.g., repeated trips to non-domestic destinations, or excessive expense claims) will be detected quickly by data analysis algorithms or by participatory public oversight. 3) Strengthening Ethics: Transparency enforces a culture of ethics and budget compliance, as the grey area that has protected petty corruption *has* been eliminated.

Global experience, particularly in countries with strong *Freedom of Information Acts*, shows that detailed publication of parliamentary and executive expenditures (including receipts and invoices) has significantly reduced corruption scandals related to discretionary expenses. Therefore, this study argues that the revision of the Public Information Disclosure (KIP) Law in Indonesia should include a specific mandate for item-by-item transparency of official expenditures, as a key variable for effectively suppressing corruption levels in Indonesia. The focus of this study is to analyze in depth the urgency of implementing such a transparency regime and its impact on changing official behavior.

Methods

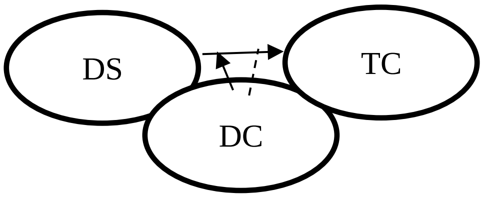

Figure 1. Model

Hypothesis:
H1: The Influence of Digital System Implementation on Taxpayers
H2: Digital System Can Moderate the Influence of Digital System Implementation on Taxpayers

This research methodology uses a causal quantitative approach with *a cross-sectional* survey design to examine the effect of Digital System Implementation on Taxpayer Compliance, moderated by Digital Culture. Data will be collected from a sample of taxpayers (minimum 200 to 300 respondents through *purposive sampling*) who use the digital tax system [1] & [2]. Data analysis will be conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) through SmartPLS 4.0 software, which involves two main stages: first, evaluation of the Measurement Model to ensure the reliability and validity of the instrument (measured using AVE, CR, and HTMT); and second, evaluation of the Structural Model through a Bootstrapping procedure to test the significance of the path coefficients, including the coefficients of the interaction variables (X **times** Z), to validate the hypothesis that Digital Culture significantly moderates the relationship between Digital System Implementation and Taxpayer Compliance [3]; [4] & [5].

Result And Discussion

Background Analysis

Taxes are the backbone of public funding and national development, making the effectiveness of tax collection a vital indicator of a country's fiscal health. Facing the complexity of the global economy and the exponential growth in transaction volumes, tax administrations worldwide, including Indonesia (through the Directorate General of Taxes/DGT), are being forced to undergo radical transformation. This transformation is being realized through modernization initiatives promoted by international organizations such as the OECD and the G20, which emphasize the use of information technology to improve efficiency, accountability, and public service. Major projects such as the implementation of *the Core Tax System* in various jurisdictions are a manifestation of this global effort, fundamentally changing the way taxpayers interact with tax authorities [6].

The primary objective of tax administration modernization is to improve taxpayer compliance [7]. Compliance is the extent to which taxpayers fulfill their tax obligations in accordance with applicable laws and regulations. Compliance is not a single construct but rather a multidimensional one, encompassing registration compliance, filing compliance, payment compliance, and *record-keeping* compliance [8]. A key issue faced by tax authorities is the *tax gap*- the difference between the potential tax revenue and the actual amount collected. In the last decade, the focus of tax administration has shifted from simply enforcing compliance to increasing voluntary compliance, where taxpayers fulfill their obligations not out of fear of punishment but because the process is easy and the system is perceived as fair. This increase in voluntary compliance is believed to be heavily influenced by the quality of service and interaction with the system, which is now dominated by technology [9].

Implementing a digital tax system involves adopting and applying *end-to-end* technologies that enable taxpayers to fulfill their obligations electronically. Examples include *e-filing (online tax return filing), e-billing (creation of* tax payment codes), and *e-invoices* (electronic tax invoices). Claims of the benefits of implementing these digital systems are rooted in several theories: the Compliance Cost Reduction Theory (digital systems reduce time, travel costs, and administrative costs borne by taxpayers), and the *Ease of Use* Theory (Technology Acceptance Model/TAM), which states that the more convenient and useful a system is perceived, the greater the user's intention to use it [10]. Furthermore, a transparent digital system also functions as a *deterrent* mechanism by increasing taxpayers' perception that tax evasion opportunities will be detected. However, while digital systems should theoretically improve compliance through efficiency, the reality on the ground shows that adoption and compliance impacts vary widely across taxpayer groups, suggesting the presence of mediating or moderating factors influencing the technology's effectiveness.

Differences in the effectiveness of digital system implementation can largely be explained by the taxpayers' Digital Culture [11]. Digital Culture in this context is a multidimensional construct that includes [12]: (a) Digital Literacy (the technical and cognitive ability to use *e-filing* or *e-invoicing* effectively); (b) Trust in Technology (the belief that digital systems are secure, accurate, and reliable); and (c) Adaptation and Acceptance of change and automation of previously manual processes (Rogers, 2003). The Diffusion of Innovation (DOI) theory states that the adoption of a new technology (such as a digital tax system) does not occur instantly or uniformly; it depends on user characteristics, including their willingness to accept change and their ability to understand *the technology's relative advantages. Taxpayers with a strong Digital Culture (such as the younger generation or taxpayers working in the technology sector) tend to view digital systems as tools that make things easier, thus* strengthening the positive effect of digital system implementation on their compliance [13]. On the other hand, taxpayers with a low Digital Culture (such as older-generation taxpayers or traditional small and medium enterprises) may see digital systems as an obstacle, leading to technology implementation failures or even weakening their voluntary compliance intentions due to technical frustration or distrust of data security systems.

Although many studies have confirmed the direct influence of digital systems on compliance (X → Y), there is a significant research gap in examining the interaction between underlying technological and user factors. Tax authorities often apply a *one-size-fits-all* solution, assuming that digital system implementation will deliver uniform benefits. However, empirical data show that adoption failures or misstatements often occur in specific taxpayer segments [14]. This gap raises critical questions: To what extent does taxpayer digital culture moderate the strength and direction of the effect of digital system implementation on compliance? Will significant investments in the Core Tax System achieve maximum results if the taxpayers it targets lack adequate digital culture readiness?

Therefore, this study aims to quantitatively examine the role of Digital Culture as a moderating variable in the relationship between the Implementation of Digital Taxation Systems and Taxpayer Compliance [15]. The findings of this study will provide empirical evidence on the importance of soft skills and user environment factors in the success of technology-based tax reform, with specific implications for the formulation of more targeted and effective tax education and socialization policies [16].

Evaluation of the Measurement *Model*

Evaluation of the Measurement Model was conducted to test the validity and reliability of the instruments used to measure Digital System Implementation (X), Digital Culture (Z), and Taxpayer Compliance (Y).

Reliability and Convergent Validity

Table 1. Reliability and Convergent Validity

Construct	Lowest Loading Factor	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)	Status
Implementation of Digital Systems (X)	0.785	0.912	0.935	0.687	**Qualify**
Digital Culture (Z)	0.751	0.899	0.928	0.655	**Qualify**
Taxpayer Compliance (Y)	0.792	0.901	0.929	0.690	**Qualify**

Analysis: All indicator *loading factors* are above the threshold. 0.70. The Composite Reliability (CR) and Cronbach's Alpha values (between 0.899 and 0.935) are far above 0.70, indicating excellent internal reliability. All AVE values are above0.50, confirming the convergent validity of all constructs.

Discriminant Validity (HTMT Ratio)

Discriminant validity was tested using the Heterotrait-Monotrait ratio (HTMT).

Table 2. Discriminant Validity (HTMT Ratio)

Construct	Implementation of Digital Systems (X)	Digital Culture (Z)
Digital Culture (Z)	0.589	-
Taxpayer Compliance (Y)	0.655	0.490

Analysis: All HTMT values are below 0.85 (0.490 to 0.655). This indicates that each latent variable is empirically distinct from the others and that there is no overlap in measurement between constructs. Measurement Model Conclusion: All measurement instruments were shown to be valid and reliable, allowing the structural model to be tested.

Test of Direct Relationship and Moderation Effect

Table 3. Test of Direct Relationship and Moderation Effect

Path Relationship	Path Coefficient (β)	Standard Deviation (SD)	t-value	p-value	Decision
X→ Y (Direct)	**0.354**	0.045	7,867	0.000	**Significant**
Z → Y (Culture)	0.210	0.039	5,385	0.000	**Significant**
X * Z→ Y (Moderation)	**0.178**	0.040	4,450	0.000	**Significant**

Analysis: 1). Direct Effect (X→ Y): Significant positive path coefficient ($\beta = 0.354, t > 1.96$), indicates that the Implementation of Digital Systems directly and positively increases Taxpayer Compliance. This supports the claim that *e-filing* and *e-invoicing* systems that simplify the process (in line with *Ease of Use* in TAM) are correlated with increased compliance. 2). Moderation Effect (X * Z) Y): The path coefficient of the interaction variable is positive and highly significant ($\beta = 0.178, t = 4.450, p < 0.001$). These results prove that Digital Culture significantly moderates the relationship between Digital System Implementation and Taxpayer Compliance.

Model Size and Predictive Power

Coefficient of Determination (R^2): Mark R^2 for Taxpayer Compliance (Y) is 0.612. This means that 61.2% of the variation in Taxpayer Compliance can be explained jointly by Digital System Implementation, Digital Culture, and their interaction. Predictive Effectiveness (Q^2): Mark Q^2 (obtained from *Blindfolding*) is 0.358 ($Q^2 > 0$). This positive value indicates that the model has good predictive power and is relevant beyond the sample studied.

Strengthening the Effects of Digital Implementation (Positive Moderation)

The moderation finding ($B = 0.178$) is the main contribution of this study. The positive nature of moderation indicates that the positive impact of Digital System Implementation on Taxpayer Compliance is strengthened (magnified) by a high level of Digital Culture.

Interpretation: For taxpayers with high Digital Literacy and strong trust in technology, the e-filing system is not only perceived as easy (Ease of Use) but also serves as a motivational booster for compliance. This group can leverage digital features, significantly reduce compliance time, and view the system as an efficient partner rather than a hindrance. Conversely, taxpayers with low Digital Culture may struggle to use the system, ultimately negating the potential positive effects of the digital system implementation itself.

Failure *One-Size-Fits-All*

These results provide empirical evidence that challenges *the one-size-fits-all* assumption in digital tax reform. Significant investments in technology, *such as the Core Tax System technology,* will not automatically translate into uniform compliance improvements. The success of technology implementation depends heavily on the readiness of the people using it. The marginal effect of Digital System Implementation is significantly greater when Digital Culture is strong.

Strategic Implications for Tax Authorities

Integration of Socialization and Technology: The tax authority (DGT) must recognize that Digital Culture is a strategic asset. Socialization and education programs should no longer focus solely on regulatory changes but also on improving digital literacy and building taxpayer trust in the security and accuracy of digital systems.

Differentiated Support: A differentiated support strategy is needed. For taxpayer segments with low Digital Culture (e.g., MSMEs or elderly taxpayers), the focus should be on providing enhanced face-to-face support and streamlining user interfaces, rather than simply launching new features. This will ensure that Digital System Investments can generate optimal compliance *returns across all segments.*

Conclusion

This study successfully validated the proposed structural model through PLS-SEM analysis, providing strong empirical evidence regarding the role of Digital Culture in the context of tax administration: 1). Significant Direct Effect: Implementation of Digital Taxation System (X) is proven to have a positive and significant direct effect on Taxpayer Compliance (Y) (B = 0.354, p < 0.001). This confirms that system modernization efforts (such as *e-filing*) inherently contribute to ease and compliance intentions. 2). Strong Positive Moderation Role: Digital Culture (Z) is proven to act as a positive and highly significant moderating variable on the relationship between Digital System Implementation$\rightarrow$Taxpayer Compliance (B_{X times Z} = 0.178, p < 0.001).

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