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The Impact of Corruption on Structural Poverty in Indonesia

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ABSTRACT

This research employs a quantitative approach using panel data regression analysis across selected Indonesian provinces during the period 2014 to 2024. The dependent variable is structural poverty, measured through composite indicators reflecting chronic poverty, exclusion from basic services, and intergenerational deprivation. Independent variables include corruption in public procurement, effectiveness of supervisory institutions, and inequality in social budget allocation. Data are obtained from secondary sources, including Statistics Indonesia (BPS), the Corruption Eradication Commission (KPK), Indonesia Corruption Watch (ICW), and Transparency International. The results are expected to demonstrate that corruption in public procurement and unequal social budget allocation significantly increase structural poverty, while weak effectiveness of supervisory institutions exacerbates governance failures that sustain poverty traps. This study contributes empirically to the literature by integrating governance and poverty indicators within a panel data framework. The findings are expected to provide policy relevant insights for strengthening institutional oversight, improving transparency in public spending, and designing more equitable and effective poverty reduction strategies in Indonesia.

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1. INTRODUCTION

Structural poverty and corruption are two interrelated phenomena that exacerbate social and economic conditions in Indonesia. According to Sen, structural poverty occurs when social and economic systems hinder individuals' basic abilities to lead meaningful lives. Inequality in access to education, health, and social participation are key indicators of systemic poverty. This view reinforces the idea that poverty is not simply a lack of income, but rather the result of unjust structures. Corruption, as the abuse of public power for private gain, exacerbates this condition by diverting resources that should be used for social programs. In Indonesia, corrupt practices have become entrenched in various sectors, including procurement of goods and services, public services, and the distribution of social assistance [2]. According to Transparency International data, Indonesia has stagnated at a score of 34

out of 100 in the Corruption Perception Index (CPI) for the past few years, indicating a high level of corruption [3]. The Corruption Eradication Commission [4] has prosecuted more than 1,400 corruption cases in the past ten years, mostly through sting operations (OTT), involving regional, legislative, and ministerial officials. Corruption not only causes financial losses to the state but also reduces the state's capacity to provide equitable basic services [5]. Recent empirical literature demonstrates that corruption undermines the effectiveness of public service provision and contributes to the persistence of structural poverty, particularly in developing economies [9] [10]

Corrupt practices primarily occur in the procurement of goods and services and social budget allocations, which narrow the opportunities for the poor to escape structural poverty. Statistics Indonesia (BPS) data shows that Indonesia's economic inequality remains high, with the Gini Ratio indicating an unequal distribution of wealth, while access to basic services such as education and health remains limited. Corruption diverts resources intended for poverty alleviation programs and influences budget distribution, exacerbating social inequality. Jakarta, as the center of power, has long been a source of political patronage and control over budget allocation, procurement, and the nomination of officials. In the post-New Order era, this pattern of corruption has not disappeared but has spread to the regions through the replication of patronage networks, misuse of transfer funds, and the normalization of informal practices such as "mandatory payments." This phenomenon demonstrates that corruption has a structural logic rooted at the center and symbolically replicated at the local level, as explained by Berenschot in his analysis of clientelism and informal practices in local government. Corruption perpetrators come from various sectors, including regional heads, members of the legislature (DPR/DPRD), civil servants (ASN), and the private sector. According to data from the Corruption Eradication Commission (KPK), the Indonesian Corruption Watch (ICW), the Supreme Audit Agency (BPK), and the Central Statistics Agency (BPS), corruption exacerbates structural poverty by obstructing the distribution of funds intended to reduce social inequality and provide equitable access to basic services.

Data shows that corruption in Indonesia from 2004 to 2025 involved actors from various levels, from public officials to the private sector and corporations. The largest number of perpetrators came from the private sector (485), echelon officials (443), and members of the DPR/DPRD (364), demonstrating the cross-institutional nature of corrupt practices. Although the number of perpetrators among ministers, governors, and mayors is smaller, their strategic positions make their impact significant. The involvement of law enforcement officials and corporations also indicates the complexity and systemic vulnerabilities in public procurement and budget governance.

Based on the data showing bribery (739 cases) and procurement of goods/services (428 cases) as the most dominant corruption in Indonesia, confirming its vulnerability because it involves public officials and private parties. Other cases are fewer, but this practice is also exacerbated by external actors, such as Rolls-Royce bribing Garuda officials and the Panama Papers related to tax havens, so that its impact on structural poverty is increasingly complex [1]. Indonesia, as a developing country with the 4th largest population in the world, faces an influential poverty problem. Based on the World Bank report [1], Indonesia ranks 7th in the global poverty rate, with around 68.3% of the population living below the poverty line, indicating the urgency of poverty eradication, especially in poor groups trapped in structural poverty. Corruption, which is entrenched in various sectors such as procurement of goods and services, public services, and social assistance [2], exacerbates this condition by diverting resources that should be for social programs. Indonesia remains stagnant at a CPI score of 34 out of 100 [3], and the Corruption Eradication Commission (KPK) has prosecuted over 1,400 corruption cases, many through sting operations involving regional and central officials. Corruption reduces the state's capacity to provide equitable basic services and exacerbates social inequality, as reflected in the Gini Ratio, which indicates the unequal distribution of wealth. This corrupt practice hinders the proper distribution

of funds to reduce social disparities, exacerbates structural poverty, and hinders access to basic services that should be provided to the poor.

This phenomenon becomes even more disturbing when we consider how corruption spreads not only in disadvantaged regions but also throughout the national economy. The distribution of corruption cases in Indonesia shows a striking difference between ICW's 2024 monitoring data and official BPS data for the 2023–2024 period due to differences in sources, methods, and definitions of case recording. According to ICW, corruption cases are widespread in almost all provinces, with Riau recording 35 cases, East Nusa Tenggara 29 cases, Aceh 24 cases, Bengkulu 21 cases, Bali 19 cases, North Sumatra 17 cases, Riau Islands and West Kalimantan each 16 cases, East Kalimantan 15 cases, Southeast Sulawesi 13 cases, North Sulawesi 12 cases, Central Sulawesi 11 cases, West Sulawesi, Papua, and East Java each 10 cases, South Sulawesi and DI Yogyakarta each 9 cases, North Maluku, West Papua, Bangka Belitung Islands, and West Java each 8 cases, South Sumatra 7 cases, West Sumatra 6 cases, South Papua and Jakarta each 5 cases, Maluku and Gorontalo each 4 cases, Central Kalimantan and Central Java each 3 cases, Central Papua and Lampung each 2 cases, and Papua Pegunungan, NTB, North Kalimantan, South Kalimantan, and Banten each 1 case, with a national aggregate of 10 cases. Meanwhile, BPS data shows different inter-year dynamics, where Central Papua jumped to become the region with the highest number of cases in 2024 with 51 cases even though it was not recorded in 2023, East Java decreased from 27 cases in 2023 to 15 cases in 2024, Central Java increased from 8 to 15 cases, West Sumatra stagnated at 11 cases, West Java decreased from 27 to 9 cases, Mountainous Papua emerged as a new region with 9 cases, Maluku remained at 8 cases, NTT increased from 7 to 14 cases, South Sumatra increased from 7 to 13 cases, and Jambi increased from 6 to 9 cases. The difference between these two sources arises because ICW uses a case-based monitoring and legal action approach that encompasses inquiries, investigations, development of old cases, and media exposure within a single year, resulting in a broader and more detailed distribution across provinces. While BPS relies on official annual administrative reports from law enforcement officials with a stricter case definition, based on the time of recording and case status, thus highlighting inter-annual changing trends and causing differences in the number and distribution of corruption cases between regions. This indicates that corruption remains a national problem that cuts across economic and administrative structures, thus contributing to alarming figures. These are not mere statistics, but rather a reflection of how corruption undermines hope in places that should be a development priority. When abuse of power occurs both at the center and on the periphery, efforts to achieve equality are not only about economic issues, but also about deeper moral and structural inequalities.

This situation reflects that institutional capacity is not yet strong enough to stem corrupt practices, even at the center of government. As a result, people in various regions must bear a double burden: in addition to facing gaps in public services, they also live within a system that often does not favor the public interest. Therefore, understanding the geographic distribution of corruption cases is crucial as a basis for formulating more focused and contextual anti-corruption policies. This reality demonstrates that the impact of corruption in Indonesia is not limited to fiscal losses alone but has also undermined the development system and public services as a whole. When public officials abuse their authority for personal or group interests, development programs designed to improve public welfare lose their effectiveness. State budgets allocated for education, health, and infrastructure often experience leaks at various levels, resulting in development outcomes that do not meet plans. This situation has a direct impact on increasing inequality in access to basic services and decreasing public trust in public institutions.

At the regional level, corruption is often a major obstacle to the implementation of strategic projects. Transactional bureaucratic practices such as gratuities and requests for bribes in the form of "grease payments" are still prevalent, reinforcing the exclusivity of services while simultaneously

weakening the principle of public accountability (Kuncoro, 2020). In the long term, this situation not only exacerbates social inequality but also weakens the state's institutional capacity to carry out its basic functions fairly and equitably. Thus, corruption not only slows the national development process but has systematically become a major obstacle to achieving equitable development outcomes across Indonesia. One serious consequence of the unequal development caused by corruption is the deepening of structural poverty, particularly in regions that have historically experienced underdevelopment. Poverty in Indonesia is not solely caused by low incomes but also by systemic limitations passed down across generations. This condition reflects a form of structural poverty, namely poverty that cannot be overcome with single-step interventions, as it is rooted in unequal access to education, health services, decent work, and equitable social protection. According to data from the Central Statistics Agency (BPS) as of March 2025, approximately 23.51 million Indonesians live below the poverty line. In fact, several provinces still show very high poverty rates, particularly in the eastern region. Highlands Papua is recorded as the province with the highest percentage of poor people (30.03%), followed by Central Papua (28.90%), West Papua (20.66%), South Papua (19.71%), and Papua (19.16%). Similar conditions are also seen in East Nusa Tenggara (18.60%) and Southwest Papua (17.95%), reflecting the still wide development gap. Meanwhile, extreme poverty rates in Maluku (15.38%), Gorontalo (13.24%), and Aceh (12.33%) remain relatively high, despite the government's implementation of various social assistance programs. The reduction in poverty rates nationally has not been able to eliminate disparities between regions, especially in provinces facing complex geographic and governance challenges.

Based on the data, it is clear that the disparity in the number of poor people between provinces is still quite striking. Provinces with large populations such as Central Java (3,366,690 people), East Java (3,875,880 people), and West Java (3,654,740 people) occupy the top positions in absolute numbers of poor people, indicating that structural poverty is not only a matter of underdeveloped regions, but also about the unequal distribution of economic justice. On the other hand, provinces with different geographical characteristics and resources such as East Nusa Tenggara (1,088,780 people), Aceh (704,690 people), and North Sumatra (1,140,250 people) recorded high numbers, emphasizing that the challenge of poverty is not exclusive to eastern Indonesia, but is also widespread in the western and central regions. Meanwhile, provinces such as DI Yogyakarta (425,820 people), Bali (173,240 people), and the Bangka Belitung Islands (77,710 people) show lower numbers, but remain relevant in inequality analysis due to the potential disparities between districts/cities within them. This phenomenon emphasizes that the problem of poverty in Indonesia cannot be separated from governance and development policies that do not fully support equality. If access to basic services such as education, health, and productive employment continues to depend on political or economic power, the poor will remain in a cycle of underdevelopment that is difficult to break.

After analyzing two main sources: the March 2025 BPS Poverty Profile and the 2024 Crime Statistics, it is clear that not all poor provinces are the most corrupt, and not all corrupt provinces experience extreme poverty [6]. Therefore, rigorous screening was carried out to identify provinces that simultaneously fall into the poorest and most corrupt categories, and that have academic or phenomenological evidence indicating that poverty is structural.

2. METHOD

This study uses an associative quantitative approach with panel data analysis to examine the influence of corruption in public procurement, the effectiveness of oversight institutions, and inequality in social budget allocation on structural poverty in Indonesia. Secondary data were obtained from the Statistics Indonesia (BPS), the Corruption Eradication Commission (KPK), the Supreme Audit Agency (BPK), and the Ministry of Home Affairs. According to Sugiyono, this approach is used to determine causal relationships, namely, how independent variables influence dependent variables.

Panel data regression with multiple linear specifications, as explained by Wooldridge (2016) and Gujarati & Porter (2020), is an appropriate method for identifying the simultaneous and partial effects of multiple independent variables on a single dependent variable. This technique also allows for hypothesis testing and evaluation of the model's predictive power through the coefficient of determination (R^2), resulting in a comprehensive picture of each variable's contribution to systemic poverty.

2.1 Research Variables

2.1.1 Variable Identification

Variables are essential components in research used to explain a phenomenon and the relationship between one concept and another. According to Neuman, a variable is a concept that varies and can be systematically measured in social research. In this study, variables were determined to examine the influence of corruption on structural poverty in Indonesia.

2.1.2 Definisi Operasional Variabel

- 1) Structural Poverty (Y) In this study, structural poverty is measured using the percentage of the poor population per province. Data were obtained from the Central Statistics Agency (BPS) and presented on a ratio scale (%).
- 2) Corruption in Procurement of Goods and Services (X_1) This variable is measured based on the number of corruption cases occurring in the goods and services procurement sector at the provincial level. Data were obtained from the Corruption Eradication Commission (KPK) and expressed in units of the number of cases.
- 3) Effectiveness of Oversight Institutions (X_2) The effectiveness of oversight institutions is measured through the audit results of the Supreme Audit Agency (BPK) on regional government financial reports. Data are quantitative and obtained directly from official BPK publications.
- 4) Inequality in Social Budget Allocation (X_3) Inequality in social spending allocation is measured by the percentage of social spending to the total Regional Revenue and Expenditure Budget (APBD) per province. Data were obtained from the Ministry of Home Affairs and BPS and presented on a ratio scale (%).

2.2. Data Collection Methods and Research Instruments

2.2.1 Method of collecting data

The data collection method in this study was conducted through a non-participant observation approach, a process of gathering information in which the researcher is not directly involved in the activities or interactions with the object being observed. According to Sekaran & Bougie, non-participant observation allows researchers to objectively record relevant phenomena, especially when data is already available in the form of official documentation and publications.

This technique was chosen because the data used is secondary, allowing the researcher to act as an independent observer of data collected by official institutions. The observation process was conducted by reviewing, recording, and sorting quantitative and qualitative information from existing documents, without directly intervening with respondents or field activities.

2.2.2 Research Instruments

The instrument used in this research is documentation, a data collection tool conducted by reviewing written documents, reports, statistics, and publications relevant to the research focus. According to McMillan & Schumacher, documentation is an effective instrument in social research for systematically obtaining readily available data from reliable sources.

In the context of this research, documentation was used to access and compile secondary data describing the relationship between levels of corruption and structural poverty in Indonesia. This technique allows researchers to obtain factual and verified information without conducting direct measurements in the field..

2.3 Data Analysis Techniques

2.3.1 Descriptive Analysis

Descriptive analysis is a basic statistical technique used to describe and present data characteristics systematically and informatively. According to Salkind, descriptive analysis allows researchers to display the distribution, trends, and general patterns of the variables under study, allowing for a more comprehensive understanding of social phenomena before further testing.

In this study, descriptive analysis is used as a first step to understand the structural poverty profile in Indonesia and to observe the extent to which corruption indicators can be linked to the socioeconomic conditions of the community.

2.3.2 Panel Data Regression Analysis

Panel data regression analysis is used in this study to examine the simultaneous influence of multiple independent variables on a single dependent variable, taking into account the time dimension and differences between provinces. This method allows researchers to more accurately capture the dynamics of causal relationships, both temporally and spatially, while controlling for unobserved heterogeneity between observation units.

According to Wooldridge, panel regression provides a more robust framework for identifying causal relationships in quantitative data, especially when variables are observed repeatedly over a period of time. With this approach, the direction of the relationship, the strength of the influence, and the significance of the contribution of each independent variable can be analyzed more comprehensively and systematically.

This study uses panel data regression to analyze the effect of corruption on structural poverty in Indonesia, taking into account variations between provinces and changes from year to year. The three main independent variables analyzed include corruption in the procurement of goods and services (X_1), the effectiveness of oversight institutions (X_2), and inequality in social budget allocation (X_3), while the dependent variable, structural poverty (Y), is measured through multidimensional indicators such as the percentage of the poor, the human development index, and the Gini distribution. The panel approach allows for the identification of the systemic and temporal influence of corruption on poverty dynamics across regions.

2.4.2 Hypothesis Testing

Hypothesis testing aims to determine whether the initial assumptions in the study can be statistically accepted or rejected. In this context, a hypothesis is a statement that can be tested for validity through empirical data. Because observing the entire population is often impossible, a random sample is used to represent it.

In this study, the null hypothesis (H_0) states that corruption has no significant effect on structural poverty across provinces in Indonesia. Conversely, the alternative hypothesis (H_1) states that corruption has a significant effect on structural poverty. After obtaining the Coefficient of Determination (R^2) value through panel regression analysis, the hypothesis is tested using statistical methods such as the t-test to examine partial effects, the F-test for simultaneous effects, and the z-test or Chi-square test if a normal distribution approach is used.

Decisions are made by comparing the test statistic value with the critical value (table) or by examining the p-value against a predetermined significance level (e.g., $\alpha = 0.05$). Rejection of H_0

indicates that corruption significantly contributes to structural poverty across provinces, stemming not only from economic factors but also from systemic and institutional factors.

The theoretical references in this test refer to the inferential statistical approach as explained by Sahir [7] in his panel data regression study with multiple linear specifications, as well as the basic principles of statistical decision-making according to Gujarati & Porter (2020). Hypothesis testing was conducted to determine whether the independent variable in this study, namely the level of corruption, has a significant effect on the dependent variable, namely structural poverty in Indonesia. A significant effect indicates that the relationship found in the sample can be generalized to the entire population. Because observing the entire population is not possible, a random sample between provinces was used as a representation. In the panel regression analysis, the null hypothesis (H_0) states that corruption has no significant effect on structural poverty between provinces. Conversely, the alternative hypothesis (H_1) states that corruption has a significant effect on structural poverty in both spatial and temporal dimensions.

After obtaining the Coefficient of Determination (R^2), which indicates how much variation in structural poverty between provinces can be explained by the level of corruption, the hypothesis was tested using a t-test in the context of panel regression. This test is used to examine the partial effect of corruption on structural poverty by comparing the calculated t-value with the t-table or by examining the p-value at the significance level ($\alpha = 0.05$).

If the p-value is less than α , then H_0 is rejected and H_1 is accepted, indicating that corruption has a significant effect on structural poverty across provinces. This finding strengthens the argument that poverty in Indonesia stems not only from economic factors but also from systemic practices that weaken institutions and the spatial and temporal distribution of opportunities.

3. RESULTS AND DISCUSSION

3.1 The Impact of Corruption in Procurement of Goods and Services on Poverty

The panel data regression estimation results show that the variable corruption in goods and services procurement has a regression coefficient of -0.031511, a t-statistic of -0.978879, and a probability value of 0.3290. This probability value is greater than the 5 percent significance level, thus concluding that corruption in goods and services procurement does not significantly influence structural poverty partially. Therefore, the hypothesis that corruption in goods and services procurement influences structural poverty cannot be accepted.

Empirically, although the effect is not significant, the negative direction of the regression coefficient indicates a directional relationship between procurement corruption and structural poverty. This means that increased corruption in goods and services procurement tends to be followed by increased structural poverty, but this effect is not strong enough to directly explain variations in poverty. This indicates that structural poverty is a multidimensional phenomenon influenced not by a single factor, but by a combination of institutional factors, public policy, and resource distribution. This finding can be explained through Mauro's corruption-poverty nexus theory, which states that corruption impacts poverty by reducing the efficiency of public spending and lowering the quality of government services. Recent empirical evidence supports Mauro's argument by showing that corruption distorts public investment priorities toward easily manipulated projects rather than poverty-reducing expenditures [8]. According to Mauro, corruption hinders economic growth and reduces budget allocations for productive sectors that should benefit the wider community. However, these impacts are often indirect and only become apparent in the long term, making them not always significantly detectable in partial analyses.

Furthermore, from an institutional theory perspective, North (1990) explains that weak institutions create incentives for opportunistic behavior, including corruption. Corruption in the procurement of goods and services reflects weak formal rules and oversight mechanisms, leading to

budget leakage and a decline in the quality of public projects. However, if redistributive policies and social programs remain in place, the impact of procurement corruption on structural poverty may be less directly visible in the short term.

This view also aligns with the public expenditure theory proposed by Tanzi & Davoodi (1997), which states that corruption affects not only the amount of public spending but also the composition and quality of that spending. Corruption in procurement causes government spending to be more oriented toward projects that are easily manipulated rather than social programs that have a direct impact on poverty reduction. However, if the social budget allocation is relatively large and well-disbursed, the effect of procurement corruption on structural poverty can be offset by budget distribution factors.

Thus, the results of this study indicate that although theoretically corruption in the procurement of goods and services has the potential to exacerbate structural poverty, empirically, this effect is not partially significant. This finding indicates that the influence of procurement corruption on poverty operates indirectly through institutional mechanisms and fiscal policy, and is influenced by other, more dominant structural variables.

Therefore, the first research question is answered by stating that corruption in the procurement of goods and services does not have a direct, significant effect on structural poverty. However, this finding does not deny the role of corruption as a structural factor, but rather indicates that poverty alleviation requires a more comprehensive approach through strengthening institutions and improving the quality of public spending.

3.2 The Influence of the Effectiveness of Supervisory Institutions on Structural Poverty

The panel data regression estimation results indicate that the effectiveness of supervisory institutions has a regression coefficient of 0.000000, with a probability value greater than the 5 percent significance level. This value indicates that the effectiveness of supervisory institutions does not significantly influence structural poverty partially. Therefore, the hypothesis that the effectiveness of supervisory institutions influences structural poverty cannot be accepted.

Empirically, the very small regression coefficient indicates that changes in the effectiveness of supervisory institutions are not accompanied by significant changes in the level of structural poverty. This means that despite quantitative increases or decreases in the performance of supervisory institutions, the structural poverty situation does not experience significant changes. This suggests that the influence of supervision on poverty is not direct, but rather through broader policy and institutional mechanisms. From an institutional economics perspective, limited enforcement capacity constrains oversight bodies from converting governance improvements into measurable welfare gains [11].

The results of this study can be explained by the theory of public sector supervision proposed by Mardiasmo (2018), which states that supervision aims to ensure that state financial management is implemented in accordance with laws and regulations, principles of accountability, and development goals. However, Mardiasmo (2018) also emphasizes that effective supervision must be accompanied by clear and consistent follow-up to produce substantive changes in governance.

Furthermore, the theory of public accountability proposed by Mahmudi (2016) explains that accountability relates not only to reporting obligations but also to the government's ability to account for the use of public resources to the public. In this context, oversight institutions serve as instruments of control, but their role will be limited if the results of oversight are not translated into policies that directly impact the welfare of the poor.

From an institutional theory perspective, North (1990) states that institutions are the rules of the game in a society and shape the incentives of human interaction. This view suggests that the effectiveness of oversight institutions is highly dependent on institutional strength and actors' compliance with applicable rules. If oversight institutions are weak and lack coercive power, deviant

practices will persist, and oversight will be unable to produce structural change. The insignificant effect of oversight institution effectiveness on structural poverty can also be explained by the characteristics of structural poverty itself. Structural poverty is a condition of poverty caused by limited access to education, employment opportunities, and long-term economic resources. Therefore, the impact of oversight tends to be indirect and takes a long time to be felt by the community. In the short term, this influence is not fully reflected in quantitative poverty indicators.

Thus, the results of this study address the second research question by stating that the effectiveness of supervisory institutions does not have a significant partial effect on structural poverty. This finding indicates that strengthening supervisory institutions must be accompanied by improvements in the quality of follow-up, consistent law enforcement, and integrated public policy to have a real impact on reducing structural poverty..

3.3 The Impact of Inequality in Social Budget Allocation on Structural Poverty

The panel data regression estimation results indicate that the variable inequality in social budget allocation (X3) has a significant effect on structural poverty (Y). Based on the test results using the Fixed Effects Model, the coefficient for X3 is -3.38. This coefficient value indicates that each one-unit increase in social budget allocation equity has the potential to reduce the level of structural poverty by 3.38 units, assuming other variables remain constant.

This finding indicates that inequality in social budget distribution is a dominant factor in explaining variations in structural poverty between provinces during the study period. Empirically, these results reflect that the size of the social budget does not automatically reduce poverty if its distribution is uneven and not well-targeted. Empirical evidence from Indonesia further indicates that unequal allocation of social expenditure weakens the overall effectiveness of poverty alleviation programs [12] [13]. Provinces with relatively large social spending allocations, but focused on sectors that do not directly reach the poor, still exhibit high levels of structural poverty. This situation strengthens the argument that the quality of budget distribution is more important than the quantity of spending itself. Thus, social budget inequality acts as a structural mechanism that maintains poverty, especially in regions with weak fiscal and institutional capacity. These empirical findings align with the Fiscal Inequality theory proposed by Tanzi & Davoodi (1997), which asserts that the unequal distribution of public spending can exacerbate economic inequality and reinforce structural poverty. From this perspective, the social budget, which should function as a redistributive instrument, loses its effectiveness when allocations are disproportionately enjoyed by middle- and upper-income groups. When spending on health, education, and social protection does not reach the poor disproportionately, poverty not only persists but also becomes institutionalized within the social and economic structure.

Furthermore, these findings can be explained through the perspective of the Theory of Justice developed by John Rawls. Through the difference principle, Rawls emphasized that inequality can only be justified if it provides the greatest benefit to the most vulnerable groups. In the context of social budget allocation in Indonesia, the unequal distribution of public spending that does not favor the poor contradicts this principle of social justice. When social budgets flow more to sectors or regions that are already relatively prosperous, the state's function as an agent of welfare equality is suboptimal, thus perpetuating structural poverty.

Furthermore, the results of this study are also relevant to the Social Exclusion approach proposed by Sen (2000). Sen explains that poverty is not solely caused by low income, but also by limited access to basic services and social opportunities. Inequality in social budget allocations restricts the poor's access to education, health care, and social protection, further marginalizing them from the development process. In the long term, this condition reinforces the cycle of capability deprivation that is at the heart of structural poverty.

From an assumption perspective, these results indicate that social budget inequality operates as an indirect pathway that amplifies the impact of corruption and weak institutions on poverty. When oversight is weak and corrupt practices occur, social budget allocations tend to deviate from their original objectives. As a result, the poor do not receive optimal benefits from public spending, while elite groups continue to have dominant access to state resources. This assumption reinforces the view that structural poverty is the result of a complex interaction between fiscal policy, institutions, and the distribution of power. Cross-national studies suggest that corruption exacerbates income inequality and indirectly sustains poverty traps, especially within developing country contexts (Dincă, 2025; Saba & Vhutali, 2024).

Thus, based on empirical results, relevant theory, and established assumptions, it can be concluded that inequality in social budget allocation significantly influences the level of structural poverty. This finding directly addresses the research question regarding the influence of inequality in social budget allocation on structural poverty and confirms that poverty alleviation efforts require not only budget increases but also fundamental reforms in public budget distribution mechanisms to make them fairer and more pro-vulnerable to the most vulnerable groups.

3.4 The Influence of Corruption in the Procurement of Goods and Services, the Effectiveness of Supervisory Institutions, and Inequality in Social Budget Allocation on Structural Poverty

Based on the results of the simultaneous test (F-test) on the panel data regression model, the F-statistic probability value was obtained below the 5 percent significance level. These results indicate that simultaneously, the variables of corruption in goods and services procurement, the effectiveness of oversight institutions, and inequality in social budget allocations significantly influence structural poverty. Therefore, the hypothesis that these three independent variables simultaneously influence structural poverty is accepted.

The results of this simultaneous test indicate that structural poverty cannot be partially explained by a single variable but rather is the result of the interaction of various institutional factors and public policies. Although some variables were not significantly affected, when analyzed together, their influence on structural poverty became significant. This indicates that structural poverty is a complex phenomenon influenced by a combination of governance practices, institutional effectiveness, and the distribution of fiscal policy.

Empirically, these results demonstrate that corruption in goods and services procurement contributes to weakening the effectiveness of public spending, the effectiveness of oversight institutions determines the quality of policy control, and inequality in social budget allocation influences the extent to which development benefits reach the poor. When these three factors occur simultaneously, their impact on structural poverty becomes stronger and systemic.

This finding aligns with the view of Todaro and Smith (2015), who stated that structural poverty arises from the failure of public policies and institutions to create a fair distribution of resources. Poverty is not only caused by low income, but also by economic and political structures that do not favor the poor. In this context, weak oversight, corrupt practices, and inequality in social budgets are part of this structure.

Furthermore, from an institutional economics perspective, North (1990) explains that institutions shape the incentives of economic and political actors. When oversight institutions are weak and corruption occurs in budget management, public policy does not achieve its intended purpose. Consequently, social budgets, which should be instruments for poverty alleviation, fail to deliver optimal impacts for the poor.

Assumptively, the results of this simultaneous test indicate that efforts to alleviate structural poverty must be carried out in an integrated manner. Addressing poverty is not sufficient by simply increasing social budgets; it must also be accompanied by strengthening oversight institutions and eradicating corruption, particularly in the procurement of goods and services. Without improvements in institutional and governance aspects, fiscal policies aimed at poverty reduction have the potential to lose their effectiveness.

Thus, the fourth research question has been answered: corruption in the procurement of goods and services, the effectiveness of oversight institutions, and inequality in social budget allocation simultaneously have a significant impact on structural poverty. These findings confirm that structural poverty is a multidimensional problem that requires integrated policies and comprehensive institutional reform. Recent empirical research highlights that effective poverty reduction requires the simultaneous implementation of anti-corruption measures and equitable fiscal policies [16].

4. CONCLUSION

The results of the study indicate that corruption in the procurement of goods and services does not have a significant partial effect on structural poverty. This finding indicates that the impact of procurement corruption on poverty is not direct, but rather operates through more complex institutional mechanisms and public policies. Although theoretically, corruption has the potential to worsen public welfare, this effect was not significantly observed in this study when tested partially.

The effectiveness of oversight institutions also did not have a significant partial effect on structural poverty. This indicates that the existence and performance of oversight institutions have not yet fully had a direct impact on reducing structural poverty. Oversight, which is still administrative in nature and less than optimal in policy follow-up, means its benefits on public welfare have not yet been felt.

Inequality in social budget allocation has a significant effect on structural poverty. These results indicate that equitable distribution of social budgets plays a crucial role in reducing structural poverty. The more unequal the social budget allocation, the greater the likelihood that structural poverty will persist and be difficult to overcome, especially in areas and communities with limited access to basic services..

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