

## The Impact of Corruption on Economic Development and Community Welfare from Local and National Perspectives

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**Abstract:** Corruption is a fundamental problem that hinders development and undermines state legitimacy. In Indonesia, corrupt practices not only result in financial losses to the state but also have systemic effects that undermine governance, hinder economic growth, and exacerbate social inequality. This study aims to analyze in depth how corruption impacts economic development and public welfare, emphasizing its link to public access to basic services such as education, health, and infrastructure. The method used is a qualitative descriptive approach with a literature review approach, examining secondary data from academic journals, anti-corruption agency reports, investigative news, and public policy documents. The study results show that corruption creates market distortions, weakens national competitiveness, and diverts development funds to the interests of political and bureaucratic elites. This condition results in unequal distribution of development between regions, low quality public services, and weakened public participation in the development process. Furthermore, corrupt practices have an impact on declining public trust in state institutions, which in turn has the potential to lead to social instability and a crisis of government legitimacy. This research emphasizes that eradicating corruption requires a multidimensional strategy, ranging from consistent law enforcement and bureaucratic reform to the application of digital technology to increase transparency and accountability. Therefore, the findings of this study are expected to provide conceptual and practical contributions to formulating a more comprehensive, sustainable anti-corruption strategy that adheres to the principles of social justice for the realization of inclusive national development.

**Keywords:** Corruption; Economic development; Social welfare

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## Introduction

Corruption is a classic problem that continues to plague government and public governance systems in various countries, including Indonesia. Corruption can be defined as the abuse of power or public office for personal or group gain, involving practices such as bribery, gratuities, nepotism, collusion, and embezzlement. This phenomenon not only has legal implications for the perpetrators and the legal system, but is far more complex because it has systemic effects on all aspects of society's social and economic life. Corruption weakens the foundations of state institutions, undermines public trust in the government, and hinders development that should be inclusive, equitable, and sustainable. Corruption plays a destructive role, breaking the chain of efficiency in resource allocation and distribution of development outcomes. Budgets that should be used to build public infrastructure, improve the quality of education and health, or strengthen the productive sector instead leak into the wrong hands. As a result, development projects become stalled, their quality is poor, and their benefits are not felt optimally by the community (Akman & A.H, 2018).

Corruption creates market distortions, as incompetent economic actors with close ties to the ruling elite benefit more than honest and professional ones. This not only creates an unhealthy business climate but also reduces aggregate national productivity, as innovation and competitiveness are no longer the primary determinants of business success, but rather political affinities and hidden transactions. The impact of corruption on economic development is clearly visible in numerous cases involving high-ranking officials, regional heads, and even large businesspeople who collude with the government. One example is the numerous national strategic projects (PSN) that have been hampered by corrupt practices in the procurement of goods and services, business licensing, and fund allocation. When public funds are corrupted, society suffers not only economically but also structurally, as the distribution of development becomes unequal and unfair. This inequality triggers various other problems such as poverty, unemployment, crime, and distrust of state institutions.

Many regions, rich in natural resources and with great potential for development, are mired in structural poverty because the proceeds of resource

exploitation are not returned to the community but instead end up in the pockets of corrupt elites. Corruption undermines citizens' basic rights to access quality and affordable public services. In education, for example, corruption can occur in the procurement of books, school construction, and the distribution of School Operational Assistance (BOS) funds. As a result, students from poor families lose the opportunity to receive a decent and adequate education. In health, corruption in the distribution of medicines, hospital construction, and health insurance services further marginalizes the poor and prevents them from accessing the services they are entitled to. This injustice widens the social gap and creates a sharper disparity in welfare between the rich and the poor. Corruption also lowers social morality because these unethical actions seem to be common practice and can be tolerated, especially if the perpetrators do not receive appropriate punishment (Al Hazmi, 2023).

Corruption can be seen in the management of village funds, district or city budgets, and community empowerment programs. Many village heads, sub-district heads, or regional officials abuse their authority for personal enrichment, including through the procurement of fictitious projects or embezzlement of social assistance funds. As a result, village-level development, which should be based on community participation, becomes elitist and fails to address the real needs of residents. When programs such as village road construction, agricultural irrigation, or MSME assistance are corrupted, the domino effect on residents' socio-economic lives is profound. Residents not only lose access to public facilities but also lose trust in local government. Regional development is the spearhead of equitable national prosperity, and when it fails due to corruption, Indonesia's development mission from the periphery becomes a mere illusion. Corruption weakens budget absorption and exacerbates a sluggish bureaucracy. When public officials prioritize projects that generate personal fees, urgent and pressing social programs are often neglected or defeated. For example, in emergency situations such as natural disasters, there are many reports of corruption of aid funds that should be quickly distributed to save lives and restore the conditions of affected residents.

This demonstrates that corruption doesn't just steal state funds, but also robs people of their opportunity to live a decent life, the future of the younger generation, and the nation's reputation in the eyes of the world. Countries that

have successfully eradicated systemic corruption, such as Finland, New Zealand, and Singapore, have proven to have inclusive economic development and high social welfare indices. In contrast, countries with high levels of corruption tend to be economically stagnant, full of social conflict, and trapped in a cycle of poverty (Lutfi et al., 2020). Eradicating corruption requires a multidimensional approach that includes firm law enforcement, bureaucratic reform, strengthening the role of supervisory institutions, as well as cultural change and early anti-corruption education (Afrilian et al., 2025). These efforts cannot be merely symbolic or temporary, but must be implemented consistently and in a structured manner, from the central government down to the regions. The involvement of civil society, the media, and academics is crucial to creating a healthy system of checks and balances and promoting transparency in state financial management. The development of digital systems and e-government can also be a crucial instrument in closing loopholes for irregularities and strengthening accountability. Rewards and incentives for state officials with integrity and integrity need to be developed to foster a healthy competitive climate within the government.

Corruption must be considered a major enemy because it erodes the trust, values, and structures that underpin development itself. When a country is able to create a clean system, economic growth becomes more than just a figure on paper, but actually impacts the welfare of the people. Equitable development will be easier to achieve if resources are used optimally and not misused (Subhan, 2024). The public will feel ownership and active involvement in the development process because they see justice and transparency. The purpose of this research is to examine in depth how corrupt practices affect economic, social, and governance development in Indonesia, and to identify patterns of deviation that lead to the weak effectiveness of public policy. This research also aims to identify the impact of corruption on public access to basic services, such as education, health, and social welfare, in order to demonstrate the close relationship between corrupt behavior and increasing social inequality and declining quality of life for citizens. In addition, this research aims to analyze the role and effectiveness of law enforcement agencies, oversight mechanisms, and bureaucratic reform initiatives in eradicating corruption, both at the central and regional levels. Thus, this research is expected to provide conceptual and

practical contributions in formulating a more comprehensive, sustainable, and social justice-oriented corruption eradication strategy, so that national development can proceed inclusively, transparently, and in favor of the wider community. Therefore, the agenda of eradicating corruption is not only the responsibility of law enforcement officials or anti-corruption agencies such as the Corruption Eradication Commission (KPK), but also the moral responsibility of all elements of the nation to maintain trust, honesty, and a more just future.

### **Method**

The research method used in this study is a descriptive qualitative method, with a literature study and content analysis approach. This approach was chosen to explore in depth the impact of corruption on economic development and public welfare through searching various secondary sources such as scientific journals, anti-corruption agency reports, investigative news, and public policy documents. Researchers examine patterns of corruption that occur at the local and national levels, and how these practices affect the effectiveness of development policies, the quality of public services, and the distribution of welfare in society. The data obtained were analyzed using data reduction techniques, thematic categorization, and narrative interpretation to identify causal relationships between corrupt practices and their impact on development. In the process, researchers compared findings from various corruption cases in Indonesia, both in the central government and regional governments, as well as in strategic sectors to identify general patterns and the specific contexts of each region. Data validity was strengthened by triangulation of sources and critical reading of official documents, to provide a comprehensive picture of how corruption undermines the development system and harms public welfare.

### **Results and Discussion**

Corruption occurs not only at the central bureaucratic level but also extends to local governments. This systematic corruption has a domino effect on the effectiveness of economic development, particularly in the planning, budgeting, implementation, and oversight of development projects. Funds that should be used to finance priority sectors such as infrastructure, education, and health are instead embezzled by individuals exploiting their positions. Corruption tends to emerge in situations where unlimited power, broad administrative authority,

and unclear rules collide (Pedersen, 2024). The development planning process, which should be based on community needs, has become biased and inaccurate due to bribery, graft, and abuse of authority. As a result, development projects not only lose effectiveness but also create inequities in the outcomes experienced by the community. Corruption has impacted investor confidence in economic stability and governance. This form of investment can only develop with legal certainty and good governance; without this, corruption will actually become an obstacle to productivity and the birth of innovation (Aguilar-Rivera, 2021). When the integrity of the legal system and public bureaucracy is questioned due to corruption, the investment climate becomes less conducive. Investors tend to avoid countries with high legal risks and unofficial costs.

This has a direct impact on economic growth, as investment, both domestic and foreign, is a crucial pillar in driving real sector expansion, job creation, and increasing state revenues. Furthermore, state budget leakage caused by corruption also weakens the government's fiscal capacity to implement strategic national programs. Instead of strengthening the foundations of the national economy through structural reforms and policy innovation, the government is forced to continue to cover losses due to corruption that repeatedly occurs in various sectors, from infrastructure projects, social assistance, to ministry and institutional spending (Cintana et al., 2025a). At the local level, corruption has a more tangible and direct impact on people's lives. Many regional heads have been implicated in corruption cases due to misuse of regional budgets, procurement projects, and social assistance funds. As a result, programs that should improve community welfare, such as the provision of clean water, the construction of village roads, schools, and healthcare facilities, are not implemented properly.

Local development, which should narrow the gap between regions, actually widens it, because regions free from corruption tend to have better quality public services than corrupt regions. This impact becomes even worse when local communities start to become accustomed to transactional practices in their daily lives, for example in managing population administration, business permits, or access to government assistance (A. A. P. A. A. Putri et al., 2025). Such practices create a culture of permissiveness toward corruption and erode values of social integrity. Corruption directly hinders the achievement of

various established targets. The SDGs emphasize the importance of inclusive, equitable, and sustainable development, with clean and accountable governance being a key foundation. Goal 16 explicitly highlights the importance of building effective, transparent, and accountable institutions at all levels. However, the practice of corruption is clearly contrary to that spirit (Ismantara et al., 2021).

When development funds obtained from public taxes, international aid, or natural resource revenues are embezzled, budget allocations for goals such as poverty alleviation (SDG 1), quality education (SDG 4), clean water and sanitation (SDG 6), decent work and economic growth (SDG 8), and inequality reduction (SDG 10) are minimal and suboptimal. In many cases, programs labeled as SDG implementation are actually used as a cover for organized corruption. Corruption impacts a country's global competitiveness. Countries with a high corruption perception index tend to stagnate in institutional quality, budget transparency, and fiscal and monetary policy capacity. As a result, economic development is unable to compete regionally and internationally due to low confidence in the global market. Corruption exacerbates social and economic inequality. The poor are increasingly marginalized because access to public services and economic opportunities is only available to those with political connections or the ability to pay bribes (Damanik & Saragih, 2023). This creates a cycle of injustice that is difficult to break, as corruption is not only a legal issue but also a deeply rooted social, cultural, and political one. Corruption wastes resources and reduces national productivity. When development projects are executed with poor quality due to budget cuts by corrupt individuals, the state must bear additional costs for repairs or reconstruction in a shorter timeframe. This results in decreased economic efficiency and increases the state's fiscal burden. In many cases, infrastructure projects such as roads, bridges, or dams are stalled due to insufficient funding caused by corruption in the early stages of the project.

The public has become skeptical of the government's development promises, because often the expected results are not commensurate with the funds that have been budgeted. Corruption weakens the legitimacy of the government (R. A. Putri, 2023). When the public witnesses public officials abusing their power without significant consequences, trust in state institutions

declines. This impacts public participation in development, whether in the form of direct involvement, social control, or compliance with policies. This low public trust will hamper the success of development programs, as the public is reluctant to contribute and tends to be apathetic towards public policies. This can lead to social and political instability, ultimately threatening national economic resilience. The impact of corruption on the effectiveness of economic development and the achievement of the SDGs cannot be viewed as a purely sectoral issue. Corruption is a cross-sectoral and cross-level problem that requires a comprehensive response from various actors, including government, civil society, law enforcement agencies, and the education sector.

The most obvious impact of corruption on the education sector is the decline in the quality of educational facilities, infrastructure, and services. Education budgets that should be used to build new classrooms, improve school facilities, or improve teacher welfare are often embezzled by unscrupulous officials. In some cases, procurement projects for books, uniforms, and educational supplies are carried out fictitiously or marked up for personal gain. As a result, students, especially in remote and impoverished areas, are forced to study in damaged classrooms, lacking adequate facilities, or even without adequate teachers. Young people who grow up in a corrupt education system will have difficulty accessing adequate skills and knowledge to compete in the world of work (Rachmawati, 2022). This creates a vicious cycle of poverty and backwardness, because education, which should be a bridge to social mobility, fails to carry out its function. Corruption causes various forms of irregularities in the procurement of medicines, medical equipment, hospital construction, and recruitment of medical personnel (Akbar et al., 2025).

The substantial funds allocated from the national and regional budgets (APBN) for the health sector, particularly those allocated under the National Health Insurance (JKN) scheme, are often easy targets for corruption. When health budgets are embezzled, the impact is devastating for the public, as the medical services they receive become inadequate. Poor communities, who rely heavily on public health facilities, often receive poor service or face long waits due to a lack of doctors, medicines, and medical equipment. Cases of corruption in the procurement of personal protective equipment (PPE) or vaccines during the COVID-19 pandemic are clear examples of how corruption

can endanger the lives of millions of citizens. Corruption not only siphons off significant budgets but also undermines public trust in the national health system. Corruption has far-reaching, destructive impacts because infrastructure projects involve significant amounts of public funds and have long-term impacts on economic development and regional connectivity. When infrastructure budgets are misappropriated, the quality of the resulting projects falls far short of the required standards. Roads are quickly damaged, bridges collapse, projects are stalled, and public facilities cannot be used as they should because the construction process is carried out with cheap materials, implementation does not comply with specifications, and supervision is weak due to bribery or gratuities (Hariyani et al., 2016). Infrastructure projects have become mere populist political tools disguised as development rhetoric, when their true purpose is to enrich a select few elites. The public, as infrastructure users, suffers the most, not only because they experience inconvenience and safety risks but also because they must pay taxes that should be used to build quality infrastructure. Corruption creates inequality in budget distribution between regions. Regions that have political networks or closeness to the central elite often receive larger budget allocations even though the indicators of welfare and development in those regions are not necessarily the ones that need it most (Irawan & Lubis, 2023). This creates fiscal injustice and widens inter-regional disparities. Conversely, underdeveloped regions, which should be prioritized for development, experience stagnation due to budget constraints and rampant corruption at the local level. This inequality directly impacts community well-being, as access to public services, economic opportunities, and basic facilities becomes highly unequal. People in poor areas have to face the bitter reality that their voices are not strong enough to fight for basic rights, because the bureaucratic system has been controlled by corrupt actors (Ningsih et al., 2021). Corruption in the distribution of public funds has psychological and social effects on society. People become apathetic towards the political and development process because they feel that their voices have no impact on policy outcomes.

Distrust of public institutions, such as the government, the House of Representatives (DPR), and law enforcement agencies, is growing, as they are perceived as serving only personal and group interests. This situation can

weaken social cohesion and encourage horizontal conflict, especially when communities feel neglected and treated unfairly by the state. This poses a serious obstacle to realizing the ideals of inclusive and socially just national development as enshrined in the constitution. Corruption leads to the waste of public resources that could be used more productively. Leaked budgets due to corruption mean missed opportunities to build better schools, expand healthcare coverage, or accelerate interregional connectivity through infrastructure. The state must allocate additional funds to repair or restart projects that have failed due to corruption. This creates a cycle of inefficiency that ultimately slows economic growth and poverty reduction (Salsabila et al., 2024). Even international institutions such as the World Bank and the IMF have long recognized that corruption reduces economic productivity, increases development costs, and hinders the achievement of sustainable development targets.

Oversight institutions such as the Supreme Audit Agency (BPK), the Inspectorate, and even the Corruption Eradication Commission (KPK) can be weakened structurally and politically. When oversight functions fail to function properly, corruption becomes rampant and uncontrolled. This creates an atmosphere of impunity where perpetrators feel safe and free to commit irregularities without fear of legal action. As a result, the distribution of public funds becomes completely controlled by corrupt actors who continue to strengthen their positions within the system, while the public remains a powerless spectator. Differences in patterns and intensity of corruption at the local and national levels play a role in shaping the landscape of welfare inequality between regions in Indonesia. Corruption not only erodes the state budget but also creates serious distortions in governance, development planning, and the allocation of public resources. When corruption at the national level is systemic and structured, its impact tends to disrupt the direction of macro policy, fiscal stability, and budget distribution between strategic sectors such as education, health, and infrastructure. Meanwhile, corruption at the local level is more often operational and pragmatic, such as misappropriation of regional budget funds, gratuities in regional projects, and nepotism in the recruitment of civil servants or procurement of goods and services. Although different in scale, these two types of corruption both create

a vicious cycle of poverty and widen the gap in prosperity between regions because the allocation of development funds is no longer based on objective needs, but is instead determined by who is the strongest in the corrupt power system (Nawatmi, 2013).

Corruption tends to involve prominent actors with broad influence, such as ministerial officials, members of the central legislature, and even high-ranking state-owned enterprise (SOE) officials. Corruption often involves the manipulation of national policies, such as strategic project arrangements, diverting funds across sectors, or embezzling regional transfers. When these national actors abuse their power, the impact will affect regions dependent on general allocation funds (DAU), special allocation funds (DAK), and other transfers from the central government. Regions that should be development priorities are often denied adequate funding due to money politics, bribery in the budgeting process, or the dominance of certain groups in the central parliament. Regions with weak political access or no “closeness” to the central elite are often marginalized in national budget planning (Salmon, 2024). This has led to inequality in welfare, where certain provinces such as West Java, DKI Jakarta, or North Sumatra receive a large portion of infrastructure spending, while regions such as NTT, Papua, or Maluku remain economically and socially backward.

Corruption at the local level also contributes significantly to disparities in welfare between regions. Corrupt regional heads often use budgets for short-term personal or political interests, such as manipulating development projects for personal gain, building an image through symbolic projects, or distributing funds to specific political supporters. As a result, development in these regions fails to address the real needs of the community, such as access to clean water, basic education, and primary health care. Local corruption often renders the regional budget (APBD) ineffective as an instrument for improving public welfare. This is particularly felt by communities in villages or outlying areas with severely underdeveloped infrastructure. When regional officials divert village development funds or cut social assistance funds, the poor suffer the most. They not only lose access to adequate public services but also lose the opportunity to escape poverty.

This difference in corruption intensity is also evident in data showing that regions with high levels of corruption tend to stagnate in welfare indicators, such as the Human Development Index (HDI), poverty rates, and access to basic services. Conversely, regions with cleaner and more transparent governance typically show significant improvements in these indicators. Concrete examples can be seen in regions such as Banyuwangi, Surabaya, and Semarang, which have demonstrated rapid progress in regional development thanks to relatively clean leadership and accountable administrative systems. Meanwhile, in other regions, such as Papua, East Nusa Tenggara (NTT), and parts of Kalimantan, rampant corruption at both the local executive and legislative levels has prevented substantial central government funds from being converted into effective public services. This creates a widening gap between developed and underdeveloped regions. When corruption permeates the local bureaucracy, the development process becomes transactional and discriminatory. Development projects are often awarded only to contractors close to local authorities, rather than based on competency and community needs. As a result, the quality of physical development is low and unsustainable. Even in national programs such as the Village Fund, which should be directed at strengthening the rural economy, many villages have become victims of corruption by village heads and their staff.

This not only reduces the effectiveness of the program, but also creates distrust among the community that development is truly being carried out for their welfare (Lubis, 2017). When this trust is lost, public participation in development declines, creating a stagnation that is difficult to break. Disparities in welfare between regions due to differences in patterns and intensity of corruption also show a striking geographic dimension. Regions historically close to centers of power, such as Java and Sumatra, have relatively more established government structures, better access to information, and stronger public control. This makes corrupt practices more likely to be detected and controlled. Meanwhile, regions outside Java, such as Papua, NTT, and Maluku, which face serious geographical and social challenges, often become fertile ground for corruption due to weak supervision, a lack of independent local media, and low public capacity to exercise control over power (Lamijan & Tohari, 2022).

In these regions, local elites often monopolize access to public resources, creating small oligarchies that control development processes and budgets without adequate accountability. Differences in the patterns and intensity of corruption between the central and regional governments also impact the efficient use of regional autonomy funds. Autonomy, which should provide regions with the freedom to organize and manage their own affairs, is often abused to strengthen the power of local elites. In many cases, regional heads with broad authority use it to enrich themselves, buy political loyalty, or arrange for victory in the next election. This reinforces dynastic politics and weakens local democracy. Meanwhile, regions that use their autonomy wisely show rapid progress because they are able to formulate development policies based on local needs, with budgets used transparently and participatory. This difference demonstrates that disparities in welfare between regions are not solely due to geography or natural resources, but are largely determined by governance. Corruption creates the illusion of large development budgets being disbursed, but the results are minimal due to leakages at various levels. When certain regions consistently fail to manage their budgets cleanly and effectively, interregional disparities will become increasingly difficult to overcome. This is a major challenge for a country that wants to realize social justice and equitable development as stated in the constitution and the vision of Golden Indonesia 2045. In general, the impact of corruption can be seen from two main perspectives, namely local and national, both of which are interrelated and show how this practice of abuse of power damages economic development and the welfare of society, namely:

- 1. The Impact of Corruption on Economic Development and Community Welfare from a Local Perspective**

Corruption from a local perspective has a very concrete and direct impact on economic development and community welfare (Willyams & Yusuf, 2024). At the regional level, the practice of misappropriating public funds is often carried out by actors who have strategic authority, such as regional heads, service officials, and village officials. Corruption at this level has a significant impact because it touches on the basic needs of society which should be guaranteed by the government (Yandi et al., 2024). For example, village funds which should ideally be used for road construction, school repairs or the provision of health

facilities are instead reduced by the interests of certain individuals or groups. This condition creates development disparities between regions and hinders the achievement of community welfare at the grassroots level (Efendi, 2025).

From a local economic perspective, corruption disrupts the circulation of development funds, which results in slow growth in the real sector (Cintana et al., 2025b). When basic infrastructure is inadequate due to budget misuse, economic activity is hampered. Small and medium-sized businesses struggle to expand due to poor road access, unstable electricity supplies, or inadequate market facilities. This has a domino effect, reducing regional economic competitiveness, increasing unemployment, and widening social inequality. Therefore, corruption not only harms the state financially but also weakens the economic foundations of local communities.

In terms of welfare, corruption in the regions also reduces the quality of public services (Ginting et al., 2024). The practice of extortion in administrative services, business licensing, and access to social assistance adds to the burden on the poor who should receive state protection. This creates a sense of injustice, as those who deserve it are denied the benefits of development policies. Furthermore, corruption at the local level also erodes public trust in local government. Low public trust leads to political apathy, thus minimizing public participation in overseeing public policy. This exacerbates the cycle of corruption, as weak social controls make it increasingly difficult to eradicate abuse of power.

Local corruption also reflects structural inequalities in regional governance. Weak internal oversight systems, a lack of transparency in regional financial management, and weak law enforcement create ample room for corrupt practices. On the other hand, a permissive culture of public acceptance of "grease payments" reinforces the normalization of corruption at the local level. As a result, the public unknowingly becomes part of a cycle of corruption that undermines regional development. If this continues, sustainable development goals oriented toward improving community welfare will be difficult to achieve. Therefore, it is understandable that corruption from a local perspective is not only a legal issue but also a social, economic, and cultural issue. Its destructive impact extends to various aspects of community life, from limited access to public services to hampered regional economic growth.

Therefore, eradicating corruption at the local level requires a comprehensive effort that involves strengthening local governance, budget transparency, active community participation, and firm law enforcement. Only in this way can equitable economic development and improved community welfare truly be realized.

## **2. The Impact of Corruption on Economic Development and Social Welfare from a National Perspective**

From a national perspective, corruption is a serious threat that hampers economic development and erodes the welfare of society at large. Corrupt practices at the central level typically involve actors with significant authority, such as ministry officials, legislators, and managers of State-Owned Enterprises (SOEs). The impacts are systemic, because they are directly related to macro policies, budget allocations, and national strategic projects (Soleha, 2025). When development funds are misused, the country loses the potential to strengthen infrastructure, improve education quality, and expand health services. This results in development outcomes that do not match the budget allocated, leaving the people who should be enjoying the benefits of development facing inequality in welfare.

Corruption at the national level also creates uncertainty in the investment climate (Yohanes & Yusuf, 2024). Investors, both domestic and foreign, require legal certainty and transparency in business processes. However, when additional costs in the form of bribes or gratuities become an unwritten requirement for obtaining permits and project contracts, investor confidence in economic stability declines. This situation results in slowed investment flows, reduced job creation, and hampered real sector growth. Furthermore, weakened international confidence in Indonesia's commitment to eradicating corruption has impacted the nation's economic competitiveness on the global stage.

Starting from the distribution of development, corruption at the national level also impacts budget allocation between regions. Fiscal decisions are often not based purely on the real needs of the community, but rather influenced by money politics, interest lobbying, and power transactions. As a result, development disparities arise between regions close to the center of power and remote areas that receive minimal attention. This widens the socio-economic

gap between regions, potentially leading to public dissatisfaction and social instability. In other words, corruption at the national level is not only a problem of state finances, but also a factor that weakens social cohesion and national integration (Pertiwi, 2019).

In addition, corruption impacts the effectiveness of national policies in achieving sustainable development goals (Ramadhani et al., 2025). Poverty alleviation programs, improving education quality, and equitable health services often fail to achieve their targets because available funds are not used properly. Massive budget leaks mean that strategic programs only generate political imagery without delivering real change in people's lives. The long-term impact of this situation is the emergence of "pseudo-development," where macroeconomic figures appear positive, but people's welfare does not experience significant improvements. Thus, corruption at the national level not only slows economic development but also creates distortions in the nation's social and political structures. Addressing it requires a comprehensive approach, encompassing bureaucratic reform, strengthening law enforcement agencies, ensuring transparency in budget management, and increasing the accountability of policymakers. Without serious action at the national level, the goal of realizing inclusive economic development and equitable public welfare will be difficult to achieve.

## **Conclusion**

Corruption at the national level has a systemic impact that is far broader than at the local level, as it touches on fundamental aspects of state governance. One of the most obvious impacts is the hampered effectiveness of fiscal policy. When development funds sourced from the state budget are misappropriated, the state's ability to optimize public spending is reduced. This situation prevents national development programs, such as providing basic infrastructure, improving the quality of education and health services, and empowering the community economy, from achieving the expected results. As a result, the community's quality of life does not significantly improve, despite annual increases in the development budget.

Furthermore, corruption at the central level creates additional burdens for the business world. Economic costs are higher because business actors must contend with bribery, extortion, and complicated licensing processes. This situation not only

reduces efficiency but also discourages investors from investing in Indonesia. In the long term, the decline in investment flows slows the creation of new jobs and hampers sustainable economic growth. In other words, national corruption blocks productive economic opportunities and reduces the country's global competitiveness. From a social perspective, the impact of corruption at the national level exacerbates inequality. Access to economic and political resources is largely controlled by elite groups who are able to exploit patronage systems, while ordinary citizens are denied tangible benefits from development. This situation creates a widening gap between social classes and regions, which in turn undermines the sense of social justice within society. Furthermore, the impact of corruption is also closely linked to a crisis of trust. When the public perceives that corrupt practices at the central government level are tolerated or not dealt with decisively, the state's legitimacy as a government that prioritizes the public interest is further eroded. This distrust is dangerous, because it can give rise to political apathy, low citizen participation, and the potential for social instability.

Therefore, corruption at the national level is not merely a violation of the law, but rather a structural problem that hinders economic development and the overall well-being of society. Addressing this issue requires strengthening state governance, transparency in budget management, and consistent, impartial law enforcement. Without these strategic steps, national development will continue to be hampered, and the goal of achieving equitable prosperity for the people will become nothing more than a political slogan.

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