



The Synergy of Fiscal Decentralization and Public Accountability in Controlling Corruption

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Abstract

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This study aims to analyze the linkages between fiscal decentralization, public accountability, and the level of corruption in the context of modern governance. Using the Systematic Literature Review approach to scientific publications over the past five years, this study examines various Google Scholar-indexed articles that discuss the role of fiscal autonomy and accountability in controlling corruption. The results of the synthesis show that fiscal decentralization has the potential to increase the efficiency, effectiveness, and responsiveness of public policies through the delegation of authority to the local level. However, the impact on corruption is highly dependent on institutional quality, bureaucratic capacity, and the existence of transparent oversight mechanisms. When public accountability is strengthened through information transparency, performance audits, and public participation, the level of corruption tends to decrease significantly. On the contrary, fiscal autonomy without adequate oversight actually increases the chances of abuse of power and budget manipulation. This study emphasizes that the synergy between fiscal decentralization and public accountability is the main prerequisite for the realization of clean, transparent, and sustainable governance.



1. Introduction

Corruption is still one of the most serious challenges in modern governance. The practice of abusing power for personal gain not only hinders the effectiveness of public policy, but also weakens public trust in state institutions. According to Transparency International (2021), the global average Corruption Perceptions Index (CPI) score is still below 45 on a scale of 100, indicating that corruption remains a structural problem in many countries, including developing countries that implement fiscal decentralization systems. This phenomenon shows that corruption is not only related to individual morality, but also to institutional weakness and low public accountability.

In the context of public governance, fiscal decentralization and public accountability are two important instruments that are believed to be able to strengthen government effectiveness while reducing the chances of corruption (Martínez-Vázquez, Lago-Peñas, & Sacchi, 2017). Fiscal decentralization gives local governments the authority to manage financial resources more autonomously, with the aim of improving the efficiency of public services and responsiveness to community needs. Theoretically, the delegation of fiscal authority can improve government performance because financial decisions are taken closer to the beneficiary communities (Shon & Cho, 2020). However, the effectiveness of decentralization depends on the quality of governance and administrative capacity at the local level.

Cross-country research shows mixed results. On the one hand, fiscal decentralization can strengthen financial transparency and increase public

participation in supervision, thereby suppressing corruption. On the other hand, decentralization can also open up new spaces for the abuse of power when oversight and accountability mechanisms have not been optimally developed (Canavire-Bacarreza et al., 2020). The imbalance between fiscal autonomy and public control can pose a risk of corruption that spreads across various levels of government. In this condition, the quality of institutions and the commitment to transparency are factors that determine the direction of the relationship between decentralization and corruption (Alfada, 2019).

Public accountability has an important role as a control mechanism in a decentralized system of government. An accountable government is expected to be able to account for the open and targeted use of public resources (Gadenne, 2017). A high level of accountability has been proven to be able to reduce the chances of corruption because it creates social, political, and administrative pressure for public officials to act according to integrity norms (Jiménez & Albalade, 2018). On the contrary, the weak public accountability system increases the risk of financial irregularities. Empirical studies show that increased transparency of financial statements and community involvement in supervision are negatively correlated with the level of corruption in local governments (Suhardjanto et al., 2018).

Although a number of studies have traced the relationship between fiscal decentralization, accountability, and corruption, the findings still point to inconsistencies. Several studies have found that fiscal decentralization can suppress corruption through increased community participation and supervisory efficiency (Fisman & Gatti, 2002; recited in Saputra & Setiawan, 2021). However, other

research shows that increasing fiscal autonomy without strengthening accountability actually increases the chances of corruption (Tunio & Nabi, 2021). This inconsistency shows that the relationship between the three variables is contextual and highly dependent on institutional capacity, information transparency, and the quality of local democracy.

Based on this background, this study aims to analyze the relationship between fiscal decentralization, public accountability, and the level of corruption in the context of modern governance. This study uses the Systematic Literature Review (SLR) approach to scientific publications over the past five years that discuss the role of fiscal decentralization and public accountability in suppressing corruption. Through a review of the latest literature, this research is expected to make a theoretical contribution in clarifying the direction of the relationship between the three variables, as well as providing practical implications for strengthening public accountability reform in order to realize a clean, transparent, and sustainable government

2. Literature Review

2.1. Fiscal Decentralization and Corruption

Fiscal decentralization has long been seen as one of the essential strategies to improve the efficiency of public resource management and strengthen responsive governance. Conceptually, decentralization allows fiscal decisions to be taken closer to the community so that public policies can be better suited to local needs and regional socio-economic conditions (Martínez-Vázquez, Lago-Peñas, & Sacchi,

2017). This delegation of authority is expected to be able to encourage local governments to be more innovative in managing the budget and providing quality public services. Decentralization is also believed to strengthen political accountability because citizens have greater opportunities to monitor the performance of their leaders. However, the relationship between fiscal decentralization and the level of corruption still shows mixed results. Several studies have shown that decentralization can reduce corruption levels by shortening bureaucratic chains, expanding public participation, and improving the efficiency of oversight of budget use (Shon & Cho, 2020). This condition mainly occurs when fiscal transfers are accompanied by the implementation of a good system of control, transparency, and financial reporting.

On the other hand, a number of other studies have found that fiscal decentralization can actually increase the chances of corruption, especially in areas that have weak institutional capacity and accountability mechanisms (Alfada, 2019). The imbalance between authority and oversight creates new risks in the form of abuse of power and inefficient allocation of public funds. Therefore, the effectiveness of decentralization in reducing corruption is highly dependent on the quality of governance, the integrity of public officials, and the government's commitment to fiscal transparency. Recent studies confirm that decentralization is not the ultimate goal, but a policy instrument that needs to be supported by a strong accountability and governance system in order to have a positive impact on the eradication of corruption and the improvement of people's welfare.

2.2. Public Accountability and Governance

Public accountability is a fundamental element in realizing a clean, transparent, and community-oriented government. Conceptually, accountability includes the obligation of each government agency to account for policies, actions, and the use of public resources to the party who gives the mandate, namely the community. In the perspective of modern governance, accountability is not only limited to administrative reporting, but also includes information disclosure, honesty in the management of public finances, and willingness to be evaluated by the public. According to Gadenne (2017), high accountability encourages the government to allocate resources efficiently and in accordance with the priority needs of the community. Therefore, accountability plays an important role in maintaining a balance between power and government responsibilities.

The development of technology and the digitalization of governance through e-government have also expanded the dimension of public accountability. Transparency in financial reporting, publication of budget data, and public participation in the policy process are effective means to reduce opportunities for corruption. Empirical research shows that the level of accountability is inversely proportional to the level of corruption. Jiménez and Albalade (2018) found that transparency and disclosure of public information have a significant negative relationship with corrupt practices in local government. These findings are strengthened by Suhardjanto et al. (2018) who show that consistent performance audits and public reporting can suppress potential financial irregularities. Thus, public accountability not only serves as an administrative control mechanism, but

also as a moral and social instrument to ensure the integrity of the state apparatus. An accountable government is able to create public trust, strengthen political legitimacy, and ensure effective governance and free from corruption. The implementation of strong accountability principles is an important foundation for the realization of sustainable good governance.

3. Method

This study uses the Systematic Literature Review (SLR) approach to identify, evaluate, and synthesize relevant scientific findings regarding the relationship between fiscal decentralization, public accountability, and corruption in the context of governance. This approach was chosen because it was able to provide a comprehensive overview of the conceptual and empirical developments of various previous studies published in a certain period of time. SLR also allows researchers to find patterns of relationships, research gaps, as well as the direction of trends in scientific findings related to the theme being studied.

The stages of implementing SLR in this study begin with the formulation of a clear focus of study and research questions, namely how fiscal decentralization and public accountability affect the level of corruption. Once the research question has been formulated, the next step is to conduct a systematic search of the relevant literature through indexed scientific databases such as Google Scholar, ResearchGate, and Elsevier. The search focused on scientific articles in English and Indonesian published between the last five years. The main keywords used in the

search include fiscal decentralization, accountability, corruption, and public governance.

All articles found were then selected using certain inclusion and exclusion criteria. Articles must meet several conditions, namely coming from scientific journals that have gone through a peer-reviewed process, have direct relevance to the theme of fiscal decentralization and accountability against corruption, and contain the results of empirical research or conceptual analysis that can make theoretical contributions. Meanwhile, articles that do not meet those criteria or have data outside the specified period are excluded from the analysis.

The next step is to perform the process of filtering and coding the data. Each article that passed the selection was reviewed to identify the research objectives, methods used, key variables, and the results and conclusions obtained. The results of the study from each article were then compared to find the pattern of relationships and consistency of findings among previous studies. The synthesis process is carried out narratively to illustrate the linkage between fiscal decentralization, public accountability, and the level of corruption as a whole. Finally, the results of the literature synthesis are compiled into the basis for drawing conclusions and formulating relevant policy implications. With this SLR approach, the research is expected to present an objective, systematic, and measurable view of the development of related research, as well as identify research gaps that can be used as a reference for future follow-up studies.

4. Results

The results of the literature review show that the relationship between fiscal decentralization, public accountability, and the level of corruption is a multidimensional issue that continues to develop in the study of modern governance. In general, recent studies indicate that fiscal decentralization has the potential to improve bureaucratic efficiency and improve the quality of public services, but its effects on corruption are not linear. Institutional factors, levels of transparency, and administrative capacity are important variables that determine the direction of the relationship (Martínez-Vázquez, Lago-Peñas, & Sacchi, 2017). Countries or regions with strong fiscal oversight systems and high public participation tend to experience a decrease in corrupt practices after the implementation of fiscal decentralization, while regions with weak governance are at risk of increased budget irregularities (Canavire-Bacarreza et al., 2020).

Cross-border research shows that fiscal decentralization can contribute positively to corruption control when accompanied by increased managerial capacity and transparency of public finances. For example, Shon and Cho (2020) in a study of states in the United States found that fiscal decentralization encourages accountability because local communities can directly monitor the use of local budgets. However, these positive effects are highly dependent on the fiscal accountability mechanism and the effectiveness of the supervisory system. Similar findings were conveyed by Alfada (2019) who researched the case of local governments in Indonesia. He found that increasing fiscal autonomy without the support of an adequate accountability system actually increases the risk of

corruption. In conditions where transparency is low and oversight institutions are weak, decentralization becomes a means for local officials to expand political power and enrich themselves.

In addition to the fiscal aspect, public accountability plays an important role as a control mechanism that suppresses corrupt behavior. Accountability is not only seen as an administrative process of financial reporting, but also reflects a moral and ethical commitment to clean governance. Research by Jiménez and Albalade (2018) shows that the level of transparency in public reporting has a negative correlation with corruption in local government in Europe. Governments that provide open access to public information have been shown to have higher levels of public trust and a lower risk of budget irregularities. This is reinforced by the findings of Gadenne (2017) who explained that the tax-based public financing system encourages higher accountability than the central transfer-based system, because the public has a strong incentive to demand more transparent government performance.

Some studies confirm that the correlation between decentralization and corruption is not universal. Tunio and Nabi (2021) show that the effects of decentralization on corruption depend on the political context and party structure in the country in question. In countries with competitive political systems and high information disclosure, decentralization actually strengthens governance because it increases public participation in public oversight. However, in countries with single-party dominance and weak horizontal controls, fiscal decentralization is often a new conduit for the practice of collusion between local officials and interest groups. Therefore, the influence of decentralization on corruption is highly contextual and

cannot be generalized without considering the institutional and political cultural environment.

In another study, Suhardjanto et al. (2018) found that public accountability has a significant effect on reducing the level of corruption in local governments. Through an analysis of the audit report and the opinion of the Financial Audit Board, they concluded that the better the quality of reporting and audit follow-up, the lower the level of financial irregularities. Strong accountability not only suppresses the chances of corruption but also increases public trust in the effectiveness of government. Meanwhile, Saputra and Setiawan (2021) confirm that fiscal decentralization has a negative effect on indications of corruption at the local level, as long as it is supported by effective financial reporting and public supervision mechanisms. However, the study also shows that formal accountability is not strong enough to suppress corruption as a whole, signaling the need to strengthen institutional integrity.

Findings from various literature also show a synergistic relationship between fiscal decentralization and public accountability. These two variables complement each other in creating a clean and efficient government. Gadenne (2017) emphasized that an effective decentralized system requires a strong accountability base so that the financial decision-making process is not only efficient but also transparent. When accountability runs optimally, fiscal authority at the local level can be managed more responsibly. However, when accountability is weak, decentralization becomes a burden because it adds to bureaucratic complexity without improving public performance. Thus, the success of fiscal decentralization in suppressing corruption

is largely determined by the integration of accountability principles in all stages of budget management.

On the other hand, global studies highlight the importance of social and cultural factors in mediating the relationship between accountability and corruption. Wachs et al. (2019) emphasized that social capital and the level of trust between citizens play a role in reducing the risk of corruption at the local level. People who have strong social networks and high levels of participation tend to be more active in monitoring the implementation of public policies, so the space for corrupt behavior is getting narrower. In contrast, in societies with a passive political culture, formal accountability mechanisms are not always effective due to the lack of social pressure on public officials. Therefore, building a participatory culture is an integral part of a decentralized governance-based corruption eradication strategy.

From an institutional economic perspective, Canavire-Bacarreza et al. (2020) emphasized that fiscal decentralization accompanied by budget transparency can improve long-term fiscal efficiency. However, they also warn that decentralization without strengthening bureaucratic capacity could create a greater risk of corruption. The effectiveness of local fiscal policies often depends on the ability of local technocrats to manage revenues and expenditures professionally. Therefore, in addition to the institutional aspect, the capacity of human resources in local government is an important factor to ensure that decentralization really brings benefits and does not actually worsen public governance.

Further analysis of research trends over the past five years shows a shift in focus from simply assessing the direct relationship between decentralization and

corruption to a more complex analysis of multivariate interactions. For example, research by Jiménez and Albalade (2018) and Shon and Cho (2020) both emphasize that the impact of fiscal policy depends on the quality of democratic institutions and the transparency of public information. Recent studies have also begun to link fiscal decentralization with open government initiatives and the role of digital technology in strengthening public accountability. The implementation of e-budgeting and e-audit systems, for example, has been proven to narrow the opportunities for manipulation of financial data and accelerate public access to budget management reports.

In some developing countries, the main challenge in the implementation of fiscal decentralization is the inequality of capabilities between regions in managing regional finances. Saputra and Setiawan (2021) noted that local governments with high fiscal capacity are better able to apply the principle of accountability than regions with limited income. This inequality leads to disparities in the effectiveness of decentralization against corruption. Regions with large financial resources tend to have better internal oversight mechanisms, while poorer regions often rely on central transfers and lack the administrative capacity to exercise transparent governance. Therefore, decentralization policies need to be balanced with programs to strengthen regional institutions and technical capacity so as not to create new gaps in the quality of public governance.

In addition, some studies have found that fiscal decentralization can have ambivalent effects in the long run. Martínez-Vázquez et al. (2017) state that although decentralization can increase local political participation, this process can also

strengthen networks of patronage and money politics if it is not accompanied by reforms of the internal control system. Thus, the success of fiscal decentralization cannot be separated from the integrity of public officials and the effectiveness of supervisory institutions. Public accountability needs to be expanded not only to financial reporting but also to decision-making processes, procurement of goods and services, and evaluation of program performance.

The results of the review show that most of the literature supports the view that a combination of measurable fiscal decentralization and strong public accountability is key to lowering the level of corruption. The synergy between the two creates a balance between authority and supervision, between autonomy and transparency. Decentralization without accountability can result in policy fragmentation and magnify the chances of deviations, while accountability without decentralization risks resulting in a sluggish and centralized bureaucracy. Thus, the direction of public governance reform ideally places both principles as the main foundation in a clean, efficient, and democratic system of governance.

5. Discussion

The results of the literature review show that the relationship between fiscal decentralization, public accountability, and corruption has a complex character and is influenced by various institutional factors. In general, fiscal decentralization has the potential to improve the efficiency of public services through the devolution of authority to the local level, but these benefits are only achieved when supported by a strong accountability system and adequate fiscal transparency (Martínez-Vázquez,

Lago-Peñas, & Sacchi, 2017). Weaknesses in the aspect of supervision can actually turn decentralization into a new means for the abuse of authority. Therefore, the effectiveness of decentralization policies depends on the synergy between administrative capacity and the integrity of government institutions.

These findings reinforce the argument that decentralization is not a single solution to tackling corruption, but part of a governance system that must go hand in hand with the principle of accountability. Shon and Cho (2020) emphasized that fiscal decentralization can reduce the level of corruption if accompanied by public participation in budget supervision. The same thing was conveyed by Saputra and Setiawan (2021) who found that fiscal decentralization in certain regions is actually effective in reducing indications of corruption when accompanied by increased transparency in financial reporting and evaluation of local government performance. This shows that the institutional context strongly determines the direction of the relationship between decentralization and corruption, and underscores the need for local capacity-based policies.

In addition, the literature also shows that public accountability has a strategic role in creating clean and integrity governance. According to Jiménez and Albalade (2018), the transparency of public information is an important factor that strengthens social control mechanisms against the abuse of power. Public accountability includes not only administrative accountability, but also participatory mechanisms that involve the community in monitoring government performance. In this context, Suhardjanto et al. (2018) added that improving regional performance audits and financial reporting has proven to be able to suppress the potential for

corruption, because it fosters ethical awareness and encourages the professionalism of public officials.

From a policy perspective, the findings of this study support a governance reform approach that emphasizes a balance between autonomy and oversight. Decentralization without accountability risks creating policy fragmentation and widening the gap between regions. Conversely, an overly centralised accountability system can stifle local innovation and reduce government responsiveness to community needs (Canavire-Bacarreza et al., 2020). Therefore, public policy reform should be directed at strengthening regional institutional capacity, increasing budget transparency, and optimizing the role of digital technology in supporting government financial accountability.

Conceptually, the linkage between decentralization and accountability suggests that good governance is not only the result of fiscal policy, but also of building a culture of integrity at the local level. Gadenne (2017) emphasized that tax-based financing structures encourage direct relationships between the government and the community, thereby strengthening social pressure to act transparently and efficiently. In the global context, this is relevant because many countries now emphasize good governance as a prerequisite for sustainable development. Thus, it can be concluded that the collaboration between effective fiscal decentralization and strong public accountability is a key pillar in building a clean, transparent, and adaptive government to the needs of the Community.

6. Conclusion

This study concludes that the relationship between fiscal decentralization, public accountability, and corruption is a mutually influential interaction in the governance system. Fiscal decentralization can be an effective instrument to improve the efficiency and responsiveness of public services if accompanied by a strong accountability system, financial transparency, and adequate institutional capacity. However, without effective supervision and control mechanisms, decentralization can actually open up new opportunities for corrupt practices and misuse of public resources. Public accountability has proven to be an important role in suppressing potential corruption by ensuring that every budget decision and use can be held accountable openly. Strong accountability not only reflects administrative compliance, but is also a manifestation of the moral integrity and professionalism of the government apparatus.

Therefore, public governance reform needs to be directed to strengthen the accountability system at all levels of government, especially in the context of the implementation of fiscal decentralization. Conceptually and practically, the synergy between fiscal decentralization and public accountability is the main foundation for the formation of a clean, efficient, and integrity government. Efforts to reduce corruption cannot be done partially, but through the integration of fiscal policy, transparency, and public participation in public supervision. Thus, the implementation of accountable decentralization is expected to be able to create governance that is oriented towards justice, trust, and sustainability of development.

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