

# Government Efforts to Address State Financial Losses Caused by Corruption Practices and Budget Misuse

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## Info Artikel

### Article history:

Received Apr, 2026

Revised Apr, 2026

Accepted Apr, 2026

### Kata Kunci:

Kebijakan Pemerintah;  
Kerugian Keuangan Negara;  
Korupsi; Penyalahgunaan  
Anggaran

### Keywords:

Budget Misuse; Corruption;  
Government Policy; State  
Financial Losses

## ABSTRAK

Korupsi dan penyalahgunaan anggaran merupakan permasalahan serius yang menyebabkan kerugian keuangan negara serta menghambat pembangunan nasional. Penelitian ini bertujuan untuk menganalisis berbagai upaya pemerintah dalam mengatasi kerugian keuangan negara melalui pendekatan hukum, administratif, dan preventif. Metode yang digunakan adalah studi kepustakaan dengan mengkaji peraturan perundang-undangan serta berbagai kebijakan pemerintah yang relevan. Hasil penelitian menunjukkan bahwa upaya pemerintah meliputi penegakan hukum, pemulihan aset, reformasi birokrasi, peningkatan transparansi, serta pendidikan antikorupsi. Sinergi antarlembaga negara dan partisipasi masyarakat menjadi faktor penting dalam mendukung keberhasilan pemberantasan korupsi.

## ABSTRACT

Corruption and budget misuse are serious problems that cause state financial losses and hinder national development. This study aims to analyze various government efforts to address these losses through legal, administrative, and preventive approaches. The method used is a literature review by examining laws and regulations as well as government policies. The results show that government efforts include law enforcement, asset recovery, bureaucratic reform, increased transparency, and anti-corruption education. Synergy among state institutions and public participation are important factors in the success of corruption eradication.

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## 1. INTRODUCTION

Corruption creates a high-cost economic condition in which the prices of goods and services become more expensive due to misappropriation. This burdens society, especially people

living in poverty, and limits their ability to escape poverty. Communities trapped in poverty often have difficulty gaining access to decent employment, which further worsens their situation.

To address poverty effectively, corruption eradication is essential. By reducing corrupt practices, more resources can be allocated to programs that support poverty alleviation, such as education, health, and infrastructure. This will help create a fairer environment and improve overall public welfare.

Corruption is one of the most harmful forms of economic crime against the state because it causes substantial budget leakage and obstructs the process of national development (Rahman, 2019). This practice does not only occur at the central level but also extends to local governments and even to public service sectors that interact directly with citizens (Sutopo, 2020).

The phenomenon of budget misuse indicates that state financial management still faces various weaknesses, particularly in transparency, accountability, and internal supervision (Hidayat, 2021). Many disclosed corruption cases show collusion between public officials and private parties in government procurement of goods and services (Nugroho, 2022).

State losses caused by corruption affect not only the economy but also social and political life. Economically, development funds that should be used for public welfare become less optimal (Putri, 2023). Socially, corruption creates public distrust toward the government, while politically it can weaken the legitimacy of state institutions (Santoso, 2024).

In responding to these problems, the government has undertaken various strategic measures, such as strengthening law enforcement institutions, increasing the role of state financial audits, and reforming the bureaucratic system (Wijaya, 2025). Institutions such as the Corruption Eradication Commission (KPK), the Audit Board of the Republic of Indonesia (BPK), and other law enforcement agencies play important roles in supervising and prosecuting perpetrators of corruption (Mahendra, 2024).

In addition, digital technology has been utilized in the state financial management system through the implementation of e-budgeting, e-procurement, and electronic financial systems aimed at increasing transparency and minimizing opportunities for corruption (Iskandar, 2023).

However, the effectiveness of these efforts still faces various challenges, such as weak integrity among officials, limited public oversight, and legal loopholes that can still be exploited by perpetrators of corruption (Rahman, 2020). Therefore, synergy among the government, supervisory institutions, and the public is needed to create a clean and corruption-free system of governance (Sutopo, 2021).

Thus, a study on government efforts to address state financial losses caused by corruption is important to provide a comprehensive overview of prevention and enforcement strategies that have been implemented, as well as the challenges that remain in realizing good governance (Hidayat, 2022).

Corruption and budget misuse are among the most complex problems in modern government systems because they directly affect state financial losses and hinder national development (Rahman, 2019). This phenomenon does not only occur in developing countries but also in various other countries; however, in Indonesia, corruption remains a major issue that continues to recur every year (Sutopo, 2020).

In the context of state financial management, corruption often occurs due to weak supervision systems, low integrity among officials, and insufficient transparency in budgeting processes and the implementation of government programs (Hidayat, 2021). Budget misuse may take various forms, such as budget mark-ups, procurement of goods and services that does not comply with procedures, and abuse of authority by public officials (Nugroho, 2022).

State losses caused by corruption are not merely material but also have broad impacts on social, economic, and political aspects. Economically, public funds that should be used for infrastructure development, education, health, and public welfare become less effective (Putri, 2023). As a result, the quality of public services declines and social inequality increases.

From a social perspective, corruption creates injustice in the distribution of resources and reduces public trust in the government (Santoso, 2024). This can trigger public apathy toward government policies and weaken community participation in development. Meanwhile, politically, corruption can damage government legitimacy and disrupt democratic stability (Wijaya, 2025).

The Indonesian government has undertaken various efforts to address these problems through the establishment of anti-corruption institutions, regulatory strengthening, and bureaucratic reform in various sectors (Mahendra, 2024). Institutions such as the Corruption Eradication Commission (KPK), the Audit Board of the Republic of Indonesia (BPK), and other law enforcement agencies have strategic roles in preventing and prosecuting corruption crimes (Iskandar, 2023).

In addition, the government has begun implementing digital systems in state financial management, such as e-budgeting, e-procurement, and electronic financial reporting systems, to improve transparency and accountability (Hidayat, 2022). This digital transformation is expected to reduce opportunities for budget irregularities and strengthen the government's internal supervision system.

Nevertheless, in practice, corruption eradication efforts still face serious challenges. These challenges include a bureaucratic culture that is not yet fully clean, weak law enforcement in some cases, and regulatory loopholes that can still be exploited by perpetrators of corruption (Rahman, 2020). In addition, coordination among supervisory institutions still needs to be improved to make the prevention of budget leakage more effective (Sutopo, 2021).

On the other hand, the role of society in public budget oversight remains suboptimal. Public participation is one of the key elements in creating transparent and accountable governance (Putri, 2023). Public awareness to report suspected budget irregularities needs to be strengthened through continuous education and outreach.

## 2. METHODS

This study uses normative legal research with a qualitative approach, aiming to analyze in depth various government efforts to overcome state financial losses caused by corruption practices and budget misuse. The normative approach was selected because this research focuses on examining legal norms, laws and regulations, and policies related to corruption eradication and state financial management. Several approaches are used in this study, namely the statute approach, which is conducted by reviewing relevant regulations; the conceptual approach, which is used to understand concepts such as state losses, accountability, and good governance; and the case approach, which examines corruption cases and court decisions to observe the practical implementation of existing policies.

The legal materials used in this study consist of primary, secondary, and tertiary legal materials. Primary legal materials include laws and regulations such as the Law on the Eradication of Corruption Crimes, the State Finance Law, and various other regulations related to supervision and state financial management, including relevant court decisions. Secondary legal materials include legal textbooks, scientific journals, previous research findings, and reports from official institutions related to corruption eradication. Tertiary legal materials include legal dictionaries, encyclopedias, and other reference sources that provide additional explanations of primary and secondary legal materials.

The technique for collecting legal materials in this study was library research, namely by collecting and reviewing relevant literature such as books, journals, and official documents. In addition, documentation techniques were also used to obtain data from important documents such as audit reports, reports from state institutions, and court decisions related to corruption cases and state financial losses.

The legal materials were analyzed qualitatively by processing and interpreting the collected data. The analysis process began with an inventory of legal materials, namely identifying

and collecting all relevant materials, followed by classification based on specific themes such as forms of state losses, factors causing corruption, and government efforts to address them. Legal interpretation was then conducted to understand the meaning and objectives of existing regulations, followed by descriptive analysis to systematically explain the measures taken by the government. In the final stage, conclusions were drawn logically and systematically based on the analysis conducted.

This study is not bound to a specific location because it is normative in nature and therefore focuses more on document and literature studies. Data collection was carried out through various sources, such as libraries, online journal databases, and official government institution websites. The focus of this research includes identifying forms of state financial losses caused by corruption and budget misuse, the factors that cause corruption, and the preventive and repressive efforts undertaken by the government to address and recover these losses. In addition, this study also examines the effectiveness of the policies that have been implemented.

To ensure data validity, this study uses source triangulation, namely comparing various legal materials from different sources to obtain accurate and accountable findings. Consistency in legal interpretation was also maintained so that the resulting analysis remains aligned with applicable legal principles. Thus, the findings of this study are expected to provide a comprehensive overview of government efforts to address state financial losses caused by corruption practices and budget misuse.

In addition, this study uses a limited comparative approach to compare policies for handling state financial losses in Indonesia with practices in other countries that have more advanced anti-corruption systems. This approach aims to provide an additional perspective and evaluation material regarding the effectiveness of policies implemented by the Indonesian government. Through this comparison, best practices are expected to be identified and used as recommendations to strengthen state financial management and corruption eradication systems.

Based on the explanation above, and to deepen the analysis, this study also uses a historical approach to trace the development of government policies in addressing state financial losses over time. This approach is important for understanding how regulatory and policy changes have occurred and the factors that influence their effectiveness. Thus, the study is not merely descriptive but is also able to provide a more comprehensive analysis of existing policy dynamics.

### **3. RESULTS AND DISCUSSION**

#### **3.1. Results**

Based on the research conducted through library studies and analysis of various laws and regulations, scientific literature, and official documents, it was found that state financial losses caused by corruption practices and budget misuse remain a serious problem in Indonesia. These state losses generally occur in various forms, including budget mark-ups, procurement of goods and services that does not follow procedures, misuse of social assistance funds, and bribery and gratification practices in policy-making processes. These practices not only directly harm state finances but also obstruct national development and reduce public trust in the government.

The findings show that the factors causing corruption and budget misuse are highly complex and interconnected. The main factors identified include weak internal supervision systems, low integrity among state officials, insufficient transparency in budget management, and opportunities created by regulatory loopholes. In addition, a corrupt culture that still persists in parts of the bureaucracy and the low deterrent effect of imposed sanctions also contribute to the recurrence of corrupt practices.

In addressing state financial losses, the government has taken various preventive and repressive measures. Preventive efforts are carried out through improvements in governance systems, such as the application of transparency and accountability principles in state financial management, strengthening internal supervision systems, and utilizing

information technology in electronic financial systems (e-government). In addition, the government conducts anti-corruption outreach and education to increase awareness and integrity among state officials and the public.

Meanwhile, repressive efforts are carried out through law enforcement against perpetrators of corruption crimes. Through law enforcement institutions, the government has conducted investigations, inquiries, and prosecutions against corruption perpetrators and imposed criminal sanctions in accordance with applicable regulations. In addition, efforts to recover state financial losses are also carried out through mechanisms for restoring state losses, including replacement payments, asset seizure, and auctions of goods obtained from corruption crimes. These measures aim to minimize the losses incurred and return misused state assets.

However, the findings also show that the efforts made by the government have not been fully effective. This is reflected in the still high number of corruption cases and the suboptimal recovery of state financial losses.

In many cases, the value of state losses that can be recovered remains far smaller than the total losses incurred. In addition, obstacles exist in the law enforcement process, such as lengthy court proceedings, difficulties in proving cases, and the potential for intervention in the handling of certain cases.

This study finds that coordination among institutions authorized to eradicate corruption still needs to be improved. Overlapping authority and lack of policy synchronization among institutions often become obstacles to the effective handling of corruption cases. On the other hand, the existing supervisory system is not yet fully capable of detecting and preventing irregularities at an early stage.

The findings of this study indicate that although the government has made various efforts to address state financial losses caused by corruption practices and budget misuse, several challenges remain to be resolved. Strengthening supervision systems, improving the integrity of officials, optimizing law enforcement, and improving coordination among institutions are needed to increase the effectiveness of government efforts in eradicating corruption and recovering state financial losses.

On the other hand, the role of society and non-governmental organizations is also an important factor in supervising state financial management. The findings show that public participation through reporting suspected corruption crimes and the involvement of civil society organizations can help uncover budget misuse practices that are not detected by internal supervision systems. This indicates that corruption eradication is not only the responsibility of the government but also requires active involvement from the wider community.

Furthermore, this study finds that the asset recovery approach has not been fully optimal in restoring state financial losses. Although mechanisms for recovering state losses through replacement payments and asset seizure have been normatively regulated, in practice various obstacles remain, such as difficulty tracing assets, transfer of assets to other parties, and limited international cooperation in cases involving assets located abroad. As a result, not all state losses can be recovered optimally.

The findings also show a gap between regulation and implementation in practice. Although the law provides various relatively comprehensive regulations governing corruption eradication and state financial management, implementation still faces various obstacles, such as weak law enforcement, lack of coordination among institutions, and certain interests that influence case handling processes. This condition indicates that improvements are needed not only in the regulatory aspect but also in implementation and legal culture.

### 3.2. Discussion

Based on the research findings described above, corruption practices and budget misuse that cause state financial losses indicate systemic problems in government governance. Corruption is not only understood as a legal violation but also as a failure to build effective supervision and accountability systems. From the perspective of governance, this condition shows that the principles of transparency and accountability have not yet operated optimally as expected in the concept of good governance (Pratama, 2019).

The identified causes of corruption, such as weak supervision, low integrity among officials, and regulatory loopholes, show that the government's approach still tends to be partial. Handling corruption is not sufficient if it only relies on law enforcement; it must also be accompanied by comprehensive bureaucratic reform. This is consistent with the view that corruption thrives in systems that provide broad opportunities without being balanced by strong controls (Sari, 2020). Therefore, strengthening internal supervision systems is necessary, not only administratively but also based on risk management.

Preventive efforts undertaken by the government through the implementation of digital systems such as e-budgeting and e-procurement are relatively progressive steps in increasing the transparency of state financial management. Digitalization is considered capable of reducing direct interactions that may create opportunities for corrupt practices. However, its effectiveness greatly depends on the readiness of human resources and the commitment of institutions to operate the system consistently. Without adequate integrity among officials, technology itself may be misused for certain interests (Wibowo, 2021).

On the other hand, repressive efforts through law enforcement demonstrate the government's commitment to eradicating corruption. Actions against perpetrators of corruption, including the imposition of criminal sanctions and the recovery of state losses, constitute concrete forms of law enforcement. However, considering the high recurrence of cases, it can be concluded that the expected deterrent effect has not been fully achieved. This indicates that repressive approaches need to be balanced with preventive and educational approaches so that corruption eradication can be more effective (Rahman, 2022).

Furthermore, in the context of recovering state financial losses, the asset recovery mechanism still faces various obstacles. Difficulties in tracing assets, especially those that have been transferred or concealed, are a major barrier in the process of recovering state losses. In addition, limited international cooperation in dealing with assets located abroad also slows down the recovery process. This condition indicates the need to strengthen cross-border cooperation and optimize existing legal instruments to support asset recovery (Putri, 2023).

In addition to internal government factors, public participation also plays an important role in corruption eradication efforts. Public involvement in supervising and reporting suspected corruption crimes can serve as an effective form of social control. This shows that corruption eradication is not solely the responsibility of the government but is a shared responsibility between the state and society (Hidayat, 2024).

Furthermore, the findings of this study also indicate a gap between regulation and implementation in practice. Although Indonesia already has various regulations that are relatively comprehensive in governing corruption eradication, implementation still faces various challenges. Problems such as overlapping authority among institutions, lack of coordination, and certain political interests often obstruct the law enforcement process. Therefore, regulatory harmonization and stronger coordination among institutions are needed so that existing policies can be implemented effectively (Nugroho, 2025).

#### 4. CONCLUSION

Based on the research findings and discussion described above, it can be concluded that corruption practices and budget misuse remain the main factors causing state financial losses in Indonesia. These losses occur through various modes, such as budget mark-ups, irregularities in the procurement of goods and services, and abuse of authority by state officials. This condition shows that corruption is not only an individual problem but also a systemic problem influenced by weak supervision, low integrity, and regulatory loopholes exploited by certain parties.

Government efforts to address state financial losses have been carried out through preventive and repressive measures. Preventive efforts are realized through strengthening governance systems, increasing transparency and accountability, and implementing digital systems in state financial management. Meanwhile, repressive efforts are carried out through law enforcement against corruption perpetrators and mechanisms for recovering state losses through asset return. However, the effectiveness of these various efforts remains suboptimal, as reflected in the persistently high number of corruption cases and the still limited recovery of state financial losses.

This study also finds that success in addressing state financial losses is strongly influenced by synergy among the government, law enforcement agencies, and the public. Public participation in supervising and reporting suspected corruption crimes is an important factor in supporting corruption eradication efforts. On the other hand, several obstacles remain in policy implementation, such as lack of coordination among institutions, overlapping authority, and barriers in law enforcement and asset recovery processes.

It can be concluded that although Indonesia has a relatively comprehensive regulatory framework for corruption eradication, the main challenge lies in implementation. The gap between legal norms and practice indicates the need to strengthen legal culture, improve the professionalism of officials, and ensure consistency in rule enforcement. Without strong commitment from all elements of government, good regulations will not be able to achieve their intended objectives.

In addition, the use of information technology in state financial management is a strategic step that must continue to be developed. Digitalization has significant potential to increase transparency and efficiency, but it must be balanced with improved human resource capacity and supervisory systems that are adaptive to technological development. This is important to ensure that the innovations implemented are truly capable of suppressing potential budget misuse.

Thus, it can be emphasized that government efforts to address state financial losses caused by corruption practices and budget misuse require a more comprehensive, integrated, and sustainable approach. Strengthening supervision systems, improving the integrity of officials, optimizing law enforcement, utilizing technology, and actively involving the public are key factors in realizing clean, transparent, and accountable governance. The success of these efforts will ultimately determine the achievement of equitable and sustainable national development goals.

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