

The Influence Of Corruption Perception Index (CPI) And Inflation On Economic Growth In Indonesia

Cici Mahmut^{1*}, Muhammad Syukri², Rismayanti³

^{1,2,3}Development Economics, Andi Djemma University, 91911, Indonesia

Corresponding Author Email: cici_mahmut@unanda.ac.id

Abstract

This research aims to analyze the influence of the Corruption Perception Index (CPI) and Inflation on Economic Growth in Indonesia. This research uses secondary data obtained from websites and official publications of Transparency International, Bank Indonesia (BI), and the Central Statistics Agency (BPS) of Indonesia. The analytical method used is multiple linear analysis to determine the influence of the corruption perception index and inflation on economic growth in Indonesia. The research results show that simultaneously, the Corruption Perception Index (CPI) and Inflation do not have a significant effect on economic growth, but partially, inflation has a significant positive effect on economic growth in Indonesia while the corruption perception index does not have a significant effect on economic growth in Indonesia.

Keywords: Economic_Growth; Corruption_Perception Index (CPI); Inflation.

1. Introduction

Corruption is a major problem faced by many countries in the world, especially in developing countries. Corruption can be defined as the abuse of public power for private gain. Corruption is one of the biggest problems in Indonesia. Indonesia, as an economically strong country, strives to achieve economic development through various reforms. However, one of the main obstacles to economic growth is widespread corruption both at the government level and in the private sector. Corruption not only reduces the effectiveness of public policy but also damages the social and economic stability of a country.

The direct impact of corruption on economic growth is the reduction of resource allocation efficiency, making government and private investment ineffective. For example, funds that should be used for infrastructure, education, and health are wasted or diverted due to poor governance. This will hamper the growth of sectors needed to drive the country's economy. One of the biggest impacts of corruption in Indonesia is in the investment sector. Foreign and domestic investors often face complex bureaucracy and slow operations due to corruption, which increases foreign currency exchange rates. In addition, legal uncertainty due to corruption reduces investor confidence. Many studies have found that high levels of corruption are directly related to reduced investment, which ultimately reduces economic growth potential and employment in Indonesia.

Therefore, eradicating corruption becomes a priority in efforts to improve Indonesia's economic growth. The government has taken several steps, including strengthening the work of the Corruption Eradication Commission (KPK), improving the public procurement system, and conducting financial streamlining. However, eradicating corruption remains a major challenge as it involves changing administrative procedures and monitoring the abuse of power.

In general, corruption in Indonesia has long-term impacts on economic growth. Without serious efforts to eradicate corruption, Indonesia's economic development will stagnate and the country's enormous economic potential will not be developed.

The CPI value ranges from 0 to 100, with:

- 0 indicating a very high level of corruption and
- 100 indicating very clean from corruption.

Table 1. Corruption Perception Index Data in ASEAN

No	Country	Score/Years						
		2017	2018	2019	2020	2021	2022	2023
1	Indonesia	37	38	40	37	38	34	34
2	Malaysia	47	47	53	51	48	47	50
3	Singapore	84	85	85	85	85	83	83
4	Thailand	37	36	36	36	35	36	35
5	Vietnam	35	33	37	36	39	42	41
6	Philippines	34	36	34	34	33	33	34
7	Myanmar	30	29	29	28	28	23	20
8	Laos	29	29	29	29	30	31	28
9	Timor Leste	38	35	38	40	41	42	43

Source: Transparency International, 2023.

Based on the table above, the Corruption Perception Index shows that the level of corruption in Indonesia is still high compared to other countries such as Malaysia and Singapore. The highest level of corruption in Indonesia occurred in 2022 and 2023. When compared with other ASEAN countries, Singapore has the lowest Corruption Perception Index level, and Laos is in first place with the highest Corruption Perception Index level in ASEAN based on data released by Transparency International 2023.

The inflation rate is an economic phenomenon that often occurs in the economy [1]. High and unstable inflation is a sign of economic instability that causes a general and continuous increase in the price level of goods and services. The high inflation it causes will hamper economic development and community activities, thus slowing economic activity and ultimately reducing economic growth.

Inflation is an economic phenomenon that often occurs even though we do not want it. Milton Friedman stated that inflation is a monetary phenomenon that occurs everywhere and always reflects excessive and unstable increases in the money supply [2]. Inflation occurs when the general price level rises. This price increase can have a negative impact on production activities. Because, when production costs rise, investment activities shift to areas that are less supportive of domestic products. Productive investment decreases and economic activity declines. Investment tends to focus on acquiring land, houses, and buildings. The decline in goods production will affect economic growth. Although inflation has a negative impact on economic growth, this does not mean that inflation must be reduced to zero percent. A zero percent inflation rate does not lead to economic growth, but rather stagnation. If we can keep inflation at a very low level, policy will become very important for economic activity. Ideally, inflation should be around 5% to stimulate economic activity.

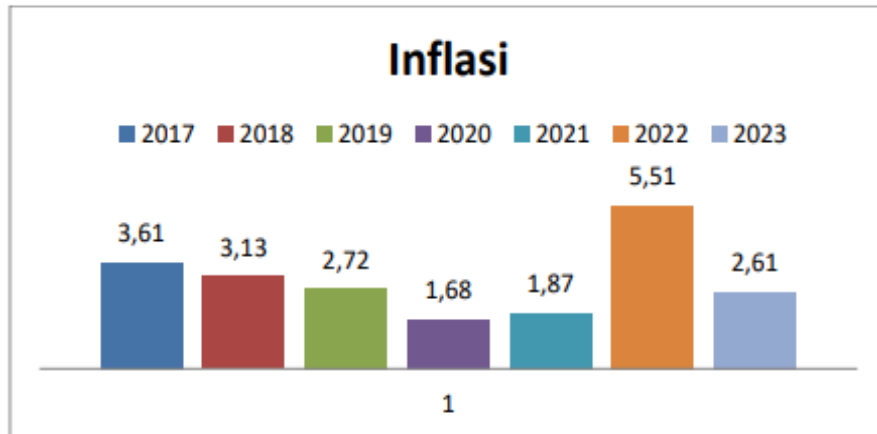
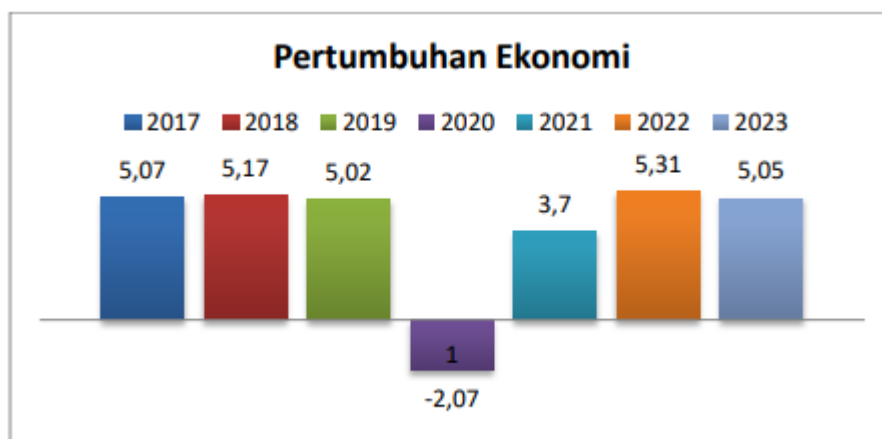


Figure 1. Inflation Data Percentage
 Source: Bank Indonesia

Based on the figure above, it can be seen that inflation experiences fluctuations. The highest inflation occurred in 2022 at 5.51%. This increase was driven by global price pressures, food supply disruptions and fuel adjustment policies, as well as increased public demand due to improving pandemic conditions. In 2023, the inflation rate fell to 2.61%, reflecting a weakening trend in core inflation, with inflation components no longer affecting real output in the medium to long term.

One of the research indicators used to measure the economic performance of a country or region is economic growth. It explains the impact of economic activities on population income growth over a certain period of time. Economic growth itself is related to the process of increasing the production of goods and services in the economic activities of a society.



Sumber: Badan Pusat Statistik (BPS)

Figure 2. Economic Growth Percentage

As seen in the graph above, Indonesia's economic growth rate experienced fluctuations. The economic growth rate in 2017 was 5.07%, the economic growth rate in 2018 slightly increased to 5.17%, the economic growth rate in 2019 remained at 5.02%, and the economic growth rate in 2020 was -2.07%. In 2021, the economic growth rate increased again to 3.7%, in 2022 it increased again to 5.31%, and in 2023, the economic growth rate slightly decreased to 5.05%.

In connection with the above problems, the author is interested in conducting the following research: The Influence of the Corruption Perception Index and Inflation on Economic Growth in Indonesia.

2. Methodology

This research uses the Corruption Perception Index (CPI) and Inflation variables as factors that influence Economic Growth. This research uses a quantitative approach conducted in the form of multiple regression analysis with time series data for the period 2014-2023 in Indonesia. Overall, the type of data used in this research is secondary data. Data sources were obtained from several websites and official publications of Transparency International, Bank Indonesia (BI), and the Central Statistics Agency (BPS) of Indonesia. The data analysis technique used is linear regression analysis with the simultaneous equation model method. The equation model in this research can be seen as follows:

$$Y = f(X_1, X_2)$$

Where:

Y : Economic Growth

X₁: Corruption Perception Index (CPI)

X₂ : Inflation

Based on the functional form in the simultaneous equation system above, it can be expressed non linearly in the form of a function as follows:

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:

Y : Economic Growth

α_0 : Constant

β_1, β_2 : Koefisien Regresi

X₁ : Corruption Perception Index

X₂ : Inflation

e : Error Term

3. Result and Discussion

3.1. Result

3.1.1. Simultaneous Test (F Test)

The test is used to determine how much the independent variables Corruption Perception Index (X₁) and Inflation (X₂) together influence the dependent variable Economic Growth (Y).

Table 2. Anova

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.431	2	.216	4.186	.073 ^b
	Residual	.309	6	.051		

Total .740 8

- a. Dependent Variable: Y
- b. Predictors: (Constant), X2, X1

Source: Processed data, SPSS.

Based on the test results, a significance value of 0.073 was obtained, where this value > 0.05, so it can be concluded that the independent variables Corruption Perception Index (X1) and Inflation (X2) simultaneously do not influence the dependent variable Economic Growth (Y) in Indonesia.

3.1.2. Partial Test (t Test)

Table 3. Variable Effects

Model		Coefficients ^a		T	Sig.
		Unstandardized Coefficients	Standardized Coefficients		
		B	Std. Error		
1	(Constant)	-1.638	5.639		
	X1	.664	1.536	.125	.432
	X2	.697	.251	.807	2.781

a. Dependent Variable: Y

Source: Processed data, SPSS.

a. Corruption Perception Index (X1)

Based on the test results of the effect of the corruption perception index (CPI) variable on economic growth in the table above, a t-calculated value of 0.432 < 2.36462 and a significance value of 0.681 > 0.05 were obtained. This means that the corruption perception index variable does not have a significant effect on economic growth, so it can be stated that the second hypothesis of this research is rejected.

b. Inflation (X2)

Based on the test results of the effect of the inflation variable on economic growth in the table above, a t-calculated value of 2.781 > 2.36462 and a significance value of 0.032 < 0.05 were obtained. This means that the inflation sector has a significant effect on economic growth. So it can be stated that the third hypothesis is accepted.

Based on the test results using SPSS, the following regression equation was obtained:

$$Y = -1.638 + 0.664X1 + 0.697X2 + 5.639$$

- a. The constant value obtained is -1.638, meaning that if the value of the independent variable is 0 (constant), then the dependent variable value is -1.638. In this research, if the influence of the corruption perception index and inflation is 0 (constant), then economic growth is 1.638%.
- b. The regression coefficient value of the corruption perception index variable is 0.664, meaning that when the corruption perception index increases by 1%, then at the same time economic growth decreases by 0.664% assuming other independent variables remain constant.

- c. The regression coefficient value of the inflation variable is 0.697, meaning that when inflation rises by 1%, then at the same time economic growth increases by 0.697% assuming the value of other independent variables remains constant.
- d. The error value of 5.639 means that economic growth is influenced by other variables not studied by 5.639%.

3.1.3. Coefficient of Determination Test (R^2)

The following are the results of the coefficient of determination test (R^2):

Table 4. Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.763 ^a	.583	.443	.22691

a. Predictors: (Constant), X2, X1

Source: Processed data, SPSS.

Based on the calculation results in table 4 above, a coefficient of determination (adjusted R square) value of 0.443 was obtained. This means that the contribution value between independent variables to dependent variables is 44.3% while the remaining 55.7% is influenced by other variables not studied.

3.2. Discussion

3.2.1. The Effect of Corruption Perception Index on Indonesia's Economic Growth

Based on the regression results, it was found that the corruption perception index does not have a significant effect on economic growth in Indonesia. This indicates that increases or decreases in the corruption perception index do not directly affect economic growth. This may be due to increased investment. Where in 2014 investment was 11.96%, 2015 investment was 12.10%, 2016 was 12.28%, 2017 was 12.48%, 2018 was 12.70%, 2019 was 12.86%, 2020 was 12.93%, 2021 was 13.01%, 2022 was 13.22%, and in 2023 investment was 13.42%. This shows that investment has increased during the 2014-2023 period [3].

Investment in Indonesia has increased every year, so corruption is not a major obstacle for investors. Economic growth in Indonesia is more influenced by other factors such as consumption, exports and investment rather than corruption. The results of this research are in line with classical economic theory developed by Adam Smith which states that corruption does not have a significant effect on economic growth because markets can adjust themselves.

This is consistent with research conducted by [4] entitled the effect of corruption on economic growth in Indonesia. The research results show that the Corruption Perception Index (CPI) as an indicator of corruption in Indonesia partially has no significant effect on economic growth.

3.2.2. The Effect of Inflation on Economic Growth in Indonesia

Based on the regression results, it was found that inflation has a positive and significant effect on economic growth. Inflation and economic growth have a close relationship with each other. Controlled inflation that is within reasonable limits can have a positive and

significant impact on economic growth. This is because inflation is accompanied by an increase in minimum wage (UMR) which also increases. Where in 2014 the UMR in Indonesia was Rp.1,584,391, 2015 was Rp.1,790,342, 2016 was Rp.1,997,819, 2018 was Rp.2,268,874, 2019 was Rp.2,455,662, 2020 was Rp.2,672,371, 2021 was Rp.2,687,728, 2022 was Rp.2,729,430, and in 2023 was Rp.2,923,309. This shows that the UMR in Indonesia increases every year during the 2014-2023 period.

The increase in UMR can increase people's income, thereby increasing their ability to buy goods and services. Thus, even though inflation experiences an increase and is accompanied by an increase in UMR, inflation is considered healthy inflation that supports economic growth in Indonesia.

The results of this research are in line with monetary inflation theory developed by Milton Friedman. According to Friedman, inflation can have a positive effect on economic growth if the inflation is caused by an increase in aggregate demand, such as when the government increases spending or when people increase consumption.

This is consistent with research conducted by [5] entitled The Impact of Inflation on Economic Growth in Indonesia. The research results show that inflation has a positive and significant effect on economic growth in Indonesia.

4. Conclusion

Based on the results of data processing and discussion both statistically and comprehensive discussion based on empirical facts and related theoretical studies, this research can draw the following conclusions:

- 4.1. The analysis results show that the corruption perception index and inflation do not have a significant effect on economic growth in Indonesia.
- 4.2. The analysis results show that the corruption perception index (CPI) does not have a significant effect on economic growth in Indonesia.
- 4.3. The analysis results show that inflation has a positive and significant effect on economic growth in Indonesia.

5. Acknowledgement

The researchers would like to thank the team for participating in this research process and also thank colleagues who have provided valuable input during discussions.

6. Reference

- [1] M. A. F. Saragih, D. Damanik, and P. D. Panjaitan, "the Effect of Corruption and Inflation on Economic Growth in ASEAN," *Budapest Int. Res. Critics Institusi-Journal*, vol. 5, no. 3, pp. 21219–21231, 2022.
- [2] R. Dornbusch, R., Fischer, S., Startz, *Macroeconomics. Global Education Media*. Jakarta, 2001.
- [3] B. Indonesia, "Inflation Data 2014-2023, from Bank Indonesia." 2024.
- [4] B. Akman and D. S. A.H, "Pengaruh Korupsi Terhadap Pertumbuhan Ekonomi Di Indonesia," *J. Ilm. Mhs. (JIM)*, vol. 3, no. 4, pp. 531–538, 2018.
- [5] S. Amalia, "Analisis Dampak Korupsi Pada Masyarakat (Studi Kasus Korupsi Pembangunan Shelter Tsunami di Kecamatan Labuan Kabupaten Pandeglang)," *Epistemik Indones. J. Soc. Polit. Sci.*, vol. 3, no. 1, pp. 54–76, 2022.
- [6] *Accounting, D., & Finance and Banking, M.* Indonesia: Corruption and Economics

- Growth In 33 Province-An Empirical Study In Indonesia, 2013.
- [7] B.P, *Economic Growth, from Central Statistics Agency*. 2024.
- [8] Nopirin, *Introduction to Micro and Macro Economics*. Yogyakarta: BPFE, 2012.
- [9] Putong and Iskandar, *Introduction to Micro and Macro (5th Edition)*. Jakarta: Mitra Wacana Media, 2013.
- [10] I. Khasanah, H. H. Adinugraha, A. Gunawan, R. A. Sholihah, and G. D. Surya, “The Effect of Inflation on Economic Growth in Indonesia,” *Adv. Econ. Manag. Polit. Sci.*, vol. 148, no. 1, pp. 31–35, 2025.
- [11] P. A. Daniel, “Analisis Pengaruh Inflasi Terhadap Laju Pertumbuhan Ekonomi Di Kota Jambi,” *Ekon. J. Econ. Bus.*, vol. 2, no. 1, pp. 131–136, 2018.
- [12] C. C. Chea, “Economic Valuation Of Conservation Of Living Heritage in Melaka City, Malaysia,” *Univ. Putra Malaysia*, pp. 1–5, 2013.
- [13] A. S. Budi, Y. N. B. Lejab, W. G. Rohi, and E. T. Y. Dima, “Dampak Korupsi terhadap Pertumbuhan Perekonomian Indonesia,” *Sci. J. Reflect. Econ. Accounting, Manag. Bus.*, vol. 8, no. 4, pp. 1183–1188, 2025.
- [14] P. Mauro, “The persistence of corruption and slow economic growth,” *IMF Staff Pap.*, vol. 51, no. 1, pp. 1–18, 2002.
- [15] K. Ningsih, “Analisis Pengaruh Inflasi, Investasi, Indeks Persepsi Korupsi terhadap Pertumbuhan Ekonomi Indonesia Tahun 1999-2019,” 2021.
- [16] K. C. Malika, Y. A. P. Ramadhanti, and A. Oinori, “Dampak Korupsi terhadap Pembangunan Ekonomi Nasional,” *J. Pendidikan, Seni, Sains dan Sos. Hum.*, vol. 3, no. 1, pp. 1–15, 2025.
- [17] M. C. Purnama, “Pengaruh Indeks Persepsi Korupsi, Inflasi dan Nilai Tukar terhadap Investasi Asing Langsung di ASEAN-5,” *J. Ekon. Aktual*, vol. 2, no. 2, pp. 41–48, 2022.
- [18] A. S. Fadilla and A. Purnamasari, “Pengaruh Inflasi Terhadap Pertumbuhan Ekonomi Indonesia,” *Ekon. Sharia J. Pemikir. dan Pengemb. Ekon. Syariah*, vol. 7, no. 1, pp. 17–28, 2021.
- [19] R. A. Al Hazmi, “Pengaruh Korupsi Terhadap Pertumbuhan Ekonomi Indonesia,” *J. Acitya Ardana*, vol. 3, no. 2, pp. 85–92, 2023.