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Political Party Financing and Corruption Risks in Indonesia: Rethinking Transparency and Accountability in Electoral Democracy

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Abstract

Political party financing represents a persistent governance challenge because political organizations require financial resources to operate while remaining vulnerable to illicit contributions, conflicts of interest, and political corruption. This article examines the relationship between party financing and corruption risks in Indonesia. Using normative juridical and institutional analysis, the study evaluates political party finance regulation, disclosure requirements, public subsidies, private contributions, and enforcement mechanisms. The article argues that limited transparency concerning the sources and use of party funds may create opportunities for political actors to exchange policy influence for financial benefits. The study proposes a party-finance accountability framework based on comprehensive disclosure, independent auditing, standardized reporting, strengthened public financing, and effective sanctions for violations. Particular attention is given to the role of public funding in reducing parties' dependence on private financial interests while maintaining democratic accountability. The article concludes that political finance reform should be treated as a core component of anti-corruption policy because electoral integrity and corruption prevention are closely interconnected. Strengthening transparency in political financing would improve public trust and reduce structural incentives for illicit political funding.

[*Pendanaan partai politik merupakan tantangan tata kelola yang terus-menerus karena organisasi politik membutuhkan sumber daya keuangan untuk beroperasi sekaligus tetap rentan terhadap kontribusi ilegal, konflik kepentingan, dan korupsi politik. Artikel ini mengkaji hubungan antara pendanaan partai dan risiko korupsi di Indonesia. Dengan menggunakan analisis yuridis dan institusional normatif, studi ini mengevaluasi regulasi pendanaan partai politik, persyaratan pengungkapan, subsidi publik, kontribusi swasta, dan mekanisme penegakan hukum. Artikel ini berpendapat bahwa transparansi yang terbatas mengenai sumber dan penggunaan dana* *partai dapat menciptakan peluang bagi aktor politik untuk menukar pengaruh kebijakan dengan keuntungan finansial. Studi ini mengusulkan kerangka akuntabilitas pendanaan partai berdasarkan pengungkapan komprehensif, audit independen, pelaporan standar, penguatan pendanaan publik, dan sanksi efektif untuk pelanggaran. Perhatian khusus diberikan pada peran pendanaan publik dalam mengurangi ketergantungan partai pada kepentingan keuangan swasta sambil tetap menjaga akuntabilitas demokratis. Artikel ini menyimpulkan bahwa reformasi pendanaan politik harus diperlakukan sebagai komponen inti dari kebijakan anti-korupsi karena integritas pemilu dan pencegahan korupsi saling terkait erat. Penguatan transparansi dalam pendanaan politik akan meningkatkan kepercayaan publik dan mengurangi insentif struktural untuk pendanaan politik ilegal.*]

Keywords: Political party financing, corruption, transparency, electoral integrity, Indonesia

Introduction

Political parties occupy a central position in representative democracy because they aggregate social interests, recruit political leaders, formulate policy alternatives, and organize electoral competition. None of these functions can be performed without financial resources. Parties require money to maintain organizations, employ staff, conduct political education, communicate with citizens, nominate candidates, and finance election campaigns. Financial resources are therefore not inherently problematic; indeed, a democracy without adequate political financing could become accessible only to wealthy individuals and organizations. The governance problem emerges when the financial dependence of parties creates opportunities for donors to exchange resources for political influence. Comparative research shows that political finance regimes are consequently situated between two competing democratic objectives: enabling political competition and preventing the conversion of economic resources into political power (Scarrow 2007; Kulln 2016). The issue becomes particularly serious when private contributions are concealed, when public subsidies are inadequately monitored, or when parties operate as intermediaries between economic interests and state resources. Political finance should therefore be understood not merely as an accounting issue but as an institutional mechanism that shapes the distribution of political influence.

Indonesia provides a particularly important setting for examining this relationship. Since the democratic transition following the fall of Suharto, political competition has expanded, elections have become institutionalized, and political parties have gained greater organizational and electoral importance. Yet the expansion of electoral competition has also generated substantial financial pressures. Mietzner (2015) argues that Indonesia's party and campaign financing system has remained structurally dysfunctional because membership dues, private donations, and state subsidies have failed to provide parties with an adequate and transparent financial foundation. This institutional weakness creates incentives for parties and politicians to seek alternative sources of funding, including contributions from business actors and informal networks. Tambunan (2021) similarly argues that weaknesses in Indonesia's party financing system are closely connected with political corruption because illicit financing can provide access to state resources and privileged economic opportunities. The problem is therefore systemic rather than episodic. Individual corruption cases involving politicians should not be separated from the financing environment within which political actors operate. If parties face high expenditure requirements but possess limited legitimate revenues, the political system itself can generate incentives for opaque fundraising.

The Indonesian legal system recognizes the need to regulate political finance. Law No. 2 of 2011, which amended Law No. 2 of 2008 on Political Parties, regulates sources of party funding, financial management, financial assistance, and party accountability. Law No. 7 of 2017 on General Elections establishes the framework for campaign financing and reporting, while subsequent amendments have adjusted the electoral framework. Government Regulation No. 1 of 2018 strengthens state financial assistance to political parties and imposes accountability requirements, including administrative consequences for parties that fail to submit required accountability reports. KPU Regulation No. 18 of 2023 provides more specific rules for campaign funds, including special campaign accounts, initial campaign finance reports, donor reports, receipts and expenditure reports, auditing, public responses, and the SIKADEKA information system. These regulations demonstrate that Indonesia does not lack formal political finance rules. The more fundamental problem concerns the effectiveness of the institutional connections between disclosure, audit, public scrutiny, and sanctions.

The distinction between formal regulation and substantive accountability is crucial. A political party may technically submit a campaign finance report without providing citizens with sufficiently detailed information to understand who actually financed the campaign or whether reported expenditures reflect the true economic value of campaign activities. Similarly, an audit may establish compliance with formal accounting requirements without detecting political relationships that generate conflicts of interest after an election. Recent Indonesian research illustrates this problem. Oktaviana et al. (2025), examining political party financial reporting, found that the majority of parties studied had either not prepared financial statements or had prepared statements that had not been audited. Research on campaign finance compliance similarly indicates that the quality of reporting remains an important issue even under an increasingly detailed regulatory framework (Usriani et al. 2025). The analytical implication is that transparency cannot be equated with disclosure alone. Effective political finance transparency must allow citizens, journalists, regulators, and civil society organizations to reconstruct the financial relationships surrounding political parties. It must reveal not merely how much money parties receive but where it originates, through which intermediaries it moves, and what institutional consequences may follow.

This article therefore examines political party financing as a structural component of corruption prevention. It asks three principal questions: first, what corruption risks are generated by the existing structure of political party financing in Indonesia; second, why have existing transparency, reporting, auditing, and public funding mechanisms not fully resolved those risks; and third, what institutional reforms could strengthen the relationship between political finance transparency and electoral integrity? The article adopts a normative juridical and institutional analytical approach. It examines Indonesian legislation and regulatory instruments while integrating findings from Indonesian and comparative journal literature published through 2025. The central argument is that political finance regulation should move from a compliance-centered model toward an integrated accountability model. Disclosure must be comprehensive, audits must be independent, public financing must be sufficient but conditional, private contributions must be traceable, and violations must generate credible consequences. Political parties should not be treated simply as private associations because they perform constitutionally significant democratic functions and, in Indonesia, may receive public financial assistance. Their financial activities therefore have public consequences and should be subject to correspondingly strong accountability standards.

Political Finance and the Institutional Logic of Corruption

Political finance creates corruption risks because money can operate simultaneously as a legitimate democratic resource and as a mechanism for purchasing access, influence, or favorable treatment. The analytical challenge is therefore not to eliminate private money from politics but to distinguish legitimate political support from financial relationships that compromise political equality and public decision-making. Evertsson (2013), in a cross-national analysis, demonstrates the ambiguity of private electoral financing: contributions may be formally legal while still creating expectations of reciprocal influence. This problem is especially significant where political actors possess substantial discretionary authority over public procurement, licensing, taxation, natural resources, appointments, or regulatory decisions. A donor does not necessarily need to make an explicit request for a policy favor for political finance to create a conflict of interest. The expectation of future reciprocity can itself alter incentives. Consequently, political corruption should be analyzed not only through illegal transactions but also through institutional structures that permit financial dependence to influence public decisions. The objective of political finance regulation should therefore be to make financial relationships visible before they become policy relationships.

The Indonesian context intensifies this problem because political parties frequently function as intermediaries connecting electoral competition with access to governmental resources. Parties nominate candidates, support executive and legislative officeholders, and participate in coalition-building. Consequently, financial support to parties can generate benefits beyond the electoral process. Mietzner (2015) argues that oligarchic interests have penetrated party politics in Indonesia partly because existing financing mechanisms have failed to provide parties with adequate legitimate resources. The resulting dependence can create a circular relationship: parties require money to compete, wealthy interests provide money or access to financial networks, elected officials subsequently control state resources, and those resources can generate new opportunities for political fundraising. Tambunan (2021) similarly identifies the dysfunction of the party finance system as a structural contributor to political corruption. The analytical significance of this argument is that corruption prevention cannot focus solely on individual politicians. If political organizations systematically experience financial deficits, individual-level enforcement may leave the underlying incentive structure unchanged. Party finance reform must therefore address the organizational economics of political competition.

Public funding is frequently proposed as a solution to this problem because state subsidies can reduce parties' dependence on wealthy private donors. Cross-national evidence suggests that public subsidies may reduce corruption by replacing some forms of private political money and increasing the traceability of political revenues (Hummel, Gerring, and Burt 2021). Yet the relationship is more complex than a simple substitution model. Lipcean and McMenamin (2024) demonstrate that the empirical relationship between public funding and corruption is theoretically and methodologically contested. Public funding may reduce private financial dependence, but it can also strengthen incumbent parties, create cartelization, or reduce parties' accountability to social organizations. Scarrow (2007) similarly shows that public subsidies have consequences for party organization and political competition beyond their financial function. Therefore, public financing should not be understood as automatically anti-corrupt. It becomes anti-corruptive when it is sufficient to reduce illicit fundraising incentives while simultaneously being conditional upon transparency, audited reporting, democratic organizational practices, and compliance with political finance rules.

The Indonesian public financing system illustrates this tension. Government Regulation No. 1 of 2018 increased the legal basis for financial assistance to political parties and explicitly linked state assistance with stronger transparency and accountability requirements. The regulation also provides administrative consequences when parties fail to submit required accountability reports, including withholding financial assistance until reporting requirements are fulfilled. This structure is normatively important because it connects public money with accountability. However, the effectiveness of conditional public financing depends on whether the conditions are sufficiently demanding and whether verification is independent. If parties can receive substantial public resources while maintaining weak internal financial reporting or if audits are treated primarily as procedural exercises, public subsidies may merely transfer the financing burden from private actors to taxpayers without fundamentally reducing corruption risks. Public financing should therefore be accompanied by disclosure of both public and private revenues. Otherwise, state subsidies may improve the transparency of one portion of party finances while leaving the more politically sensitive private portion opaque.

Indonesia's Regulatory Framework

Law No. 2 of 2011 provides the principal statutory framework for political party financing in Indonesia. The law regulates party funding and recognizes several sources of financial support, including membership contributions, legitimate donations, and state financial assistance under applicable conditions. The law also establishes responsibilities concerning financial management and accountability. Its significance extends beyond accounting because it reflects a constitutional understanding of political parties as democratic institutions whose activities have public implications. The regulation of party finance is therefore justified not only by fiscal considerations but also by the need to protect political competition from excessive economic influence. Nevertheless, a statutory framework becomes effective only when subordinate regulations provide sufficiently precise reporting, auditing, disclosure, and enforcement mechanisms. The existence of multiple sources of funding also creates an institutional challenge: each source can possess different reporting characteristics and different levels of public visibility. Public subsidies are relatively traceable because they originate from government budgets, while private donations can be more difficult to identify when transactions are routed through intermediaries or when disclosure thresholds are high. The central regulatory challenge is consequently to create a unified financial picture of each party.

The electoral framework adds a second layer of regulation. Law No. 7 of 2017 on General Elections regulates campaign financing and establishes obligations concerning campaign finance reporting. The subsequent regulatory framework, including KPU Regulation No. 18 of 2023, requires participants to establish special campaign accounts and submit reports concerning campaign finance receipts and expenditures. The regulation also provides for auditing and public responses, while incorporating SIKADEKA as an information mechanism. These requirements represent an important development because they recognize that campaign finance transparency requires standardized information rather than ad hoc disclosure. Yet campaign finance and ordinary party finance remain analytically distinct. Political parties operate continuously, whereas campaign finance becomes particularly visible during election periods. If regulation concentrates primarily on election-period transactions, significant financial relationships may remain outside the campaign finance system. Donors may support party activities before elections, contribute to organizational networks, or provide resources through affiliated entities. A comprehensive political finance regime must therefore integrate party finance transparency with campaign finance transparency, rather than treating them as separate regulatory worlds.

The reporting requirement itself also raises questions about the meaning of audit. KPU Regulation No. 18 of 2023 provides for auditing campaign finance reports, but an audit does not automatically establish substantive integrity. Financial auditing primarily evaluates whether reported transactions comply with applicable accounting and reporting standards. It may not fully reveal beneficial ownership, informal relationships, political expectations, or transactions whose economic substance differs from their formal description. This limitation is demonstrated by comparative research. Smulders and Maddens (2016), examining party annual accounts in 18 European countries, identify the importance of standardized reporting, public availability of accounts, auditor independence, and independence of monitoring institutions. Rodrнguez Lypez, Rodrнguez Gutiйrrez, and Rubio Martнn (2022) similarly find that anti-corruption barriers and stronger financial transparency requirements can improve the quality of political party accounting information. The Indonesian system should therefore move toward an audit model that combines financial assurance with risk-based political finance oversight. The objective should be not merely to determine whether numbers add up but whether financial structures reveal meaningful corruption risks.

Transparency and the Limits of Disclosure

Transparency is frequently presented as the principal solution to political finance corruption because disclosure allows voters, journalists, civil society organizations, regulators, and competing political actors to scrutinize financial relationships. However, transparency only works when information is sufficiently comprehensive, timely, accessible, and comparable. Su (2019), studying political finance disclosure in Taiwan, demonstrates that disclosure regimes can be weakened by loopholes that prevent citizens from obtaining a complete picture of political money. The same analytical problem applies to Indonesia. A disclosure system may require parties to report donors and expenditures while allowing thresholds, intermediaries, organizational affiliates, or non-cash contributions to remain insufficiently visible. Transparency should therefore be evaluated according to the question: Can an informed observer reconstruct the financial network surrounding a political party? If the answer is no, the regime remains formally transparent but substantively opaque. This distinction is central to corruption prevention because hidden financial relationships may become politically relevant precisely when they are difficult to observe.

Comparative research reinforces the importance of institutional design. Tonhauser and Stavenes (2020) demonstrate that political finance transparency reforms depend not only on formal legal requirements but also on political competition, corruption discourse, and the interests of parties themselves. Smulders and Maddens (2016) similarly identify the independence of auditors and monitoring institutions as important dimensions of effective transparency. These findings suggest that transparency regulation can fail when regulated parties exercise excessive influence over the institutions responsible for monitoring them. This creates a classic principal–agent problem: political parties are the regulated actors, but they may possess substantial influence over the design and implementation of the rules. Lipcean and McMenamin (2024) similarly emphasize that political finance regulation is partly self-regulating because politicians participate in designing the institutional framework governing their own financing. Indonesia therefore needs oversight institutions that possess sufficient legal independence, investigative capacity, technical expertise, and public accountability to prevent political finance regulation from becoming a self-protective arrangement.

Transparency must also be connected to public usability. Information disclosed in technically correct but inaccessible forms does little to empower citizens. The objective should be to make political finance information searchable, comparable, downloadable, and understandable. Each party should have a standardized public financial profile showing annual income, expenditure, state subsidies, membership contributions, private donations, loans, assets, liabilities, campaign finance, audit findings, and sanctions. Donor information should identify the actual beneficial source where legally possible rather than merely the immediate intermediary. Expenditures should be categorized consistently so that researchers and journalists can compare parties and identify unusual patterns. Wood (2022) demonstrates that campaign finance transparency can affect both voter behavior and political actors because information about financial noncompliance can generate electoral consequences. Transparency therefore has an indirect regulatory effect: it changes incentives by increasing the probability that financial misconduct will become politically costly. This effect will remain weak, however, if disclosure systems are fragmented or difficult for citizens to use.

Political Parties, Oligarchic Influence, and Policy Capture

One of the most significant risks associated with political party financing is oligarchic influence. In systems where political parties lack stable organizational revenues, wealthy individuals and business networks can become disproportionately important sources of political funding. The resulting influence does not necessarily take the form of direct bribery. It may instead involve access, candidate support, campaign logistics, policy consultation, appointments, or privileged relationships with political decision-makers. Mietzner (2015) describes the Indonesian party finance system as dysfunctional partly because political parties have insufficient legitimate financial resources, thereby creating opportunities for oligarchic penetration. This argument is consistent with the broader literature on political finance, which emphasizes that money can influence political competition even when transactions remain formally legal. Kulln (2016) shows that party finance regulation does not automatically eliminate inequalities between political actors, while Evertsson (2013) demonstrates how legally permissible private contributions can create expectations of policy reciprocity. Political finance reform should therefore focus not only on illegal donations but also on the structural conditions under which private economic resources acquire disproportionate political influence.

The Indonesian problem becomes more complex when party financing interacts with the broader political economy of state resources. Political parties and their officeholders can influence public procurement, appointments, regulatory decisions, and allocation of public resources. A private donor who supports a party may therefore potentially obtain access to a political network capable of influencing economically valuable decisions. The relationship between political finance and corruption consequently extends beyond election expenditure. It concerns the possibility that financial contributions made during the electoral process can generate returns after political actors obtain public authority. This is why political finance should be integrated into broader anti-corruption policy. If corruption investigations focus only on illegal transactions after officeholders are in power, they may overlook the financial relationships that created incentives for influence in the first place. Political finance transparency provides a preventive opportunity because it allows potential conflicts of interest to be identified before policy decisions are made.

The danger of policy capture is particularly serious where political parties are financially dependent on a small number of major contributors. The problem is one of concentration. A party financed by thousands of relatively small contributors has a different incentive structure from a party financially dependent on a handful of wealthy actors. The former may be more responsive to broad membership and electoral constituencies, while the latter may face stronger incentives to protect donor interests. Research on public funding suggests that state subsidies can reduce this concentration by diversifying party revenues (Hummel, Gerring, and Burt 2021; Lipcean 2024). Yet state financing should not simply replace one dependency with another. Parties must remain accountable to citizens rather than becoming financially dependent on the state. The appropriate model is therefore mixed but regulated financing: adequate public subsidies, reasonable membership contributions, transparent private donations, strict restrictions on prohibited sources, and comprehensive reporting. The aim is not to eliminate private political participation but to prevent financial concentration from becoming political domination.

Public Funding as an Anti-Corruption Instrument

Public financing deserves particular attention because it represents the most direct institutional mechanism for reducing political parties' dependence on private money. The theoretical argument is straightforward: if parties receive sufficient legitimate public resources, their incentives to seek opaque or illicit contributions should decrease. Cross-national research by Hummel, Gerring, and Burt (2021) finds that political finance subsidies are negatively associated with political corruption across a large international dataset. However, Lipcean and McMenamin (2024) caution that the empirical relationship is more complex and sensitive to measurement. Public funding may reduce some forms of corruption while simultaneously increasing party dependence on the state or strengthening established parties. Casal Bйrtoa and Rama (2022) show that public subsidies can influence party competition in new democracies, indicating that funding arrangements affect not only corruption but also the structure of democratic competition. The policy question is therefore not whether Indonesia should provide public funding but how public funding should be designed so that it simultaneously reduces illicit financial dependence and preserves political pluralism.

Government Regulation No. 1 of 2018 provides an important legal basis for this approach by increasing financial assistance to political parties and linking such assistance with accountability requirements. The regulation explicitly seeks to strengthen political parties while improving transparency and accountability in the management of public financial assistance. It also establishes an administrative consequence for parties that fail to provide required accountability reports: financial assistance may be withheld until the accountability report has been examined by the Audit Board. This conditional structure is normatively appropriate because public financing should purchase public accountability, not merely organizational capacity. However, the conditions should extend beyond submission of reports. Eligibility for future subsidies should depend on timely disclosure, independent audit, correction of audit findings, compliance with donor restrictions, and publication of financial information in an accessible format. A party that repeatedly fails transparency requirements should not simply face delayed payment; it should experience graduated financial and institutional sanctions.

The level of public funding is also important. If subsidies remain too low relative to the actual cost of maintaining political organizations and competing electorally, parties may continue to depend heavily on private financial networks. Research on Indonesia has repeatedly emphasized the problem of high political costs and insufficient party financing. Yamin et al. (2024) argue that existing financial assistance has not adequately addressed the financial pressures confronting Indonesian parties. Farhan and Jaelani (2025) similarly find that funding limitations can adversely affect party regeneration, political participation, transparency, and accountability. The appropriate response is not unlimited public financing but evidence-based financing calibrated to legitimate organizational and electoral needs. Public funding should support functions that have clear democratic value, such as political education, internal cadre development, policy research, organizational administration, and transparent electoral activity. At the same time, expenditure restrictions and disclosure should prevent public resources from becoming discretionary political slush funds.

Auditing, Oversight, and Enforcement

Auditing is indispensable to political finance accountability, but its effectiveness depends heavily on institutional independence and scope. An auditor appointed or controlled by the regulated political actors may face conflicts of interest that reduce the credibility of financial oversight. Smulders and Maddens (2016) demonstrate that auditor independence and monitoring-body independence are central dimensions of party finance transparency. Rodrнguez Lypez, Rodrнguez Gutiйrrez, and Rubio Martнn (2022) similarly show the relationship between anti-corruption barriers, accounting quality, and financial transparency in political parties. The Indonesian framework should therefore distinguish between the technical function of auditing and the institutional function of enforcement. An auditor can identify inconsistencies, but another institution may need authority to investigate suspicious transactions, obtain additional documentation, trace beneficial ownership, or impose sanctions. Without this institutional chain, audit findings can become descriptive rather than corrective. Political finance oversight should therefore be designed as an integrated system in which reporting, auditing, investigation, adjudication, and sanctions are institutionally connected.

The Indonesian experience indicates that the problem is partly one of compliance capacity. Oktaviana et al. (2025) found that many political parties had not prepared complete financial reports or had prepared reports that remained unaudited. This finding is particularly significant because political parties are not ordinary private associations when they receive public funding and participate in constitutionally significant electoral processes. Their financial reporting should therefore meet standards sufficiently robust to permit public scrutiny. Weak reporting capacity can be addressed through standardized accounting systems, professional financial officers, mandatory digital submission, training, and technical guidance. However, capacity-building should not become an excuse for indefinite noncompliance. A political party that receives public funds should possess a minimum organizational capacity to account for those funds. Financial reporting requirements should consequently be accompanied by technical assistance during implementation and meaningful sanctions for persistent failure.

Sanctions represent the final component of accountability. A regulation without credible sanctions may encourage strategic noncompliance because political actors calculate that the benefits of violating the rules exceed the expected costs. Comparative research shows that oversight bodies require powers to investigate, request information, refer suspected offenses, and impose effective and proportionate sanctions (Smulders and Maddens 2016; Casal Bйrtoa, Heapy-Silander, and Lynge 2025). Sanctions should be graduated. Minor reporting errors may justify correction and administrative warnings; repeated failures may justify financial penalties or suspension of public assistance; serious concealment, prohibited donations, falsification, or corruption should be referred to competent law enforcement institutions. The crucial principle is predictability. Political actors should know that violations will generate consequences regardless of party size or governmental position. Selective enforcement would undermine the legitimacy of the system and could transform political finance regulation into a tool for political competition rather than an impartial accountability mechanism.

Digital Political Finance Transparency

Digitalization provides an important opportunity to transform political finance transparency from periodic reporting into continuous public information. KPU Regulation No. 18 of 2023 already incorporates SIKADEKA into the campaign finance framework and requires participants to report campaign finance information through standardized mechanisms. The next step should be to integrate party finance and campaign finance information into a unified public platform. Citizens should be able to identify each party's sources of income, major donors, public subsidies, campaign receipts, expenditure patterns, audit findings, sanctions, and historical compliance. Such a system could also permit automated risk analysis. For example, unusually large donations shortly before procurement decisions, repeated donations from companies with government contracts, sudden changes in party expenditure, or concentrations of donations around specific political actors could generate risk alerts. Digital transparency would therefore become more than publication; it would become an analytical infrastructure for corruption prevention.

Nevertheless, digitalization does not automatically guarantee transparency. Information systems can reproduce opacity if data are incomplete, inconsistently categorized, difficult to search, or uploaded only after political decisions have been made. Su (2019) demonstrates that disclosure regimes can remain ineffective when loopholes prevent citizens from obtaining a comprehensive understanding of political finance. The Indonesian system should therefore adopt principles of machine-readable disclosure, standardization, timeliness, completeness, and interoperability. Party financial reports should use consistent categories across all political organizations. Donor identifiers should be sufficiently detailed to permit the detection of repeated or connected contributions. Expenditure data should be linked where appropriate to campaign events and procurement information. Audit reports should be published alongside the underlying financial statements. The objective is to create a public data environment in which journalists, researchers, civil society organizations, and regulatory institutions can independently analyze political finance rather than relying solely on official summaries.

Digital transparency also changes the relationship between citizens and political parties. Wood (2022) demonstrates that campaign finance information can affect both electoral outcomes and incumbent behavior because disclosure creates reputational and electoral consequences. This suggests that public disclosure can function as a form of indirect enforcement. Voters may reward parties perceived as transparent and punish those associated with unexplained financial relationships. However, this mechanism depends on information being available before voters make decisions. If campaign finance reports are published only after election day, their democratic accountability function becomes substantially weaker. Indonesia should therefore move toward more frequent disclosure during the electoral period, supplemented by post-election audited reports. The principle should be that information relevant to electoral choice must be available while citizens still possess the opportunity to use it.

Rethinking Transparency: From Disclosure to Accountability

The distinction between transparency and accountability is central to political finance reform. Transparency answers the question of whether information is disclosed, whereas accountability asks whether actors can be required to explain and justify their conduct and face consequences for violations. A political party may therefore be transparent in a formal sense while remaining weakly accountable. For example, a party could publish its financial statement while failing to explain unusually large donations or conflicts of interest involving donors. The accountability relationship becomes stronger when disclosure is combined with independent verification, public scrutiny, institutional questioning, and sanctions. Casal Bйrtoa, Heapy-Silander, and Lynge (2025) argue that financial transparency can contribute to party institutionalization when public funding, comprehensive disclosure, and independent oversight operate together. Their argument is particularly relevant to Indonesia because it shows that transparency is not merely an anti-corruption obligation but can also strengthen the legitimacy and organizational quality of political parties. Financial openness can therefore be framed as a democratic institutional investment rather than solely as a restriction imposed upon parties.

Public participation is an essential component of this accountability relationship. Political finance is often treated as a specialized issue that belongs exclusively to accountants, auditors, regulators, or political scientists. Yet financial decisions determine who has access to political influence and therefore directly affect citizens. Civil society organizations, journalists, researchers, and voters should be able to scrutinize political finance information without requiring specialized institutional access. The public should also have mechanisms for submitting concerns regarding suspicious donations or expenditures. KPU Regulation No. 18 of 2023 already recognizes public responses within the campaign finance framework. This principle should be expanded into a broader political finance accountability mechanism. Public observations should be documented, assessed by competent institutions, and answered transparently. Such a system would transform citizens from passive recipients of political finance information into active participants in electoral integrity.

The role of the media is equally important. Financial transparency becomes politically meaningful when journalists can connect financial data with policy decisions, business interests, government contracts, and political appointments. This requires data that are accessible and sufficiently detailed to permit investigation. Political parties should therefore be required to disclose information in formats suitable for independent analysis. Civil society organizations can further contribute by developing monitoring platforms and comparative party-finance assessments. The objective is not to create a permanent presumption of wrongdoing against political parties but to create an institutional environment in which unexplained financial relationships are visible. Transparency can reduce corruption risk precisely because it increases the probability of detection. If political actors know that donations, expenditures, and relationships can be reconstructed publicly, the expected cost of engaging in corrupt financial arrangements increases. Transparency therefore operates as a preventive mechanism through the logic of deterrence and reputational accountability.

An Integrated Political Finance Accountability Framework

Based on the preceding analysis, this article proposes an Integrated Political Finance Accountability Framework (IPFAF) consisting of six mutually reinforcing pillars: adequate public financing, comprehensive disclosure, independent auditing, digital traceability, participatory oversight, and graduated sanctions. The first pillar addresses the supply-side problem by ensuring that parties possess sufficient legitimate resources to perform democratic functions. The second addresses information asymmetry by requiring disclosure of all relevant sources and uses of funds. The third provides professional verification through independent audits. The fourth creates technological infrastructure capable of connecting party finance and campaign finance data. The fifth introduces citizens, journalists, civil society organizations, and researchers into the accountability process. The sixth ensures that violations generate credible consequences. The framework is deliberately integrated because each pillar compensates for weaknesses in the others. Public funding without transparency can create misuse of public money; transparency without audit can produce unreliable information; audit without sanctions can produce reports without consequences; and sanctions without preventive disclosure may occur only after corruption has already taken place.

The framework should also adopt a risk-based approach. Not every financial transaction carries the same corruption risk. Small membership contributions may represent relatively low risk, while unusually large donations from companies with significant government contracts may represent a higher risk. The regulatory system should therefore prioritize enhanced scrutiny of high-risk transactions. Risk indicators could include donor concentration, donations immediately preceding procurement or licensing decisions, repeated donations by related entities, transactions involving politically exposed persons, unexplained loans, unusually high campaign expenditure, or discrepancies between declared expenditure and observable campaign activity. Such indicators would allow oversight institutions to allocate investigative resources more efficiently. Comparative political finance research demonstrates the importance of moving beyond simple disclosure toward institutional systems capable of identifying meaningful patterns (Smulders and Maddens 2016; Su 2019). Indonesia could therefore combine standardized disclosure with analytical risk detection rather than relying exclusively on manual examination of party reports.

Public funding should form the financial foundation of the framework but should be conditional on accountability performance. Parties that provide complete reports, undergo independent audits, disclose donor information, correct audit findings, and comply with campaign finance rules should receive continued or enhanced public support. Conversely, parties that repeatedly fail to comply should face graduated financial consequences. This approach creates an incentive structure in which transparency has material value. It also responds to the argument that inadequate political financing can itself weaken democracy. Farhan and Jaelani (2025) identify the relationship between funding limitations and weaknesses in party regeneration, participation, transparency, and accountability. Public funding should therefore be increased strategically rather than indiscriminately. The state should finance legitimate democratic functions while refusing to subsidize persistent noncompliance. Such conditionality would make public funding a governance instrument rather than simply a fiscal transfer.

Policy Implications

The first policy implication is that Indonesia should establish a unified political finance disclosure regime covering both ordinary party finance and election-period campaign finance. The current distinction between party finances and campaign finances creates the possibility that important financial relationships remain outside the most intensive disclosure requirements. A unified system would enable regulators and citizens to observe the financial history of political parties rather than only their electoral-period transactions. The system should include annual party financial statements, campaign finance reports, public subsidies, donor information, loans, expenditures, assets, liabilities, audit findings, and sanctions. KPU Regulation No. 18 of 2023 provides an important foundation for campaign finance reporting, while Law No. 2 of 2011 establishes the broader party finance framework. The next reform should connect these systems. A unified disclosure platform would also reduce duplication and make it easier for citizens to compare parties. The objective should be to create one authoritative financial record for each party that can be independently audited and publicly scrutinized.

Second, the independence and capacity of political finance oversight should be strengthened. Oversight institutions must possess authority to request information, investigate suspicious transactions, coordinate with other regulatory institutions, and impose or recommend sanctions. The experience of comparative political finance systems indicates that formal oversight institutions are ineffective when they lack investigative capacity or independence from the actors they regulate (Smulders and Maddens 2016; TonhΔuser and Stavenes 2020). Indonesian reform should therefore emphasize institutional safeguards. Oversight personnel should possess expertise in accounting, public procurement, political finance, beneficial ownership, and financial investigation. Cooperation between electoral institutions, financial regulators, auditors, anti-corruption institutions, and law enforcement agencies should be strengthened where legally appropriate. Political finance violations should not disappear within institutional boundaries. A suspicious transaction identified during campaign finance auditing should be capable of being escalated into a broader investigation where evidence suggests corruption or prohibited financial relationships.

Third, Indonesia should redesign public financial assistance as a performance-based democratic subsidy. Parties should receive sufficient funding to perform legitimate political functions, but continued access to public financing should depend on measurable accountability standards. These standards could include timely submission of audited financial reports, comprehensive disclosure of private contributions, compliance with donor restrictions, publication of financial information, correction of audit findings, and demonstrated use of funds for legitimate political functions. Government Regulation No. 1 of 2018 already connects financial assistance with accountability and provides administrative consequences for failure to submit required reports. The proposed reform would extend this principle by creating a broader performance framework. Public funding would thus become an incentive for institutionalization and transparency rather than simply compensation for party expenditure.

Fourth, sanctions should be strengthened while remaining proportionate. Minor administrative errors should not receive the same treatment as deliberate concealment of donors, falsification of reports, prohibited corporate contributions, or corrupt exchanges. A graduated system could consist of warnings, mandatory correction, public disclosure of violations, financial penalties, suspension or withholding of public assistance, disqualification from certain electoral benefits where legally permissible, and referral to law enforcement for conduct potentially constituting a criminal offense. The objective is deterrence rather than punishment for its own sake. Political actors must perceive that compliance is easier and less costly than systematic evasion. The enforcement system should also be politically neutral. Sanctions must apply consistently to governing and opposition parties, large and small parties, and national and subnational political organizations.

Selective enforcement would undermine the legitimacy of the entire political finance regime.

Conclusion

Political party financing is not a peripheral issue within democratic governance. It is one of the institutional mechanisms through which economic resources are converted into political influence. Parties require money to operate, compete, recruit candidates, and communicate with citizens, but financial dependence can also create opportunities for donor influence, conflicts of interest, policy capture, and corruption. Indonesia's experience demonstrates that the problem is not simply the existence of private money but the weakness of the institutional architecture regulating how political money enters, circulates within, and exits political organizations. Mietzner (2015) and Tambunan (2021) demonstrate the structural relationship between weaknesses in party financing and political corruption, while more recent Indonesian studies continue to identify deficiencies in financial reporting, accountability, and transparency. The persistence of these problems despite extensive regulation indicates that the central challenge is implementation and institutional integration rather than regulatory absence.

The Indonesian legal framework already provides important foundations. Law No. 2 of 2011 regulates political party financing and accountability; Law No. 7 of 2017 and subsequent amendments regulate electoral financing; Government Regulation No. 1 of 2018 establishes public financial assistance and accountability requirements; and KPU Regulation No. 18 of 2023 provides detailed campaign finance reporting, auditing, public response, and digital information mechanisms. Yet these instruments remain fragmented if party finance, campaign finance, public funding, auditing, and enforcement operate as separate institutional domains. The key reform therefore lies in integration. Political finance transparency must be comprehensive enough to reveal the full financial structure of parties, while auditing and oversight must be independent enough to challenge politically influential actors. Public financing must be sufficient to reduce dependence on private donors but conditional enough to prevent misuse of public resources.

The article has proposed an Integrated Political Finance Accountability Framework based on six pillars: adequate public funding, comprehensive disclosure, independent auditing, digital traceability, public participation, and graduated sanctions. The framework treats transparency not as an end in itself but as an instrument for increasing political accountability. Disclosure becomes meaningful when citizens can interpret information, auditors can verify it, regulators can investigate it, and violations can produce consequences. Public funding becomes meaningful when it reduces illicit financial dependence while strengthening democratic organizational capacity. Digitalization becomes meaningful when it allows citizens and institutions to identify suspicious financial patterns rather than merely storing documents. The central policy objective should therefore be to increase the visibility, traceability, and consequences of political money. Ultimately, electoral integrity depends not only on whether votes are counted accurately but also on whether political competition occurs under conditions that prevent economic power from becoming political domination. A democratic election can be procedurally free while remaining substantively distorted if political parties depend disproportionately on opaque financial networks. Indonesia should therefore treat political finance reform as a core element of its anti-corruption strategy. Stronger transparency, public financing, independent auditing, citizen oversight, and credible enforcement can reduce the structural incentives that connect political money with corrupt exchange. The goal is not to eliminate money from politics but to ensure that money remains a means of supporting democratic participation rather than a mechanism for purchasing political influence.

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