

TABLE OF CONTENTS

| | Pages |
|---------------------------------------|--------------|
| BACHELOR THESIS APPROVAL | ii |
| STATEMENT OF ORIGINALITY | iv |
| MOTTOS | v |
| ABSTRACT | vi |
| FOREWORDS | viii |
| TABLE OF CONTENTS | xi |
| LIST OF TABLES | xvi |
| LIST OF FIGURES | xvii |
| LIST OF ATTACHMENTS | xviii |
| CHAPTER I INTRODUCTION | 1 |
| 1.1 Background of the Problem | 1 |
| 1.2 Formulation of the Problem | 9 |
| 1.3 Objectives and Benefits | 11 |
| 1.3.1 Research Objectives | 11 |
| 1.3.2 Research Benefits | 12 |
| 1.4 Systematics of Writing | 12 |

| | |
|--|-----------|
| CHAPTER II LITERATURE REVIEW | 14 |
| 2.1 Theoretical Foundations and Previous Research | 14 |
| 2.1.1 Fraud Triangle | 14 |
| 2.1.2 Corruption | 22 |
| 2.1.3 Regional Financial Performance | 24 |
| 2.1.4 Regional Revenue | 26 |
| 2.1.5 Regional Capital Expenditure | 28 |
| 2.1.6 Internal Audit Capability | 29 |
| 2.1.7 Regional Employee Expenditure | 33 |
| 2.2 Previous Research | 36 |
| 2.3 Hypotheses | 39 |
| 2.3.1 The Effect of Regional Financial Performance on Corruption Government 39 | |
| 2.3.2 The Effect of Local Revenue on Corruption in Local Government | 40 |
| 2.3.3 The Effect of Local Capital Expenditure on corruption in Local Government | 41 |
| 2.3.4 The Effect of Internal Audit Capability on Corruption in local government 42 | |
| 2.3.5 Local Employee Expenditure on Corruption | 44 |
| 2.4 Research Framework | 46 |

| | |
|--|-----------|
| CHAPTER III RESEARCH METHODS..... | 47 |
| 3.1 Research Variables and Operational Definition of Variables | 47 |
| 3.1.1 Dependent Variable..... | 47 |
| 3.1.2 Independent Variables..... | 48 |
| 3.1.2.1 Regional Financial Performance | 48 |
| 3.1.2.2 Regional Revenue | 48 |
| 3.1.2.3 Regional Capital Expenditure | 49 |
| 3.1.2.4 Internal Audit Capability..... | 49 |
| 3.1.2.5 Regional Employee Expenditure..... | 50 |
| 3.2 Research and Framework..... | 50 |
| 3.2.1 Population | 50 |
| 3.2.2 Sample..... | 50 |
| 3.3 Types and Sources of Data..... | 51 |
| 3.4 Methods of Collecting Data | 51 |
| 3.5 Methods of Analysis | 51 |
| 3.5.1 Descriptive Statistics..... | 52 |
| 3.5.2 Logistic Regression Analysis..... | 52 |
| 3.5.2.1 Overall Fit Model..... | 53 |
| 3.5.2.2 Coefficient of Determination | 54 |
| 3.5.2.3 Hosmer and Lemeshow’s Goodness of Fit Test | 55 |
| 3.5.2.4 Logistic Regression Equation Model..... | 55 |

| | |
|---|-----------|
| 3.5.2.5 Hypothesis Test..... | 57 |
| CHAPTER IV RESULT AND ANALYSIS..... | 58 |
| 4.1 Description of Research Objects..... | 58 |
| 4.1.1 Overview of Research Objects..... | 58 |
| 4.1.2 Descriptive Statistics..... | 59 |
| 4.2 Data Analysis..... | 61 |
| 4.2.1 Overall Fit Model..... | 61 |
| 4.2.2 Coefficient of Determination..... | 63 |
| 4.2.3 Hosmer and Lemeshow's Goodness of Fit Test..... | 64 |
| 4.2.4 Logistic Regression Analysis..... | 66 |
| 4.2.5 Hypothesis Testing..... | 67 |
| 4.3 Interpretation of Research Results..... | 70 |
| 4.3.1 The Effect of Regional Financial Performance on Corruption..... | 70 |
| 4.3.2 The Effect of Regional Revenue on Corruption..... | 71 |
| 4.3.3 The Effect of Regional Capital Expenditure on Corruption..... | 72 |
| 4.3.4 The Effect of Internal Audit Capability on Corruption..... | 73 |
| 4.3.5 The Effect of Local Employee Expenditure on Corruption..... | 74 |
| CHAPTER V CONCLUSION..... | 75 |
| 5.1 Conclusion..... | 75 |
| 5.2 Limitations..... | 76 |
| 5.3 Suggestion..... | 77 |
| 5.3.1 Theoretical Implications..... | 77 |

| | |
|--|-----------|
| 5.3.2 Managerial Implications..... | 78 |
| 5.3.3 Suggestions for Future Research..... | 79 |
| BIBLIOGRAPHY..... | 80 |
| APPENDIX | 83 |

