

## NAVIGATING GREY ZONES: INTEGRITY VULNERABILITIES IN REGIONAL GOVERNANCE

Rifqi Novriyandana<sup>1,\*</sup>, Iwan Alfanie<sup>2</sup>, Sunardi<sup>3</sup>, Reja Fahlevi<sup>4</sup>, Dewi Sri Susanti<sup>5</sup>,  
Arif Rahman Hakim<sup>6</sup>, Muhammad Baqir<sup>7</sup>, Muhamad Rafli<sup>8</sup>

<sup>1</sup>Lambung Mangkurat University, Indonesia

\*e-mail: [movriyandana@ulm.ac.id](mailto:movriyandana@ulm.ac.id)

### ABSTRACT

Formal integrity systems often fail to produce ethical outcomes in decentralized bureaucracies, giving rise to what this study conceptualizes as an "integrity paradox." This research investigates the structural and cultural vulnerabilities within Indonesian local governments that contribute to internal control failures. Using a qualitative case study approach, the study analyzes data from the Integrity Assessment Survey (SPI) and conducted in-depth interviews with internal and external stakeholders in South Kalimantan. The findings indicate that although formal anti-corruption instruments are technically in place, they are systematically undermined by "grey zone" practices, including normalized informal interventions and a pervasive culture of silence driven by fear of retaliation. The study further demonstrates that internal oversight functions, such as the Inspectorate, tend to be reactive rather than proactive. These findings suggest that strengthening public sector integrity requires moving beyond administrative compliance toward the institutionalization of whistleblower protection mechanism and audit-based early warning systems.

**Keywords:** Public Sector Integrity; Local Governance; Internal Control Failures; Qualitative Case Study; Informal Interventions; Indonesia.

### 1. Introduction

Corruption remains a persistent challenge in public sector governance, particularly within decentralized administrative systems where decision-making authority is widely dispersed across subnational governments (Quah, 2011; OECD, 2005). In many developing and middle-income countries, corruption does not always manifest through large-scale legal violations; rather, it often takes the form of subtle, routine practices embedded in bureaucratic culture, informal networks, and weak oversight mechanisms (Luo, 2005; Mungiu-Pippidi, 2015). Although frequently normalized, these practices gradually erode institutional integrity, public trust, and service quality (Siahay, 2023; Maolani, 2024). In Indonesia, the decentralization framework has expanded the autonomy of local governments, but it has also heightened exposure to integrity risks due to uneven institutional capacity, fragmented supervision, and strong socio-cultural influences at the local level (Post Decentralization Corruption, 2021; Aspinall & Sukmajati, 2016). Understanding how integrity vulnerabilities operate within local governance ecosystems is therefore essential for designing effective and context-sensitive anti-corruption strategies (Handayani, 2025; Riwanto & Suryaningih, 2024).

### 2. Literature Review

Previous studies on corruption in local governments have predominantly focused on legal enforcement, high-profile corruption cases, or quantitative corruption indices (Quah, 2011; Maria & Halim, 2021). While these approaches are valuable for mapping the scale and distribution of corruption, they often overlook the everyday dynamics that allow unethical behavior to persist below the legal threshold (Luo, 2005; Hicken, 2011).

Recent governance literature has increasingly emphasized the importance of integrity systems, organizational culture, and preventive mechanisms, such as whistleblowing systems, transparency tools, and internal controls (COSO, 2013; Shidqi & Arfiansyah, 2025; Sari & Muslim, 2025). However, empirical evidence on how these mechanisms function in practice—particularly from the perspective of frontline officials and local communities—remains limited (Nurmalasari et al., 2025; Setiawan, 2025). In many cases, formal integrity instruments exist primarily as procedural requirements, while their actual utilization is constrained by fear of retaliation, hierarchical pressure, and low public awareness (Near & Miceli, 2016; Vandekerckhove, 2016). This gap between formal design and practical implementation constitutes a critical research problem that warrants deeper qualitative investigation (Yin, 2018; Braun & Clarke, 2006).

The Integrity Assessment Survey (*Survei Penilaian Integritas-SPI*) introduced in Indonesia represents an important policy instrument aimed at capturing integrity risks beyond conventional corruption metrics (OECD, 2005; Maolani, 2024). Unlike perception-based indices, SPI integrates organizational assessment, stakeholder feedback, and contextual analysis to identify systemic vulnerabilities within public institutions (Nurmalasari et al., 2025). Nevertheless, existing academic discussions have largely treated SPI as a measurement tool, with limited exploration of its analytical potential for understanding governance ecosystems at the subnational level (Setiawan, 2025). Moreover, prior research has rarely disaggregates integrity challenges across different local contexts, thereby overlooking variations in institutional maturity, leadership commitment, and community engagement (Hidayat, 2024; Irvan & Amalia, 2025). This study addresses this limitation by utilizing SPI findings alongside qualitative field data to examine how integrity risks materialize across multiple districts in South Kalimantan Province, offering a more nuanced and grounded interpretation of integrity governance.

The state of the art in corruption and integrity research increasingly recognizes that corruption should be understood as a systemic and relational phenomenon rather than as isolated individual misconduct (Luo 2005; Mungiu-Pippidi, 2015). Contemporary scholarship emphasizes the interaction among formal rules, informal norms, organizational incentives, and power relations in shaping ethical behavior within public institutions (Hicken, 2011; Aspinall & Sukmajati, 2016). Building on this perspective, the novelty of this research lies in its ecosystem-based analysis of local integrity governance, which integrates three interrelated dimensions: participatory oversight by civil servants and the public, informal intervention in bureaucratic decision-making, and the effectiveness of early detection and enforcement mechanisms (COSO, 2013; Hay et al., 2014). By examining how these dimensions interact in practice, this study moves beyond descriptive assessments and contributes to theoretical debates on preventive governance, institutional trust, and integrity resilience in decentralized systems (Siahay, 2023; Quah, 2011).

Based on these considerations, this research aims to analyze the structural and cultural factors that influence integrity governance in local governments in South Kalimantan Province. Specifically, it seeks to identify dominant patterns of integrity risk, examine their underlying causes, and assess the extent to which existing preventive mechanisms function effectively in practice (Nurmalasari et al., 2025; Shidqi & Arfiansyah, 2025). By providing empirically grounded insights from qualitative fieldwork, this study contributes to the development of more adaptive and participatory integrity frameworks, while also offering policy-relevant lessons for strengthening anti-corruption governance

at the subnational level (Riwanto & Suryaningsih, 2024; Handayani, 2025).

### 3. Research Method

This study adopts a qualitative case study design to capture the complexity of integrity practices embedded within specific socio-cultural contexts.

#### 3.1 Informants.

Participants were selected using a purposive–randomized grouping approach that included internal actors (civil servants), external stakeholders (community members and vendors), and expert informants (former bureaucrats and law enforcement officials).

#### 3.2 Instruments.

A semi-structured interview guide was developed through a researcher-led adaptation of the 2025 Integrity Assessment Survey (SPI) framework issued by the Corruption Eradication Commission (KPK). This adaptation aimed to capture locally prioritized integrity issues and to reflect the empirical conditions observed in South Kalimantan.

#### 3.3 Data Analysis.

Data was analyzed using thematic analysis techniques. This process involved systematic transcription of interview data, coding of relevant textual units, and the organization of codes into overarching analytical themes, including informal interventions, cultures of silence, and reactive oversight. By aligning the interview questions with these context-specific issues, the study was able to trace the underlying causes of integrity risks, examine the processes through which they emerge and persist, and identify potential problem-solving pathways for each issue within the local governance environment. Observation was used to complement interview data by capturing institutional practices, service interactions, and the availability of transparency and reporting mechanisms within government offices. This combination of methods strengthened data triangulation and enhanced the credibility of the findings. The interview questions were tailored to each informant group while maintaining thematic alignment with the core research issues identified in the SPI framework.

#### 3.4 Internal Informants (Civil Servants)

- How does your institution conduct anti-corruption awareness or socialization activities, and which media or communication channels are used?
- In the past year, have any employees or officials in your institution been involved in alleged corruption or integrity-related cases?
- Are employee placements and assignments aligned with their competencies and areas of expertise?
- In your view, how vulnerable are service officers or field officers to receiving gratuities or informal benefits from service users?
- Does your institution provide online or digital-based service systems? If so, how effective are these systems?
- Over the past two years, how would you describe the promotion and transfer processes within your institution in terms of transparency and timeliness?

#### 3.5 External Informants (Community Members and Stakeholders)

- How do you perceive transparency and fairness when dealing with local government offices?

- Can you describe your experience when accessing public services? Were the procedures clear and efficient?
- Are service standards and procedures easy to understand and follow? Were any informal payments requested during the process?
- In your experience, are services delivered consistently in accordance with official procedures?
- Do you observe differences in treatment between ordinary citizens and individuals with influence or authority?
- In the past year, have you encountered any government campaigns or public appeals related to corruption prevention?
- Are you aware of any official complaints or reporting mechanisms for corruption prevention?
- Have you observed sudden changes in the lifestyle or assets of public officials that raise concerns?
- Based on your interactions, do public officials generally refuse gratuities from contractors or service users?
- Have you ever been asked to provide money, goods, or other benefits to facilitate a service?

### **3.6 Expert Informants (Oversight and Governance Experts)**

- How confident are you that public officials in the local government refrain from accepting bribes or gratuities?
- To what extent do you believe personal interests influence decision-making within local government institutions?
- How transparent and comprehensive is the information provided by local government agencies to service users?
- How prevalent do you think external intervention is in bureaucratic decision-making processes?
- How accessible is the budget-related information to the public?
- How confident are you that procurement processes are free from fraud or collusion?
- To what extent are human resource policies affected by nepotism, bribery, or non-merit-based considerations?
- How capable is the local government in handling irregularities, fraud, or corruption within its institutions?
- Do you believe that anti-corruption socialization has translated into actual ethical behavior among public officials?
- How actively has the local government involved the community in corruption prevention efforts?
- Based on your recent experiences, how would you assess the efficiency of public service delivery?
- Have you personally witnessed or received credible information regarding bribery or gratuity practices involving local officials?

## **4. Results and Discussion**

### **4.1 Culture of Silence and Weak Oversight**

Despite the formal availability of reporting channels, there is a persistent reluctance

to use whistleblowing systems due to concerns over data security and potential hierarchical repercussions. These conditions foster a “culture of silence,” in which minor violations are more likely to be tolerated than formally reported, thereby weakening the preventive function of internal oversight mechanisms.

“We are aware that formal reporting procedures exist, but there is no real guarantee that our positions will remain secure if we report our own superiors. That uncertainty discourages many of us from using official channels.” (Internal Informant 1)

“People prefer to remain silent because once a report is submitted, everyone seems to know who filed it. The risk is not worth the outcome.”  
(Internal Informant 3)

“Minor violations are often ignored, not because they are acceptable, but because reporting them can create long-term problems for the reporter.” (External Informant 2)

#### 4.2 Informal Interventions in Decision-Making

Interventions in public procurement and personnel management frequently take the form of subtle pressures embedded within kinship networks and norms of social harmony. Within procurement units, such interventions influence project allocation and implementation outcomes, even when procedures appear formally compliant with existing regulations.

“No one gives direct orders, but the message is clear. You are expected to adjust your decision to accommodate certain interests.” (Internal Informant 4)

“Intervention usually comes through informal conversations, often framed as advice or requests, especially when family or social ties are involved.” (Expert Informant 1)

“Formally, everything looks compliant, but in practice, project allocation is influenced long before the official process begins.” (Internal Informant 6)

#### 4.3 Reactive versus Proactive Enforcement

Current integrity enforcement mechanisms remain predominantly reactive, with inspectorate involvement typically occurring only after issues escalate into formal legal cases. Limited human resources and weak integration of reporting data constitute major barriers to proactive oversight, constraining the capacity of internal control institutions to identify and mitigate integrity risks at an early stage.

“The inspectorate usually steps in only after an issue has escalated into a formal case. Preventive oversight remains very limited.” (Expert Informant 2)

“We lack sufficient personnel and integrated data systems, making early detection of integrity risks difficult to implement.” (Internal Informant 7)

“Reports are collected, but follow-up actions are often unclear. This weakens trust in the entire oversight process.” (External Informant 4)

#### 4.4 Governance Paradox: The Gap between Instrument Availability and Institutional Trust

The discussion highlights a governance paradox in which the formal availability of integrity instruments does not automatically translate into their effective use. The findings suggest that integrity mechanisms remain underutilized when perceptions of personal safety and institutional trust are weak. In such contexts, actors make strategic decisions to avoid formal reporting channels despite recognizing their

normative importance. This condition indicates that integrity governance is not merely a technical or regulatory matter but a relational process shaped by trust, perceived protection, and the credibility of institutional responses. Strengthening integrity systems therefore requires addressing the underlying trust deficit that constrains participation in oversight mechanisms.

#### 4.5 Informal Intervention as a Relational Governance Issue

Informal intervention emerges as a relational governance issue rather than a manifestation of isolated individual misconduct. The persistence of informal influence reflects deeply embedded social obligations, kinship ties, and organizational loyalties that structure decision-making behavior within local bureaucracies. These relational dynamics blur the boundary between formal authority and informal expectations, creating discretionary spaces in which integrity norms are negotiated rather than enforced. Understanding intervention in this way shifts the focus of anti-corruption strategies from individual blame toward institutional arrangements and social contexts that enable informal pressure to persist.

#### 4.6 The Importance of System-Based Controls in Reducing Discretion

The discussion further underscores the importance of system-based controls in mitigating integrity risks. Digitalized administrative procedures and meritocratic management practices are effective not because they eliminate ethical dilemmas, but because they reduce discretionary spaces that allow informal intervention to operate. By standardizing processes, limiting personalized decision-making, and enhancing traceability, system-based controls weaken the influence of informal networks and reinforce procedural integrity. This finding reinforces the argument that sustainable integrity governance depends on institutional design choices that align formal rules with everyday administrative practices.

### 5. Conclusion

This study concludes that integrity governance within local government institutions cannot be strengthened solely through formal procedural compliance or administrative adherence. Qualitative findings from South Kalimantan Province reveal a substantial gap between the formal design of integrity systems and their practical implementation at the operational level. Integrity risks persist due to three interrelated factors.

First, participation in oversight remains limited due to fear of retaliation and a lack of trust in whistleblower protection mechanisms. These conditions discourage both civil servants and external stakeholders from engaging with formal reporting channels.

Second, informal intervention has become normalized through social relations, kinship networks, and hierarchical loyalties, particularly within public procurement and human resource management functions. This normalization blurs the boundary between formal authority and informal influence, allowing integrity risks to persist despite procedural compliance.

Third, enforcement mechanisms continue to operate in a predominantly reactive and fragmented manner, preventing internal control systems from functioning effectively as early warning mechanisms.

From a theoretical perspective, this research contributes to the literature on subnational governance by advancing an ecosystem-based perspective on integrity. Integrity is conceptualized as a collectively constructed organizational value, the effectiveness of which depends on the capacity of internal control systems to reduce discretionary space

and constrain informal pressures. By emphasizing the interaction between structural arrangements and socio-cultural dynamics, this study offers a more nuanced understanding of integrity governance in decentralized public sector settings.

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