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# Corruption Perception and Policy Compliance: Mediating Role of Institutional Trust

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### Abstract

Corruption perception has emerged as a critical factor influencing public attitudes toward governance and policy compliance. This study examines the impact of corruption perception on policy compliance, with institutional trust acting as a mediating variable. Corruption perception refers to individuals' beliefs about the prevalence of corruption within public institutions, while policy compliance refers to citizens' willingness to follow laws, regulations, and public policies. Institutional trust is conceptualized as confidence in government institutions, including their fairness, transparency, and effectiveness. Drawing upon institutional theory and social capital theory, this study argues that higher levels of perceived corruption reduce policy compliance by eroding trust in institutions. Empirical evidence suggests that corruption perception significantly weakens trust in public institutions, which in turn affects civic behavior and compliance (Khalid, 2025). Furthermore, studies indicate that increased corruption perception leads to reduced willingness to comply with policies such as taxation, highlighting a direct link between perception and compliance behavior. Institutional trust is proposed as a mediating mechanism that explains how corruption perception influences compliance. When individuals perceive institutions as corrupt, their trust declines, leading to lower compliance with policies. Experimental research confirms that exposure to corruption information significantly reduces institutional trust, reinforcing this mediating relationship. Additionally, trust has been identified as a key determinant of governance effectiveness and citizen cooperation. This study employs a quantitative research design using Partial Least Squares Structural Equation Modeling to test the hypothesized relationships. Data are collected through structured questionnaires measuring corruption perception, institutional trust, and policy compliance. The findings indicate that corruption perception negatively affects policy compliance both directly and indirectly through institutional trust. Institutional trust partially mediates this relationship, highlighting its critical role in promoting compliance. The study contributes to the literature by integrating perception based and institutional perspectives and provides policy implications for strengthening governance, improving transparency, and enhancing trust to ensure effective policy implementation.

**Keyword:** Corruption Perception, Policy Compliance, Institutional Trust, Governance

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### 1. Introduction

Corruption remains one of the most pressing challenges facing modern governance systems, particularly in developing countries where institutional weaknesses and lack of accountability persist. Corruption not only undermines economic development but also erodes public confidence in institutions and weakens the effectiveness of policies. In this context, understanding how corruption perception influences citizens' behavior, particularly policy compliance, has become a critical area of research.

Corruption perception refers to individuals' beliefs about the extent and severity of corruption within public institutions. These perceptions are shaped by personal experiences, media reports, and social interactions. Even in the absence of direct experience, perceived corruption can significantly influence attitudes toward governance and

public institutions. Research shows that perceptions of corruption have a profound impact on institutional legitimacy and civic engagement.

Policy compliance, defined as the willingness of individuals to adhere to laws and regulations, is essential for the effective functioning of any governance system. Compliance ensures that policies achieve their intended outcomes, whether in taxation, public health, or environmental regulation. However, compliance is not solely determined by enforcement mechanisms; it is also influenced by citizens' perceptions of fairness, legitimacy, and trust in institutions.

One of the key mechanisms through which corruption perception affects policy compliance is institutional trust. Institutional trust refers to the confidence individuals have in the integrity, competence, and fairness of public institutions. When citizens perceive institutions as corrupt, their trust declines, leading to reduced willingness to comply with policies. Empirical evidence demonstrates a strong inverse relationship between corruption perception and institutional trust.

The relationship between corruption perception and compliance is complex and multidimensional. On one hand, individuals may justify non-compliance if they believe that corruption is widespread and that others are also engaging in dishonest behavior. On the other hand, low trust in institutions may reduce the perceived legitimacy of policies, further discouraging compliance. Experimental studies show that exposure to corruption information significantly reduces institutional trust, highlighting the importance of perception in shaping behavior.

Institutional theory provides a useful framework for understanding this relationship. It suggests that individuals are more likely to comply with policies when they perceive institutions as legitimate and trustworthy. Social capital theory further emphasizes the role of trust and networks in facilitating cooperation and compliance. Together, these theories highlight the importance of institutional trust as a mediator between corruption perception and policy compliance.

Despite extensive research on corruption and governance, there is limited understanding of the mediating role of institutional trust in this relationship. Most studies focus on direct effects, neglecting the underlying mechanisms through which perceptions influence behavior. This study addresses this gap by examining how institutional trust mediates the relationship between corruption perception and policy compliance.

### **1.1 The Main Objectives Of this Study Are**

1. To examine the impact of corruption perception on policy compliance
2. To analyze the relationship between corruption perception and institutional trust
3. To investigate the mediating role of institutional trust

## **2. Literature Review**

Corruption perception has been widely studied as a determinant of governance outcomes and citizen behavior. It reflects individuals' subjective assessment of corruption levels within public institutions and is often measured using perception-based indices. Research indicates that corruption perception significantly influences trust in institutions and civic engagement.

Studies consistently show a negative relationship between corruption perception and institutional trust. When individuals perceive high levels of corruption, they are less likely to trust public institutions. This erosion of trust has significant implications for governance and policy implementation. For example, experimental research demonstrates that exposure to corruption information reduces institutional trust, particularly when the corruption is perceived as widespread.

Institutional trust plays a critical role in shaping policy compliance. According to social capital theory, trust facilitates cooperation and reduces the need for enforcement. Individuals who trust institutions are more likely to comply with policies because they believe that the system is fair and that others are also complying. Conversely,

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low trust can lead to non-compliance and opportunistic behavior.

Empirical studies provide strong evidence of the relationship between corruption perception and policy compliance. Research on tax compliance shows that individuals who perceive higher levels of corruption are less willing to pay taxes. This suggests that corruption perception undermines the perceived legitimacy of policies, reducing compliance.

The mediating role of institutional trust has been explored in recent studies. Institutional trust acts as a mechanism through which corruption perception influences behavior. When corruption perception increases, trust decreases, leading to lower compliance. This mediating relationship has been supported by empirical evidence in various contexts, including public administration and political behavior.

Furthermore, institutional weaknesses and lack of transparency contribute to higher corruption perception and lower trust. Studies show that weak governance structures and lack of accountability are associated with higher levels of perceived corruption and reduced institutional credibility. This highlights the importance of institutional reforms in addressing corruption.

Transparency and access to information have been identified as key factors in enhancing institutional trust. Policies that promote transparency and accountability can reduce corruption perception and improve trust in institutions. This, in turn, can enhance policy compliance.

Despite these findings, there is limited research on the combined effects of corruption perception, institutional trust, and policy compliance. This study addresses this gap by proposing a mediation model that integrates these variables.

## **2.1 Conceptual Framework / Theoretical Model**

Independent Variable Corruption Perception

Mediator Institutional Trust

Dependent Variable Policy Compliance

Hypotheses

- H1 Corruption perception negatively affects policy compliance
- H2 Corruption perception negatively affects institutional trust
- H3 Institutional trust positively affects policy compliance
- H4 Institutional trust mediates the relationship between corruption perception and policy compliance

## **3. Methodology**

This study adopts a quantitative research design using a cross-sectional survey method. Data are collected from 350 respondents using structured questionnaires. A stratified sampling technique ensures representation across different demographic groups.

Measurement scales are adapted from previous studies. Corruption perception is measured using items related to perceived prevalence of corruption. Institutional trust is assessed through confidence in government institutions. Policy compliance is measured using willingness to follow laws and regulations.

Data analysis is conducted using Smart-PLS software. The PLS-SEM approach is chosen due to its suitability for complex models and mediation analysis. The analysis includes measurement model evaluation and structural model assessment.

Reliability is assessed using Cronbach alpha and composite reliability. Validity is evaluated using Average Variance Extracted. Mediation analysis is conducted using bootstrapping techniques.

#### 4. Analysis

**Table 1 Measurement Model**

Construct	Cronbach Alpha	Composite Reliability	AVE
Corruption Perception	0.88	0.92	0.69
Institutional Trust	0.90	0.93	0.71
Policy Compliance	0.89	0.92	0.70

**Table 2 Structural Model**

Path	Coefficient	T-value	P-value
CP → PC	-0.41	5.88	0.000
CP → IT	-0.46	6.21	0.000
IT → PC	0.43	5.34	0.000
CP → IT → PC	-0.20	4.12	0.000

##### 4.1 Table 1: Measurement Model Interpretation

The measurement model results provide strong empirical support for the reliability and validity of the constructs used in this study, namely corruption perception, institutional trust, and policy compliance. Reliability is first assessed through Cronbach alpha values, which measure the internal consistency of the items associated with each construct. The values obtained for corruption perception (0.88), institutional trust (0.90), and policy compliance (0.89) all exceed the recommended threshold of 0.70, indicating a high level of internal consistency among the measurement items (Hair et al., 2021). This suggests that the indicators used in the questionnaire consistently reflect the underlying constructs.

Composite reliability values further confirm the robustness of the measurement model. All constructs exhibit values above 0.90, which is considered excellent in structural equation modeling. Composite reliability is particularly important in PLS-SEM because it accounts for varying factor loadings among indicators, making it a more accurate measure than Cronbach alpha. The high composite reliability values indicate that the constructs are measured with a high degree of precision and minimal measurement error.

Convergent validity is assessed using Average Variance Extracted. The AVE values for all constructs exceed the recommended threshold of 0.50, with corruption perception at 0.69, institutional trust at 0.71, and policy compliance at 0.70. These results indicate that more than half of the variance in the indicators is explained by their respective latent constructs. This confirms that the measurement items are strongly correlated and effectively capture the intended theoretical concepts.

From a theoretical standpoint, the results validate the operationalization of constructs derived from institutional theory and social capital theory. Corruption perception is effectively measured through individuals' assessments of corruption prevalence, which aligns with perception-based approaches used in governance studies. Institutional trust is captured through confidence in public institutions, reflecting key dimensions such as fairness, transparency, and effectiveness (Mishler & Rose, 2001). Policy compliance is measured through individuals' willingness to follow laws and regulations, which is consistent with prior research on civic behavior.

The strong reliability and validity of the measurement model indicate that the data are suitable for further structural analysis. The absence of measurement issues enhances confidence in the subsequent findings of the structural model. Overall, the measurement model confirms that the constructs are statistically sound and theoretically grounded, providing a solid foundation for testing the hypothesized relationships.

##### 4.2 Table 2: Structural Model Interpretation

The structural model results provide comprehensive support for the hypothesized relationships between corruption perception, institutional trust, and policy compliance. The direct effect of corruption perception on policy compliance is negative and statistically significant ( $\beta = -0.41$ ,  $p < 0.001$ ), supporting Hypothesis 1. This indicates that individuals who perceive higher levels of corruption are less likely to comply with public policies. This finding aligns with the argument that perceived corruption undermines the legitimacy of institutions, leading to reduced

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willingness to adhere to rules and regulations (Transparency International, 2023).

The relationship between corruption perception and institutional trust is also negative and significant ( $\beta = -0.46$ ,  $p < 0.001$ ), supporting Hypothesis 2. This suggests that higher levels of perceived corruption erode trust in public institutions. When individuals believe that institutions are corrupt, they are less likely to view them as fair and effective, which diminishes their confidence in governance systems. This finding is consistent with prior studies that highlight the inverse relationship between corruption and trust (Mishler & Rose, 2001).

Institutional trust, in turn, has a positive and significant effect on policy compliance ( $\beta = 0.43$ ,  $p < 0.001$ ), supporting Hypothesis 3. This indicates that individuals who trust public institutions are more likely to comply with policies. Trust enhances perceptions of legitimacy and fairness, encouraging cooperative behavior and voluntary compliance. This finding supports social capital theory, which emphasizes the role of trust in facilitating collective action and cooperation (Putnam, 2000).

The mediation analysis provides further insights into the relationship between corruption perception and policy compliance. The indirect effect ( $\beta = -0.20$ ,  $p < 0.001$ ) confirms that institutional trust partially mediates this relationship, supporting Hypothesis 4. This means that corruption perception affects policy compliance both directly and indirectly through its impact on institutional trust. While some individuals may reduce compliance directly due to perceived corruption, others may do so because their trust in institutions has been weakened.

The partial mediation suggests that institutional trust is a significant but not the sole mechanism linking corruption perception to compliance. Other factors, such as social norms and enforcement mechanisms, may also play a role. The high t-values and low p-values across all paths indicate strong statistical significance and robustness of the model.

In summary, the structural model confirms that corruption perception negatively affects policy compliance, both directly and indirectly through institutional trust. Institutional trust emerges as a critical mediating variable that explains how perceptions of corruption translate into behavioral outcomes. These findings provide strong empirical support for integrating institutional theory with social capital perspectives.

## 5 Conclusion

This study provides a comprehensive analysis of the relationship between corruption perception and policy compliance, highlighting the mediating role of institutional trust. The findings clearly demonstrate that corruption perception is a significant determinant of policy compliance. Individuals who perceive higher levels of corruption are less likely to comply with laws and regulations, as such perceptions undermine the legitimacy and credibility of public institutions.

The study also reveals that institutional trust plays a crucial role in shaping compliance behavior. Trust in institutions enhances individuals' willingness to cooperate and adhere to policies, as it reflects confidence in the fairness and effectiveness of governance systems. The positive relationship between institutional trust and policy compliance underscores the importance of trust as a foundation for effective governance.

A key contribution of this research is the identification of the mediating role of institutional trust. The findings show that corruption perception influences policy compliance not only directly but also indirectly through its impact on trust. This highlights the importance of addressing both perception and trust in efforts to improve compliance. Simply enforcing policies may not be sufficient if citizens lack trust in institutions.

The study contributes to the existing literature by integrating corruption perception, institutional trust, and policy compliance into a unified framework. It provides empirical evidence supporting the theoretical arguments of institutional theory and social capital theory. The findings also have important practical implications for policymakers, suggesting that efforts to reduce corruption and enhance transparency can significantly improve trust and compliance.

However, the study has some limitations. The cross-sectional design limits the ability to establish causality, and the

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reliance on self-reported data may introduce bias. Future research should use longitudinal designs and incorporate objective measures of corruption and compliance.

### 5.1 Discussion with Future Recommendations

The findings of this study are consistent with existing literature emphasizing the importance of trust and perception in governance. Corruption perception acts as a critical factor that shapes individuals' attitudes toward institutions and influences their behavior. The negative relationship between corruption perception and policy compliance highlights the need for governments to address public perceptions of corruption.

Institutional trust emerges as a key mechanism through which corruption perception affects compliance. This finding aligns with social capital theory, which emphasizes the role of trust in facilitating cooperation and collective action. The mediating role of trust suggests that improving governance outcomes requires not only reducing corruption but also rebuilding public trust.

From a policy perspective, the results suggest several important implications. Governments should prioritize transparency and accountability to reduce corruption perception. Anti-corruption measures, such as strengthening oversight mechanisms and promoting open governance, can enhance institutional credibility. Additionally, efforts to improve communication and engagement with citizens can help build trust and encourage compliance.

Future research should explore additional mediating and moderating variables, such as political efficacy, social norms, and enforcement mechanisms. Comparative studies across different countries and institutional contexts could provide deeper insights into the generalizability of the findings. Longitudinal studies would also help to understand how perceptions and trust evolve over time.

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