

# An Analysis the Reasons Why Indonesia Administrators Commit Fraud

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## Abstract

Indonesia Corruption Watch (ICW) (2018) stated that at least there were cases of corruption that have been convicted at least 254 cases which involving State administrators in Indonesia which caused state losses of IDR 133.6 billion. The eradication of corruption in Indonesia has been enshrined in the law number 20 of 2001 which consists of 45 chapters that explained about the consequences of corruption but the level of the cases in Indonesia is still high in the executive, legislative and judicial levels. This research aims to identify and analyze the reason why Indonesia administrators commit fraud depend on the perception of academics in North Sumatra. The research was conducted by using a qualitative approach with case study. The data were collected by means of direct interviews that analyzed by using a thematic analysis. The research results show that there were several factors why the perpetrators commit fraud, namely lack of procedure, lack of control environment, financial pressure, and also work-related pressure.

Keywords: Indonesia Administrator, Corruption, Abuse of Power, Pressure

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## Introduction

Eradication of economic fraud in this case corruption in Indonesia has been stipulated in the Corruption Crime Act (Corruption) (2001), namely Law number 20 of 2001 concerning amendments to Law number 31 of 1999 which consists of 45 articles which explains the notion of corruption, corruptors, and sanctions that will be obtained for individuals/groups who commit criminal acts of corruption. The existence of this law as an effort to deter perpetrators (perpetrators) and as a threat to the effect of detainees. However, the phenomenon is inversely proportional. The level of corruption in Indonesia is still high even in the ranks of state administrators. The conventional punishment oriented approaches have not had a lot of success in mitigating the corruption problem in Indonesia, engaging citizens to actively participate in the anti-corruption movement may increase the chance of success in eradicating corruption in the future (Prabowo, Hamdani, & Sanusi, 2018).

Hamdani, Kumalahadi, and Urumsah (2017), Hafiz (2017) and Corruption Eradication Commission's research results (2019), stated that from 2013-2019 there were at least 70 corruption cases handled by the Corruption Eradication Commission (KPK) and continued to increase to 120 cases classified by profession/position, namely Members of Parliament and DPRD, Head of Institution/Ministry, Governor, Mayor/Regent and also Deputy, Echelon I/II/III, Judge, Private, and others. The results of the study illustrate that there are still many state administrators who abuse their office's authority in managing the government. Furthermore, the results of the Indonesian Corruption Watch (ICW) study (2018) showed that there were at least 254 cases of corruption which caused state losses of IDR 133.6 billion with a mode of embezzlement of money that mostly occurred in the regional financial, social, and education sectors.

Transparency International (TI) (2019) as an organization that assesses corruption in world countries in Indonesia's Corruption Perception Index (CPI) shows that in the last ten years Indonesia has scored as seen on Table 1. Based on the data, Indonesia continues to experience a score increase in eradicating corruption but the increase in the score has not changed Indonesia which is still in the red or bad zone (no more than 40) which indicates that eradicating corruption in Indonesia is still bad. One of many cases is 17<sup>th</sup> Governor of North Sumatra who commit fraud through regional social grants. According to Kurniawan (2009) the efforts taken in eradicating

corruption in Indonesia still tend to be partial and do not have a clear strategic design so that in many cases they are unable to significantly reduce the level of corruption that occurs in governance both at the central and regional levels.

**Table 1:** Indonesian Corruption Perception Index 2010-2019

Score	Year
28	2010
30	2011
32	2012
32	2013
34	2014
36	2015
37	2016
37	2017
38	2018
38	2019

There are plethora of ways that can be done to minimize corruption. One of them is the participation of the community, like academics that are realized in the form of, among other things, seeking, obtaining, providing data or information about criminal acts of corruption and the right to submit suggestions and opinions in a responsible manner towards the prevention and eradication of criminal acts of corruption, and also to design prevention to eradicate corruption. Dadang (2017) stated that the eradication of corruption in Indonesia is still gradually because the government is just focus on the bureaucracy sector, although the sector only contributed an increase in the value of an average of 1-2 points per year.

The aims of this research are to identify and analyze the reason why Indonesia administrators commit fraud depend on the perception of academics in North Sumatra. It was very important as efforts to prevent, mitigate and detect corruption and also to design appropriate prevention of corruption in Indonesia.

## Research Method

The type of research is a case study that uses a qualitative approach. According to Hennink, Hutter, and Bailey (2012) and Yin (2014), a qualitative approach to case study is an approach used in research with the aim of identifying and understanding problems from individual and group opinions about a problem that occurs. The researcher chooses to use a qualitative approach because the approach is expected to be used in answering research questions regarding the use of the position of the perpetrator to commit corruption. The case study that will be explained is the case of 17<sup>th</sup> Governor of North Sumatra, Indonesia.

In this research, the primary data used in the form of data obtained directly from participants without going through an intermediary media in the form of transcription interviews obtained by conducting direct interviews with academics in North Sumatra. the chosen academics used by the purposive sampling method with some criteria. First, they are a rector of north Sumatra universities which have minimum C accreditation. Next, they have to have an educational background from law or social and political sciences, and also Economics and Business. Secondary data used in this study are public documents in the form of the annual report of Corruption Eradication Commission of Republic of Indonesia, ICW report, Transparency International, Audit Board of the Republic of Indonesia, and supreme court documents, as well as news in the mass media.

According to Yin (2014), the data collection technique is a series of steps in research to obtain data so that research can be investigated and research questions answered. The data collection techniques used in this study are documentation/review of documents to help verify and add other specific details to support information from other sources. In addition, interviews

were conducted to obtain information related to research conducted by researchers. In the interview process this consists of several topic questions that are asked in the question and answer process to the parties that have relevance to research and have the authority to provide data and information. This interview process uses semi-structured questions and will develop according to the answers of the informants. Sources of information through the interview process with academics in North Sumatra who meet the criteria.

The method of data analysis used a thematic analysis which is a method used to identify, analyze, and report on the patterns of themes contained in the data. According Creswell (2015), there are plethora of stages of thematic analysis begin when researchers begin to look at and look for patterns of meaning and issues of potential interest in the data during data collection. Braun and Clarke (2006) stated 6 stages, among others, recognize the data obtained, create the initial code, search for themes from the initial codes, review the theme, define and name the theme, make a report on the collection of themes to answer questions and research objectives.

Reliability can be discussed in qualitative research in a number of ways (Silverman 2005), such as if the researcher obtained detailed field notes using a good quality recording device and transcribed the results of the recording. Whittemore, Chase, and Mandie (2001), divided validation into 29 strategies that will be useful in design planning, data collection, analysis, and presentation. Meanwhile, according to Creswell and Miller (2000), it focuses on eight strategies that are often used by qualitative researchers and are not presented in any particular order. In this study the validation strategy used is source triangulation. The triangulation process involves supporting evidence from a variety of different sources to explain the theme or perspective. Uniformity of viewpoints from various sources will produce a valid final result.

## Result and Discussion

Procedure of Collecting Data is using interview method. Interview is the main step in collecting data on this research. Interview is done specifically with semi-structured questions using case study approach (The case of 17<sup>th</sup> Governor of North Sumatra). Selection respondent is done by purposive sampling method with the following criteria, namely Rector of the Accredited University by BAN-PT which obtained at least C at North Sumatra, have the law or social and political sciences or economics and business background. The academics who become the informants in this research, are as following:

**Tabel 2:** Table The Academics Who Become the Candidate of Respondents

No	Informants Code	Informants Position	Accreditation	Conversation Duration	Conversation Code
1	MII	Rector	B	41' 14"	R1
2	A	Rector	A	05' 35"	R2
3	R	Vice Rector	A	18' 16"	R3
4	K	Rector	C	15' 48"	R4

### The Reasons Why Indonesia Administrators Commit Fraud (Corruption) Based on Academicians' Perception in North Sumatra

Based on interview to four academicians who become the respondents, there are plethora of differences perceptions. The interview results are made inward the transcript then give the codes with manual process. After that, the code was got, interview result is summary be a general sub-theme about the factor why Indonesia Administrators commit corruption. Code analysis result are on Tabel 3.

**Tabel 3:** Summary of Thematic Analysis

Conversation Code	Code	Sub-Theme	Theme
R1-16, R1-24, R1-26, R2-6, R3-6, R4-20	1. Control Activity		
R1-16, R2-6, R2-10, R3-14, R4-20, R4-22	2. Control Environment	Opportunity	
R3-16	3. Lack of Information		
R1-16, R1-20, R2-8, R3-8, R3-10, R3-14, R4-20	1. Pressure of Financial Needs		The Reasons why administrators commit corruption
R1-24, R2-8, R2-10, R3-14, R3-18, R4-24, R4-28	2. Work Pressure	Pressure	
R2-8, R2-10	3. The Other Pressures		
R1-24	1. The Power of Ratification (Legitimation)	Rationalization	

### Opportunity

Opportunity is the factor that give the possibility for a perpetrator, in this research the Indonesia Administrators who commit fraud. The Responsibility of administrators are to run and take a responsibility to Regional financial management so, the administrator like Governor has the knowledge about financial up too the strength and weakness of management regional financial system the region includes control activity, control environment, and information progress.

#### a) Control Activity

The regulation of Ministry of Internal Affairs number 32 of 2011 about Orientation Granted and Social Fund Distribution that source from state budget which explained that distribution of granted fund has the criteria. In granted fund case by the 17<sup>th</sup> Governor, granted fund the submission offer to governor as 17 offer fictitious institutions that got granted fund are not verified so that whoever close with the Governor can be easy to submit and get granted fund, in the other word the procedure about granted fund at North Sumatera is not clear. In accordance with the academicians about the granted fund, the academicians give the opinion are as following:

*(...)So, I see there is an opportunity in the granted fund but, there is no a good arrangement (...) (R1-16). Then, continued by him (...) the granted fund no need a ratification by anyone else. It's enough for the old Governor. That's what I said the opportunity is considered as the big fund, but the Governor just give the information just for regional chief. Each year granted fund was submitted to increase, because it's easy to give ratification. So, it is right all the decisions by the highest leadership has the biggest opportunity to abuse the authority moreover about the granted fund. (...) (R1-24) and re-clarify in R1-26 (...)the granted fund is not arranged as good as possible. Just when submission and responsibility of state budget, but the implementation of the estimation is hand by the regional chief. Not through the verification (...)*

There is no the clear regulation at the time, it made easy to make a cooperation between administrator and organization that included in the case. One of academicians argued that *(...)The number of fictitious institutions, are not registered (...)* (R2-6)

Support the stated perception, the other academician has a perception. Apparently they support each other about the perception, the other academician has a perception

*(...)the granted fund to the each organizations, regency and city government. The wrong is. is it the Governor mistakes or administrative error, I guess it's complex.(...) (R3-6)*

*(...)the supporters comes from the same politic in the supporting parties [...] likes revenge trick politics (...)* (R4-20)

#### b) Control Environment

Near with control activity, control of environment talks about work environment with the condition or internal problem likes system in Provincial Government of North Sumatera and more discuss about the effectiveness of institution/administrators internal supervisor of

Provincial Government. The Weakness of control environment will make it easy to corrupt especially Governor and the highest level of administrator likes what is in the interview are as the following:

*(...) our environment makes ourself. If the government can take us care, it will be kept well (...) (R3-14)*

*(...)Especially the system, because at the first time he was become a governor it makes possibility to collusion (...) (R4-20)*

*(...)it means there is an opportunity namely the right system, I wondered it is not verified [...] the granted is not arranged well or the other estimates system, tender, or whatever the granted fund. (...) (R1-16)*

*(...)the established system is still weak and this case stuck on Mr. 17<sup>th</sup> Governor [...] Either civil society organization and certain organizations are included data fictitious while the system is not effective. [...] the system is still weak, either the control system or the supervise system (...) (R2-6)*

The regulation of Ministry of Internal Affairs number 32 of 2011 has regulated granted fund receiver clearly, the procedure up to and the things after got the granted fun by receiver. The regulations stated that regional chief give the ratification authority at the end, it means the granted fund proposal which set through administrators verification will back to Governor basically ratification review of a bundle granted fund petition.

In corruption case of granted fund by the 17<sup>th</sup> Governor, the number of administrators has no commitment to make pure government. Like what exist in the interview:

*(...)beside the factor that I said about corruption of granted fund, next SKPD commitment is low. (...) (R2-10)*

Because of no commitment from Governor and the officials, and the weak of law maintenance makes the granted fund easy to be corrupted. One of academicians said that:

*(...)Ya, it's what they run. So, if the law and the upholder are weak, the administrators will not afraid with law of corruption, I guess so. (...) (R4-22)*

Properly the submission activity up to revenue must be known by his vice as the responsibility form, so between Governor and his vice should be harmonic so all the taken decisions can be responsibility. Likes what exist in interview, an academician stated that:

*(...)harmony between chief and vice needs to be hold. (...) (R2-6)*

### c) Information Progress

An academician stated that

*(...)Sir, it must be like this, maybe there is one want to suggested like that, he is not the real political man. He is an educator, that's why if education comes to politic, because he do not know about politic. Politic differ with the real politician, if he the pure politician he will know from A up to Z, but if the educator comes to politic, he will comes to a new situation. Whereas at education there is no something like in politic, at education itself is the place for democracy either to run the main product normally, the fortress here is education, actually if the politic there is no real friend and enemy is lasting, if I thought he is not, but maybe an interaction. (R3-16)*

From the academician opinion, Governor who comes from academician has the less information that accurately and clear about government system. Because of the limitation, there is an indication that the 17<sup>th</sup> Governor “handled” by the politicians who has the background government knowledge and ignorance in making administrators hand in hand and become the negative impact for his leadership at the moment.

## Pressure

The Regional Election of Province North Sumatera at 2014 democratically makes the 17<sup>th</sup> Governor at the time 2013, the 17<sup>th</sup> Governor replace the old Governor because of corruption case and must be imprisoned because of his error, try to prepare his self either morality or material to get the North Sumatera society's heart. The 17<sup>th</sup> Governor also have to think the proponent part to make the volunteers/success team for his victory at the future election. It can be indicated

as the pressure for him and finally corrupt the granted fund of Provincial Government of North Sumatera at 2012/2013. The pressures are categorised 3, namely:

a) Financial Needs Pressure

Towards the Governor Election 2014, each one who want to be the candidate at the election must prepare themselves either material or morality so that the society give their sympathy and choose one of the candidates. One of the candidates of the 17<sup>th</sup> Governor try to it. Money and Personality are the main to success be the candidate of Governor.

*(...) Beside that, politic fund (politic instrument) [...] quota of the next period to take hold. (...) (R2-8)*

Based on academicians perception who become the respondent of this research, found an invention likes financial needs pressure which based on their perception is experienced by the 17<sup>th</sup> Governor of North Sumatera. Those are their perceptions:

*(...)Pressure, i see in the personal meaning. There is a personal role to support certain funds, the certain activity is it for campaign or the others, we don't know. Moreover, nominate again for the future. (...) (R1-16)*

*(...)for mobilization, makes the banner, clothes, for vision and mission. It's all the funds. The real funds first. Makes name card. It is the fund right (...) (R1-20)*

One of the informant said that political cost makes the 17<sup>th</sup> Governor of North under pressure with illustrating like this:

*(...)being the Governor, legislative is our roles in the society. For example, I am the legislative comes to the campaign districts, don't care how much we talk they will not choose us. But, if there is cash and carry the will choose. This is a thing that makes our regulation depraved, it has been the ancient model. So, they who want to be regional chief have their own ways to get votes. It likes for 10 thousand people is IDR 20 thousand. There is cause-consequence because we give the society and they are used to get, and if they don't get anything they will not choose, so the system must try to not give anything at regional election, for example there are three regional chiefs and don't give anything at campaign, is there any participation from this case. Is there the society who want to choose by their own heart. Because the candidates of regional chief have spent much funds...(R3-8)*

It clarify the illustration with North Sumatera society's condition that corruption occurs because of regional chief use a big political cost to mobility and take the society attention.

*(...)the corruption run well because of a big capital that take a big attention as well, it is logic. Economic law right? (...) (R3-10)*

Then supporting the others academicians perceptions, the other respondent still emphasize that political cost for being regional chief is huge it makes the 17<sup>th</sup> Governor utilize his position to corrupt, because of there is a personal pressure or institutional. This is the statement in interview by respondent:

*(...)money politic, it makes their supporter in one sector and from the supporter politic part. The way to reach legislative or executive seat, there is a case chief and vice so it likes debt to give the feedback, so from where they got? Yes. From the financial projects. Maybe the money has spent too much. I analyse the people give the sponsor either material or political support. That's what I see is possible to corrupt as the politic official. So, at the first it has been set likes scenario, if they come out as the official there is feedback, and divided State's money. From where> Yes, from fund estimation. (...) (R4-20)*

b) Occupation Pressure

Likes Financial needs pressure, occupation pressure described about the condition of lack of environment, because has an access to authorize so that sometimes the people participate to intimidate and finally direct the 17<sup>th</sup> Governor to corrupt the granted fund which use to campaign to be regional chief, likes what one of academicians said that granted fund case is

contain a political factor so decrease the integrity of Mr. 17<sup>th</sup> Governor and there is return politic by him. Coincide with it one of academicians give an opinion that:

*(...)Because the position will triggers many people, if in Indonesia the official when he has a position the people will comes from all directions with all methods and ways to stoop, hand osculate, and while he is not being the official instead of hand osculate, its better if they see you. It is possible but we cannot make sure about it, but I know Mr. Gtt well.(...) (R3-18)*

*(...)because the environment, the system so he makes it, if it is not he cannot work and threatened (...) (R4-24)*

From the explanation of academicians show that the work environment and the people around Governor support him to corrupt although the granted fund is not too big but, because it is easy to verify, finally it makes the people come and ask to increased the granted fund likes what's explained by one of the academicians as the following:

*(...)the granted fund is not big, but he gives the decision just for regional chief. Every year the people ask to granted fund increase, because it is easy to verify. (...) (R1-24)*

### c) Others Pressure

Beside 2 pressures that has discussed above, others pressures includes life style, also make an indication that the 17<sup>th</sup> governor life style has changed, anciently is known as the simple one change when he is become a Governor.it is stated by one of the academicians stated

*(...)and forget about life style. Mr. 17<sup>th</sup> Governor different at all when he was a Governor North Sumatera. More hedon (...) (R2-10)*

## Rationalization

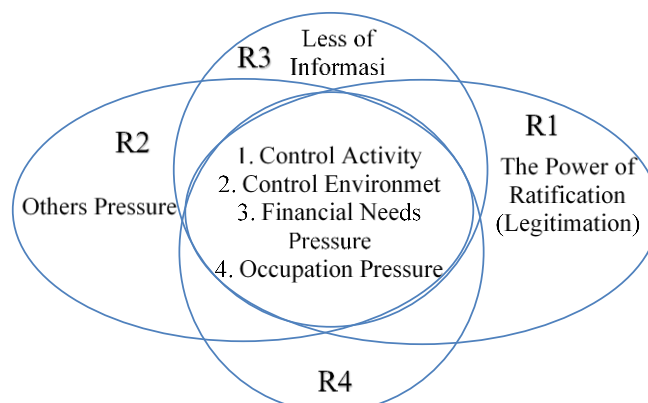
The Administrators feel that all decision absolutely is in the highest management structure. According to one of academician, one of the reason the 17<sup>th</sup> Governor in corruption the granted fund is because of feeling have a power to ratification a decision.

*(...)in management structure just like that. Whatever it is the absolute decision, it is the highest leadership in structure although there is at the process but, it legitimate by the leader. (...) (R1-24)*

From the statements above are concluded that the Governor as the highest management structure has the right to authorize everything includes to personal interest or to allocate granted fund without verifying by administrator which has asked to select submission granted fund Provincial government of North Sumatra.

## Analysis of Academician Perception Equality

From the Academician Perception Equality, then it is classified the similarity perception to get the equality perception between the four academicians who become respondents to focus on the recommendation or solution of the cases so that the act from prevention up to eradiction can be focused to the source/root of corruption in North Sumatra Province. The following is described in **figure 1**.



**Figure 1:** Diagram Van: Various of Academician Perception

**Figure 1** explains that it is about supporting factor the 17<sup>th</sup> Governor of North Sumatera to corrupt the granted fund, are as following:

- a) Lack of Control activity is not procedure
- b) Lack of Control environment is weak and not effective
- c) Financial needs pressure for *political cost*
- d) Occupation pressure

## Conclusion

This research has some goals namely, to identify the reasons why Indonesia administrators commit corruption based on academicians' perceptions in North Sumatera. Based on the analysis which is done at the previous chapter, this research can be concluded, Base on academician's perspective at North Sumatera, The reasons why the administrators commit corruption (in this case is the 17<sup>st</sup> Governor) exploit his position to take a corruption based on academician's perspective at North Sumatera are as following:

- R1: control activity, control environment, financial pressures need, pressure of work, and the power of attestation (laws)
- R2: control activity, control environment, financial pressure need, pressure of word, and other pressures,
- R3: control activity, control environment, financial pressure need, pressure of word, and other pressures
- R4: control activity, control environment, financial pressure need, pressure of word, and other pressures.

The same perceptions from the four academicians got the same perception namely lack of control activity, lack of control environment, financial pressure, and also work-related pressure.

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