

**CURING CORRUPTION IN INDONESIA:
A BEHAVIORAL PERSPECTIVE**

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ABSTRACT

This paper discusses corruption, in particular bribery, from a different angle. Instead of taking the more common perspective of law and politics, this paper chooses to see the phenomenon from behavioral perspective to shed light on why people decide to engage in corrupt acts in Indonesia and how to put an end to it. Also, by nature, corruption is an interdisciplinary issue requiring the understanding of a number of different areas of knowledge for prevention and investigation. Corruption problems in Indonesia are often approached with repressive mechanisms (e.g. investigations, arrests, and prosecutions by the authorities). This paper proposes that to curb corruption, at least in the long run, through mitigating its market by, among other things, reducing its participants and products.

Keywords: *Corruption, Fraud, Indonesia*

Introduction

Corruption is a global pandemic. Many have been done to eradicate this disease from the face of the planet with little or no success as it remains a major threat to our economies. As a fraud, corruption comes in many shapes and sizes and its methods evolve over time. Considered as one of the oldest known white-collar crimes, corruption has been known to severely affect a country's economy in various ways such as reducing foreign and domestic investment, increasing state expenditures and reducing growth (Albrecht, Albrecht, Albrecht, & Zimbelman, 2012, p. 516; Tanzi, 1998, p. 586). For example, historically speaking, the practice and tradition of unlawfully paying public officials or company insiders for preferential treatment has been rooted in the crudest business systems developed (Albrecht, Albrecht, Albrecht, & Zimbelman, 2012, p. 516). In Indonesia, just as in other part of the world, corruption has rooted deeply within the country's systems as it appears that new cases emerge almost every day perpetrated by almost everyone.

Fraud: An Overview

Fraud has been in existence for generations. For example, the so-called "financial scandals" have plagued the world's economy since before the Industrial Revolution (Pearson & Singleton, 2008). Many of the scandals (such as that of the Equity Funding in 1970 where computers were used to as a means in perpetrating fraud) became milestones with historical importance in our journey in combating fraud (Pearson & Singleton, 2008). According to the Black's Law Dictionary (2009), fraud is:

A knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment...A misrepresentation made recklessly without belief in its truth to induce another person to act.

As argued by Ramamoorti (2008, p. 522):

Fraud involves intentional acts and is perpetrated by human beings using deception, trickery, and cunning that can be broadly classified as comprising two types of misrepresentation: *suggestio falsi* (suggestion of falsehood) or *suppressio veri* (suppression of truth).

The essential part of any fraud is the use of deception to obtain benefits. As defined by Wells (2005, p. 8), four general elements must be present for an offence to be called 'fraud':

- A material false statement;
- Knowledge that the statement was false when it was uttered;
- Reliance on the false statement by the victim; and
- Damages resulting from the victim's reliance on the false statement.

There are many types of fraud in the society and so far as literatures are concerned, no single classification system in the world can comprehensively identify all of them. The Association of Certified Fraud Examiners (ACFE), for example, has been using the Fraud Triangle system in its biannual global studies on fraud (Association of Certified Fraud Examiners, 2012). The system divides fraud into three major categories: corruption; asset misappropriation; and financial statement fraud (Association of Certified Fraud Examiners, 2012). From the existing cases, there are many ways fraud can be perpetrated, from the simple misuses of trust to the sophisticated computer based offence.

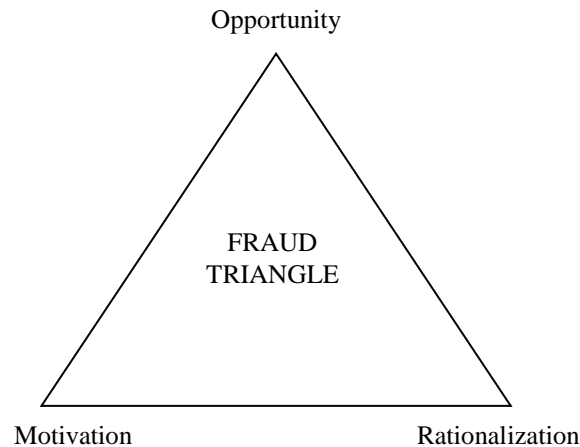
Often mentioned as white collar crime, losses from fraud have been estimated by the ACFE's global study to be around \$3.5 trillion in 2011 alone (Association of Certified Fraud Examiners, 2012, p. 4). In this study, asset misappropriation is considered as the most common fraud category with 87% of reported cases during the study period (Association of Certified Fraud Examiners, 2012, p. 4). According to the study, the most costly type of fraud is financial statement fraud which, despite making only 8 % of the cases in the study, it caused median loss of \$1 million (Association of Certified Fraud Examiners, 2012, p. 4).

Over half a decade ago the term "white collar crime" was not largely known even among criminologists and sociologists. Edwin H. Sutherland was credited as the first and criminologist who integrated crimes of the upper white collar class with economics and business activity (Dorminey, Fleming, Kranacher, & Riley Jr., 2012, p. 557). During Sutherland's time, whereas economists were, naturally, very familiar with business issues but were much less so to crime, sociologists were well acquainted with crime but were not used to see it from business point of view (Sutherland, 1940, p. 1). Sutherland (1940, p. 1) argued that the seemingly low crime incidents among member of the upper class was attributed to the inaccurate depiction by the crime statistics of the time. He was of the opinion that (Sutherland, 1940, p. 1):

The criminal statistics show unequivocally that crime, as popularly conceived and officially measured, has a high incidence in the lower class and a low incidence in the upper class; less than two percent of the persons committed to prisons in a year belong to the upper class...The criminologists have used the case histories and criminal statistics derived from these agencies of criminal justice as their principal data. From them, they have derived general theories of criminal behavior. These theories are that, since crime is concentrated in the lower class, it is caused by poverty or by personal and social characteristics believed to be associated statistically with poverty, including feeble-mindedness, psychopathic deviations, slum neighborhoods, and "deteriorated" families. This statement, of course, does not do justice to the qualifications and variations in the conventional theories of criminal behavior, but it presents correctly their central tendency.

Based on the work of criminologist Donald Ray Cressey, the fraud triangle is an example of a model of crime occurrence analysis, and focuses on so-called 'trust violators'¹. Cressey's theory suggests that in order for a trust violation to occur three elements must be present: motivation, opportunity and rationalization.

Figure 1: Fraud Triangle



This theory is still used today to analyse problems of fraud, particularly that which occurs in organisations where trust is involved. In terms of motivation, Cressey (Criminal Violation of Financial Trust, 1950, p. 97) argues that in all cases that he had investigated, non-shareable problem always preceded the criminal violation of financial trust. 'Non-shareable' describes the situation where a problem-bearer cannot inform other people, let alone ask for help. This creates a somewhat strong motivation for committing fraud. When motivation exists, any opportunity to commit fraud can be considered as a solution to a person's non-shareable problem. As Cressey (1950, pp. 123-124) states:

The trusted person must have a certain amount of knowledge or information about trust violation in general, and specifically he must be aware that the violation of his trust will aid in the solution of the problem.

Finally, to complete the triangle, rationalization is a way for the offender to justify their actions. According to Cressey (1950, p. 201), rationalizations are not merely *ex post facto* justifications for conduct which have already been enacted, but are pertinent and real reasons which the person has for acting. This is to say that offenders may have their justifications before or after their actions. Clark et

¹ The fraud triangle concepts, which were initially proposed by Donald Ray Cressey, are now among the most well-known frameworks for analysing frauds around the world. In his original work, during the course of his PhD study, Cressey often (if not always) used the term 'trust violation' in describing the offence in question—embezzlements. For more discussion, see Cressey (1950). For his PhD study, Cressey, in the late 1940s, interviewed nearly 200 incarcerated embezzlers, including convicted executives. For more details on Cressey's research method for his PhD, see Cressey (1950, pp. 27-55).

al. (2006, pp. 135-136) are of the opinion that rationalisation can take various forms, such as: 'it's just temporary', 'management doesn't care', 'management participates in, expects and rewards this kind of behaviour', 'no one is hurt and the company is helped' and 'I deserve this'.

Much of the literature has sought to compare crime occurrence models in the hope of finding one to explain why frauds occur and thus assist in the development of effective countermeasures. However, the present study does not attempt to compare models to determine which are better, but instead focuses on a theoretical exploration, in relation to credit card fraud, of one particular factor acknowledged either implicitly or explicitly by most crime occurrence models: opportunity.

Fraud in Indonesia: A Story of Corruption

Many literatures have attempted to define fraud in the way that is best representing the actual structure and dynamics of the offence. In practice, the definition of fraud is often determined by the existing legal system which, in many cases, differs across countries. In Indonesia, in terms of fraud, most of the attentions are given to the most popular type of it, corruption. According to the Law No. 31 Year 1999, offences which cause losses to the state are considered as corruption. As defined by the Law No 31 Year 1999 (Article 2) (The Republic of Indonesia, 1999):

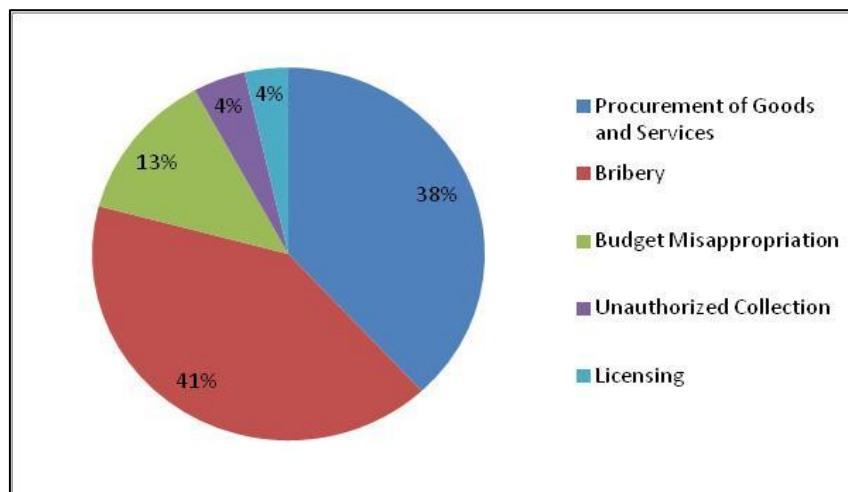
Anyone who illegally commits an act to enrich oneself or another person or a corporation, thereby creating losses to the state finance or state economy, is sentenced to life imprisonment or minimum imprisonment of 4 (four) years and to a maximum of 20 (twenty) years, and fined to a minimum of Rp200,000,000,- (two hundred million Rupiah) and to a maximum of Rp1,000,000,000,- (one billion Rupiah).

Evidences suggest that the opportunity for corruption in Indonesia is generated from a number of factors such as large amounts of public resources derived from natural resources, vested interests and politically connected networks, poorly paid civil servants, low regulatory quality, weak judicial independence, just to name a few (Martini, 2012, p. 1). Corruption was a major problem in the Soeharto era and it got even worse after the decentralization system was implemented in 2001 as it made, for example, bribe collection more entrenched throughout the regions (Kuncoro, 2006, p. 14). In practice, efforts to combat fraud in Indonesia are mainly focused on the corruption perpetrated by public officials. However, in reality fraud is also a major problem in private sector. For example, in 2011, Malinda Dee has emerged as a new celebrity in Indonesian mass media for her infamous acts of embezzling Rp 17 billion (US\$1.95 million) of Citibank customers money (Prabowo, 2011). It was believed that the exploitation occurred over a period of around three years before three of her victims approached Citibank over suspicious unauthorized fund transfers from their accounts (Prabowo, 2011). Before the crime was uncovered, Malinda, or Inong Malinda, was considered a model

employee trusted to handle priority customers with account balances worth at least Rp 500 million (Prabowo, 2011).

In terms of fraud in public sector, at the national level, corruption remains a major problem in Indonesia despite the campaign promises of the political parties currently in power. Generally, according to the database of the Corruption Eradication Commission (KPK), there are five common schemes of corruption: procurement of goods and services, bribery, budget misappropriation, unauthorized collection and unlawful licensing.

Figure 2: Corruption Cases Investigated by the Corruption Eradication Commission (2004 – 2012)



Source: Adapted from the Corruption Eradication Commission (2012)

Figure 2 depicts the prevalence of corruption based on cases investigated by KPK from 2004 – 2012 which suggests that bribery is currently the most prevalent type of corruption in Indonesia and thus it will be the focus of the discussions in this paper.

New corruption cases emerge everyday perpetrated by high profile public figures such as members of the parliament, political figures, ministers, etc. For example, after the naming of former Prosperous Justice Party (PKS) chairman Luthfi Hasan Ishaq as a suspect in the recent beef import bribery scandal, in February 2013 the Corruption Eradication Commission (KPK) once again made a bold move by naming former Democratic Party chairman Anas Urbaningrum a suspect for his involvement in the Hambalang graft case (Prabowo, *Graft Probe: The Fallen Victors and the Broken Promises*, 2013a). Several legal and political scholars maintain that the KPK's decision was influenced by a certain group of senior people in government who had a grudge against Anas (Prabowo, *Graft Probe: The Fallen Victors and the Broken Promises*, 2013a). KPK has denied this speculation, stating that its decision was based solely on professional judgment without any external interventions (Prabowo, *Graft Probe: The Fallen Victors and the Broken Promises*, 2013a). Similar to the beef import scandal for the PKS, many believe that the Hambalang scandal will prove to be the Democratic Party's Achilles' heel in the next election in 2014 (Prabowo, *Graft Probe: The Fallen Victors and the Broken Promises*, 2013a). With a number of its high-ranking politicians, including the

former chairman himself, allegedly involved in fraud, regaining public trust and winning the next election seems like a long-shot for the party (Prabowo, *Graft Probe: The Fallen Victors and the Broken Promises*, 2013a).

A noticeable trend in the corruption cases in Indonesia is that the perpetrators are seemingly getting younger and smarter by the day. For example, Gayus Tambunan, a low-level government tax official had engaged in money laundering and embezzlement for major companies in Indonesia is evidence that young professionals may have been exposed to the corruption culture of the country (Kimura, 2012, p. 187). In the case of Gayus Tambunan, among the things that made him famous was his act of bribing police and immigration officials so as to be able to take frequent trips abroad during his detention time (Kimura, 2012, p. 187). Another high profile case involving young politician is that of Muhammad Nazaruddin, a former treasurer of the Democratic Party who allegedly arranged kickback deals for the 2011 SEA Games in Palembang, Sumatra (Kimura, 2012, p. 188). Similar to Gayus, Nazaruddin's case caught media attention for his adventurous escape to Singapore, Vietnam, Cambodia, Spain, and the Dominican Republic before his arrest in Colombia (Kimura, 2012, p. 188). At the regional level, there have been many cases of corruption in Indonesia perpetrated by the head of the regions. Corruption commonly occurred in the areas such as goods and services procurement, budgetary misappropriation and bribery. Such areas are prone to corruption due to, among other things, the need for political funding in particular during the regional elections. According to the Ministry of Internal Affairs, there are approximately 36 percent of the Heads of regions who are having legal problems related to the goods and services procurement, 44 percent are involved in budget misappropriation and the rest are involved in bribery, unauthorized collection and inappropriate license granting (Kompas, 2012).

The "Agent – Principal" Problems and the "Why" Factors.

Many corruption cases in Indonesia are caused by the misuse of power given by the "principal" (i.e. public) to the "agent" (i.e. Public officials). In this case, generally the "agent" abuses public resources to gain personal benefits. As Agatiello (2010, p. 1457) puts it:

The intuitive notion of corruption is that of the public agent who abuses her authority or the resources under her stewardship, to obtain a discrete benefit from a private agent (or another public agent). Thus she privatizes a public and legal monopoly as the other party needs the intervention, non-intervention, presence or absence of the public agent to fulfill her ends.

Criminologist Donald R. Cressey (1950) used the term "trust violators" to depict such agents who misuse their principals' trust for their own ends.

In Indonesia, public officials who are appointed to office are entrusted with power from the public they serve. Unfortunately such power is also known as the source of fraud opportunity which

can be exploited by corrupt public officials for their own ends. Although corruption in public institution is the most talked about type of fraud in Indonesia due to media coverage, in reality, it is also a problem in private sector. A main reason why public are more concerned with public sector corruption is simply because it concerns taxpayers' money. As argued by Agatiello (2010, p. 1463):

If concealment and illusion also accompany the exploits of actors, sellers of magic potions and many many lawyers, why do we find those of politicians so offensive? It is because they act in our collective name and representation. If it is necessary to press, conceal and lie to govern and some are inclined to do it for money, power or glory, when we grant them a political mandate we also decide to tolerate their imperfections.

It is generally known that Indonesia is a fertile ground for fraud to live, grow, and thrive. For example, the Transparency International's 2012 Corruption Perception Index (CPI), which measures the perceived levels of public sector corruption in 176 countries, shows that corruption remains an entrenched part of the global public sector (Transparency International, 2012). This is partly indicated by the fact that around two-thirds of the surveyed countries in this year's CPI received an index score of below 50 (out of 100) (Transparency International, 2012). As for Indonesia, although it scores a little better compared to the previous year, it remains in the bottom 30 percent of the most corrupt countries in the world (Prabowo, 2013c).

In relation to the "principal – agent" problem, experts have long been attempting to shed light on why the decision to abuse power among public officials occur in the first place. Many criminologists believed that offenders of any crime including fraud are always seeking the greatest benefits in their actions, as an application of the rational choice theory. The rational choice perspective itself is a universal concept acknowledged by several different fields of study, and is believed to have been inspired primarily by Cesare Beccaria's well-known work, *An Essay on Crimes and Punishments* (1872) (Beccaria & Voltaire, 1872; Hayward, 2007, p. 233).

As stated by Satz and Ferejohn (1994, p. 71):

The theory of rational choice plays a central role in the social sciences. The received view among philosophers who study rational-choice theory (both proponents and critics) holds that the theory is psychological and individualistic. Rational-choice theory is taken to be a psychological theory in that it explains a person's actions in terms of her mental states. A rational choice or action is one in which the agent takes the best available action given her preferences and beliefs. The theory is also taken to be an individualistic theory in that it applies directly only to individuals (that is, only individuals have preferences).

In criminal activities, this means that in committing their offences, offenders will try to seek the greatest benefits with the least costs. Furthermore, as Hayward (2007, p. 233) argues, basically, in

terms of criminality, it is human nature to search for pleasure and to avoid pain, and thus human action is organized around calculative strategies aimed at utility maximization.

In relation to corrupt acts of public officials, one's desire to abuse his or her power is often associated with the so called "political rent" in particular when third parties are involved. In this scenario the third parties may try to persuade the corrupt official to misuse his or her power in order to enjoy certain economic benefits (Porta & Vannucci, 1997, p. 232). In exchange of this privilege, the corrupt officials will usually receive part of the benefits in the form of bribe (Porta & Vannucci, 1997, p. 232).

As argued by Benson and Baden (1985, p. 392), governments operate by assigning, reassigning, modifying, or attenuating property rights. Referring to Cressey's Fraud Triangle discussed above, being in power is certainly giving the high ranking public officials power over some property right matters in the country. Benson and Baden (1985, p. 392) thus believe that:

Governments regulate by creating and enforcing property rights and by more or less continuously modifying and changing the allocation of previously existing rights. Taxation and resulting transfers also fit this paradigm. An income tax, for example, is a partial taking of an owner's right to the full value of his resources, followed by a corresponding reassignment of these rights to someone else (for example, a transfer recipient, such as a farmer receiving support payments).

From the bribers' point of view, uncertainties in business environment in Indonesia is believed to be a major drive for businessmen to engage in corrupt transactions with public officials (Kuncoro, 2006). This is to say that business uncertainty reduction is a "commodity" offered by corrupt public officials to third parties in exchange for some amount of bribe. Many corrupt businessmen are known to have chosen to pay bribe as part of their business costs. In fact, paying bribe to public is considered by many as common business expenditure. In Ernst & Young's recent 2012 annual global fraud study, for example, 60 percent of Indonesian respondents said that making cash payments to win new business is acceptable practice (Ernst & Young, 2012). Meanwhile, Transparency International's Bribe Payers Index 2011 shows that Indonesia is one of the countries in which companies are most likely to bribe when doing business abroad (Transparency International, 2011). These are strong indications that bribery may have been deeply rooted to our culture and will likely be passed on to our future generations.

Martini (2012, p. 1) is of the opinion that corruption in Indonesia is facilitated by factors such as large amounts of public resources from natural resources, vested interests and politically connected networks, poorly paid civil servants, low regulatory quality, and weak judicial independence. These, mixed with wide discretionary power and resources without proper accountability and enforcement mechanisms, form the fertile soil for corruption to grow in the nation (Martini, 2012, p. 1).

Political parties have often been accused as a major cause corruption is rampant in Indonesia. From behavioral perspective, many believe that a major reason why many politicians choose to be corruptors is no other than the desire to maximize their own benefits and using their political parties merely as vehicles for attaining wealth, power and social status (Hopkin, 2004). This is to say that corruption is considered by many as part of human nature (Mietzner, 2007, p. 239) which must be controlled and suppressed.

Historically speaking, since the fall of the Soeharto regime, the lack of political party funding has become a major problem, even for large parties (Mietzner, 2007). Despite several regulatory efforts by the government in the past few years, political parties are still struggling with this problem (Prabowo, 2013a; Mietzner, 2007). The various regional elections, for example, often require participating candidates and their parties to spend a fortune on their campaigns to secure votes (Prabowo, 2013a; Mietzner, 2007).

It has been widely known to public that some people chose to enter politics to pursue their personal interests instead of serving the public. Some seek the financial benefits of being in government while others, who were already wealthy, simply seek power and prestige. In relation to limited political party funding, evidence suggests that one alternative source of funding comes from the parties' politicians themselves. Evidence suggests that parliamentarians, for example, often have to give a portion of their salaries and allowances to their parties (Mietzner, 2007, p. 246). From a rational cost-benefit point of view, this means that the politicians need to compensate for their lost income by seeking alternative income sources which leads to pressure to resort to fraudulent acts.

Despite the ongoing debates over what really causes corruption to occur, essentially it is caused by people who, after weighing a number of factors, decide that the best way to solve their problems or achieve their ends is to commit corruption. In other words, a key element in corruption is the offenders' decision making process. Taking the psychoanalysis perspective, Sher (2010, p. 41) argues that:

Psychoanalytically, corruption can be thought of in terms of perversions and the idealisation of violence, untruth, propaganda, and prejudice; exhausting higher levels of value and promoting those things which are the antithesis of ordinary human values. This is a shaky definition, because it depends on human values that are socially constructed. In principle, there is no reason why a society should not say that telling lies is a good thing. It depends on whether one accepts that value systems are socially constructed or whether there is something innate in being human...

From behavioral point of view, there are numerous factors that may influence one's decision to commit corruption. For example, a person may have the desire to live an extravagant life beyond his or her financial capacities which leads to the temptation to commit fraud. In fact, the ACFE's 2012

global fraud study revealed that "living beyond means" is the most observable behavioral symptom of fraud offenders all around the world (Association of Certified Fraud Examiners, 2012). Some psychoanalysts believe that deep within the minds of fraud offenders lies the misleading belief of the seductive "phantasy" world of unearned wealth (Sher, 2010, p. 43). This unearned wealth is associated with the financial benefits from the use or even misuse of one's position. Evidences suggest that such behavior is also commonplace in Indonesia. Many politicians are often seen living extravagantly, to a degree that even their high salaries as public officials cannot support (Prabowo, 2013a). With these pressures, once an opportunity to earn more income from their political position presents itself, they may be willing to take the chance to engage in corrupt practices (Prabowo, 2013a).

The lack of sufficient legal deterrence is often thought to be a major reason for the growing corruption problems in Indonesia. Evidences suggest that corruption cases investigated by the KPK often cost the nation vast sums of taxpayers' money which means that those who indulge in corruption can become millionaires overnight from the proceeds of their offenses. In more than a few cases, despite the huge economic losses from corruption, many of its offenders receive only light sentence which suggest that after serving their time in prison and paying their fine (which is often less than what they stole from the people), corruptors may live the rest of their lives happily with their crime proceeds.

The rational choice theory discussed above implies that prior to committing his or her fraudulent acts, corrupt public officials will first identify the benefits and costs thereof (Kristiansen & Ramli, 2006, p. 210). In Indonesia, many believe that a major reason corruption is a growing problem throughout the nation is the fact that its perceived benefits outweigh its costs (e.g. risk of detection and prosecution) (Kristiansen & Ramli, 2006, p. 210). In other words, corruptors believe that the net benefits of engaging in corrupt transactions simply outweigh that of honesty (Kristiansen & Ramli, 2006, p. 210).

To be able to offer their "commodity" to third parties, corrupt public officials need to possess sufficient power to influence decision making for their sake. Such power usually comes with their position in the government. In Indonesia, at least in the past, public official is considered as a prestigious profession for, among others, its stable income and social status (Kristiansen & Ramli, 2006, p. 207). The recruitment process is in itself a source of corrupt practices such as bribery. It has been generally known to public that many civil servants in Indonesia were recruited on the basis of their willingness to pay and not their professional qualification and capacity (Kristiansen & Ramli, 2006, p. 212). Therefore, the high number of cases of corruption in the country involving public officials is believed to be also among the outcomes of the inappropriate recruitment process, in other words, "garbage in garbage out".

As a public official's rank goes higher, so does the temptation to commit fraud. For example, as Tanzi (1998, p. 562) describes it:

...with the passing of time, and with increasing frequency, some government officials would be approached by bribers and asked to bend rules or even to break laws to obtain a government benefit or to avoid a government-imposed cost. Some will respond and will get compensation from the briber~ for their actions. Others will start emulating them. The process is likely to be cumulative over time and resemble the spreading of a contagious disease. Acts of corruption that might have appeared shocking earlier will begin to look less shocking, and may even begin to be tolerated. The government may respond to this situation not by punishing the officials who bend or break the rules, but by reducing wages on the assumption that officials are getting extra compensation. It is easy to see where this process

Every public official belongs to at least a public institution. Upon his or her appointment to his or her office, he or she will immediately need to fit in an organization with its own set of culture. However, in more than a few cases, corrupt organizational culture will influence one's perception towards corrupt practices. As argued by Ramamoorti (2008, p. 524):

In general, fluctuations in business cycles, and criminogenic cultures that conflict with accepted social, ethical, and legal norms of behavior, are correlated with increases in the rate of white collar crime. For instance, when there is a widespread belief that "everyone is getting rich" many come to believe that to pass up any opportunity is to miss the boat.

In relation to Cressey's Fraud Triangle, the criminogenic culture within an organization may become the source of fraud rationalization from which fraud offenders believe that their act is not a crime since everyone is doing it. A global study by Ernst & Young (2012, p. 5) revealed that 60% of Indonesian respondents consider that making cash payments to win new business is an acceptable practice. Also, 44% believe that providing entertainment to decision makers to win new business is also acceptable (Ernst & Young, 2012, p. 5).

In Indonesia, the Corruption Eradication Commission (KPK) has been credited for its bold moves in investigating corruption perpetrated by high profile politicians such as members of the House of Representatives (DPR) and even ministers. Many members of the House of Representatives have been named suspects or prosecuted for corruption. A noticeable trend in recent fraud cases is that the offenders are seemingly getting younger compared to similar cases in the past. For example, in January 2013, the former member of the House of Representatives and former beauty queen, Angelina Sondakh, was sentenced to four-and-a-half years in prison for her involvement in the Hambalang scandal (Prabowo, 2013b). Before the case was uncovered, Angie was a member of the House budget committee, whose responsibilities include deciding where taxpayers' money is to be spent in the state

budget (Prabowo, 2013b). Once a promising young politician, Angelina Sondakh is now a convict along with fellow young Democratic Party politician, Muhammad Nazaruddin (Prabowo, 2012a). A thing worthy of note about Angelina's case is that she was one of the models for the Democratic Party's anti-corruption advertisement during the election campaign in 2009 (Prabowo, 2012a). Many believe that the promise of being a clean political party was a factor behind the party's victory in the last election (Prabowo, 2012a). Surely, evidences suggest that during their campaigns politicians often promise more than what they can or are willing to deliver once they are elected (Haan, 2004, p. 227). Nevertheless, what happens to the Democratic Party will greatly erode public's trust on the country's political system.

From the existing corruption cases in Indonesia, it appears that younger people are now more prone to corruption than before. Fraud offenders such as Gayus Tambunan (Tax fraud), Dhana Widyatmika (Tax fraud), Angelina Sondakh (Bribery), and Muhammad Nazaruddin (bribery) are all now in the "Hall of Shame" of Indonesian young corruptors. This makes public wonder what went wrong in particular with the country's education system, has it paid enough attention to building ethics and morality? Many believe that the moral of students and that of the public generally mirror one another (Malgwi & Rakovski, 2009; Miethe & Michaels, 1989). This is primarily because, so long as regeneration is concerned, today's students will one day become professionals and some may even become public officials and leaders of their country. Studies have revealed that students who cheat in college are likely to become professionals who likely to engage in unethical behaviors in their organizations (Teixeira & Rocha, 2010, p. 666). This is to say that students with low morality will likely to transform into fraudsters in their professional live. For example, many believe that when a student is willing to falsify a term project or commits unethical or even illegal behavior at school would also later on be willing to falsify records of transactions in his or her company (Teixeira & Rocha, 2010, p. 666).

In Indonesia, the National Examination is conducted every year for all school students throughout the nation. From students' point of view, the nationally standardized exam is a defining moment by which their next phase of their education will be decided which put enormous pressures for them to pass it. Unfortunately, from time to time, such pressures had also caused some students to take a short cut and cheat at the exam. For example, on the first day of the 2012 National Exam, according to the National Examinations Center, there were over 250 reports of problems and irregularities. Many concerned alleged leaking of exam questions as academic cheating (Prabowo, 2012b). As argued by Teixeira and Rocha (2010, p. 692):

...students today feel more pressure to do well in order to get into graduate or professional schools and secure a job. Indeed, in a time of economic rationalism and high unemployment rates, the competition to gain qualifications is increasing. Passing exams, doing well in assignments, and ensuring a high ranking score in relation to fellow students—jostling for a

position against competitors—is seen as a key step towards success or failure in obtaining well-paid employment in the future.

News coverage revealed that students at a number of schools in Indonesia resorted to academic cheating during the National Exam supposedly to guarantee their success. Some of these acts were even captured by television cameras and broadcast nationally (Prabowo, 2012b). Despite the education minister's claim that reports of academic cheating during the exam was lower this year than in previous years, concern must be given to how the existence of such misconduct will shape Indonesia's future generations (Prabowo, 2012b). To overcome possible problems, The Indonesian government took very serious measures to secure every year's National Examination involving even the National Police in ensuring the integrity and accountability of the entire process of the exam (Prabowo, 2012b). A member of the House of Representatives even argued that the security measures amounted to preparations for a war (Prabowo, 2012b).

Can the Disease be Cured?

Despite the fact that corruption has run rampant throughout most if not all systems in the Indonesia, we must not lose hope in this battle for the sake of our future generations. Fraud including corruption is by fact a multidimensional problem requiring a multidimensional approach to solve it. In practice, government often only emphasize on the prosecution of offenders to create deterrence effects and discourage potential offenders from ever committing fraud. Nevertheless, so far, this approach does not seem to work well against the rampaging and continually regenerating fraud in particular corruption in Indonesia. Tanzi (1998, p. 587) is of the opinion that the greatest mistake that a country can make in combating corruption is to rely on a strategy which focuses only on a single area. This so since, due to its nature, corruption is a complex phenomenon which is virtually difficult to be explained by a single causal factor (Tanzi, 1998, p. 587). Tanzi (1998, p. 587) believes that among many causal factors to corruption, some can be changed more easily than others.

Referring to Cressey's Fraud Triange, to minimize fraud is to size down the three legs of the triangle: pressure or motivation; opportunity; and rationalization. To do this, participation of all elements of the nation is crucial to ensure its success. Therefore, nationwide multi-layered initiatives must be designed and implemented extensively. Tanzi (1998, pp. 591-592) proposes that an effective corruption prevention strategy must cover at least four essential areas:

1. Honest and visible commitment by the leadership to the fight against corruption for which the leadership must show zero tolerance
2. Policy changes that reduce the demand for corruption by scaling down regulations and other policies such as tax incentives. and by making those that are retained as transparent and as nondiscretionary as possible

3. Reducing the supply of corruption by increasing public sector wages, increasing incentives toward honest behavior, and instituting effective controls and penalties on the public servants
4. Solving the problem of the financing of political parties

Strong commitment from the leaders of an organization or even a country will set the "tone at the top" for promoting honesty and transparency throughout the entire system. Conversely, corrupt leadership will only act a source of corrupt behaviors within an organization. Evidences suggest that obedience to corrupt superiors, for example, may overwhelm one's morality which then leads him or her to participate in his or her superiors' fraudulent activities (Murphy & Dacin, 2011, p. 605).

Corrupt acts such as bribery exists mainly because there is a market for it in the society where supply meets demand. Supply represents the number of "illegal services" that can be provided in particular by public officials whereas demand represents the number of "rent seekers" willing to pay for the "illegal services". This implies that decision makers also need to consider sizing down both elements of the "underground market", supply and demand. From the *supply side*, government institutions must have in place strong internal control to reduce opportunities to commit fraud. Leaders in government organizations must maintain control over their staffs to ensure their compliance to the existing anti-fraud regulations. Any breach of rules must be acted upon immediately and any offenders must be sanctioned to create sufficient deterrence effect to discourage future offenders. Other causal element of fraud such as income inequality must also be taken into account as it may constitute pressures to commit fraud (Martini, 2012, p. 6). Many public officials commit fraud simply because their salaries are not enough to support their families and thus they desperately need extra income (Tanzi, 1998, p. 568). According to ACFE's global fraud study, financial difficulty is one of the most observable behavioral symptoms of fraud offenders (Association of Certified Fraud Examiners, 2012, p. 57). From the demand side, businessmen need to understand that a way to reduce bribery is by not buying and using the "illegal services" at all. Eliminating the need and pressure to bribe is closely tied to reducing business uncertainty caused by corrupt public officials. For this, scaling down regulations and other policies such as those of tax incentives should be of consideration (Tanzi, 1998, p. 591).

Many businessmen in Indonesia are willing to bribe public officials to make things happen or to get things done faster because it is known to be a common practice in a country and that anyone who does not do it will likely to lose the competition. From the so-called "game theory" perspective, assuming that there are two parties in a bribery transaction then the bribery itself is a result of players choosing their optimal strategies after considering their own and each other's actions (Lianju & Luyan, 2011, p. 104). In this case, the best decision for both parties according to their judgments is to pay and to receive bribe. To keep their transaction hidden from the authorities, they will do their best

to acquire information about each other as well as being cautious and maintaining secrecy (Lianju & Luyan, 2011, p. 104).

Organizational culture plays important role in shaping or reshaping one's perception towards fraud. Therefore, it is of no surprise that many corrupt public officials in Indonesia came from institutions with corrupt organizational behavior. Among such organizations are political parties (Mietzner, 2007, p. 238). Hopkin (2004, p. 269) believes that in accordance with the assumption of "self-interested utility", just like other human beings, generally politicians are interested in maximizing their own benefit by using political parties as their vehicles for pursuing wealth, influence and social status. This appears to be also the case in Indonesia where many politicians finally ended up in prison due to their acts in misusing their power to entrench their wealth. In Indonesia, due the lack of funding, politicians often have to contribute part of their income to their parties which also means that they need to compensate for their lost income by seeking for alternative income sources (Prabowo, 2013a).

Corruption problems in Indonesia are often approached with repressive mechanisms (e.g. Investigations, arrests, and prosecutions by the authorities) which emphasize more on removing or eliminating the "underground market" participants. Such mechanisms are also intended to create deterrence effect in particular to potential offenders. Nevertheless, evidences suggest that in long term, relying only on one area will not do much on eliminating the entire underground market (Tanzi, 1998, p. 587). This means that decision makers need to consider a long term strategy which emphasize on eliminating all factors constituting the "underground market". In this strategy, education should become an integral part of it as it is what shapes our current and future generations' mindsets. Education is meant to arm student with the necessary skills and competencies to compete later on in the professional world. What is no less important, however, is the fact that education must also become a means to build ethics and morality of the young generations. Nevertheless, it appears that even in the academic world, fraud already exists and may influence students' perception on the concept of right and wrong. Fraudulent acts such as plagiarism and exam cheating are indicators that students may have been infected by fraud causal factors (i.e. pressure or motivation, opportunity, and rationalization) (Malgwi & Rakovski, 2009).

As argued by Malgwi and Rakovski (2009, p. 211), pressure or motivation can be in the forms of fear of failing the course, fear of parents' dissatisfaction, need for high grade for further study, fear of losing the chance to land a good paying job, just to name a few. Opportunity may come in the forms of, for example, availability of mobile technology that can easily store and retrieve data, availability of downloadable materials from the internet for plagiarism, and lack of supervision from instructors (Malgwi & Rakovski, 2009, p. 211). Finally, fraud rationalization may appear in the forms of students' excuses such as: everyone is cheating, the course is too hard, instructors are hard graders, tuition is so high and not enough time to study (Malgwi & Rakovski, 2009, p. 211).

Schools and Universities should have in place strong mechanisms to prevent academic fraud particularly by students by minimizing and managing the three causal factors, motivation, opportunity and rationalization. This requires schools and universities to be more proactive in designing and implementing effective fraud prevention measures that also involves students. For example, students must be taught about the importance of "whistle blowing" system for reporting academic fraud within their environment. This way, students can avoid building up fraud rationalization in their minds which could manifests into actual involvement in fraud when they become adults. Combined together, the short term and long-term initiatives will have more impacts on the eradication of corruption in Indonesia.

Conclusion

The above discussions focus on understanding the phenomenon of corruption, in particular bribery, in Indonesia from the behavioral perspective. From the discussions, it can be inferred that the complexities of the corruption problems requires government and other decision makers to thoroughly design a multi-layered and multi-dimensional approach to address the them. An essential part to such process is to understand the constructs and mechanics of "corruption transactions". Focusing on bribery as the most common type of corruption, this paper argues that the basic mechanics of corrupt transactions in the "underground market" resembles those of service trade in the real market. In the "underground market", corrupt public officials act as the suppliers of the "illegal services" whereas third parties such as businessmen act as the buyers of the services. With this market analogy, this paper proposes that to eliminate corruption, at least in the long run, we can eliminate its market by, among other things, eliminating its participants and products. This can be done within the Fraud Triangle Framework in which pressure or motivation, opportunity, and rationalization of market participants will be diminished or even eliminated.

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