To be corrupt or not to be corrupt
Understanding the behavioral side of corruption in Indonesia
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Abstract

Purpose – The purpose of this paper, which is based on author’s study, is to shed light on the behavioral elements of corruption in particular the decision-making process undertaken by potential offenders to construct a solid basis for effective corruption eradication strategy in Indonesia.

Design/methodology/approach – This study examines corruption cases in Indonesia in the past two years which have been investigated by the Indonesian Corruption Eradication Commission as well as relevant literature on corruption to gain a better understanding of corruption offenders’ behavior.

Findings – The author establishes that by looking at the behavioral side of corruption we may gain more understanding on potential offenders’ way of thinking as a reference in dealing with corruption. The discussions in this paper suggest that when potential offenders are exposed to pressure/motivation, opportunity and rationalization to commit corruption, they will (consciously or subconsciously) assess all the perceived benefits and costs before deciding to commit (or not to commit) corruption. Understanding the mechanics by which potential offenders decide to engage (or not to engage) in corruption will provide government and decision makers with a solid basis for formulating an effective corruption eradication strategy.

Research limitations/implications – This study utilizes only secondary data sources to build its analysis on the perceived benefits and costs of engaging in corrupt practices. For future studies, primary sources, such as incarcerated corruption offenders, will offer a more accurate view of the actual decision-making process behind corrupt practices.

Practical implications – This paper contributes to the development of effective corruption eradication strategy in Indonesia by introducing the fraud decision scale as a framework by which appropriate measures will be devised so as to yield the intended results.

Originality/value – Instead of taking the more popular legal or political standpoint, this paper takes an unconventional view of assessing corruption problem from the behavioral perspective.

Keywords Corruption, Indonesia, Fraud, Fraud triangle, Rationality, Fraud investigation

Paper type Research paper

Introduction
Fraud is all over the media these days. It comes in many shapes and sizes and can be perpetrated by anyone. According to a global study by the Association of Certified Fraud Examiners (ACFE), annual losses from fraud worldwide are estimated to be $US...
3.5 trillion (Association of Certified Fraud Examiners, 2012, p. 4). In Indonesia, according to the Corruption Eradication Commission (KPK), the total losses from corruption from 2004 to 2011 were estimated to be around Rp 39.3 trillion ($US 3.4 billion) (VIVAnews, 2012). Efforts have been devoted to eradicate fraud from the face of the planet with little or no success. Many countries have now been working together to eradicate corruption, which indicates the growing awareness of the importance of uniting our strength against common enemies. Fraud investigation and prosecution have been extensively conducted by governments in their attempt to diminish the threats of fraud, such as corruption in their jurisdictions. Anti-fraud scholars and practitioners are now also extending their efforts to cover areas previously untouched by traditional measures, such as education and culture. This paper approaches the issues of corruption eradication in Indonesia from an unconventional perspective by focusing on the behavioral side of the corruption problems in particular to shed light on how potential offenders eventually decide to engage in corrupt acts and how to prevent them from doing so in the first place.

Fraud in the society
According to Wells (2008, p. 8), fraud is essentially crime for gain that uses deception as its principal modus operandi. Wells (2008, pp. 8-9) argues that under the common law, fraud is characterized by four general elements:

1. a material false statement;
2. knowledge that the statement was false when it was uttered;
3. reliance on the false statement by the victim; and
4. damages resulting from the victim’s reliance on the false statement.

In reality, fraud evolves rapidly over time due to which new forms and methods emerge seemingly every day. To perform their duties effectively, fraud investigators will commonly refer to the existing legal definition of fraud as set by the existing laws. For example, in Indonesia, as the most recognized type of fraud, corruption has been clearly defined by Law No. 31 Year 1999 as amended by Law No. 20 Year 2001 on the Eradication of Corruption. As defined by the laws, there are 30 types of corruption in Indonesia which fall into 7 categories: causing losses to the nation, bribery, occupational embezzlement, extortion, deception, conflict of interests in procurement of goods and services and gratification (Ardisasmita, 2006, p. 4).

According to the KPK's database, there are five major schemes of corruption in Indonesia: procurement of goods and services, bribery, budget misappropriation, unauthorized collection and licensing (Corruption Eradication Commission, 2012). Based on the number of cases investigated by the KPK, bribery is the most common type of corruption in Indonesia which merits special attention (Figure 1).

Understanding fraud offenders
Fraud offenders have always been a fascinating object to study. Many have tried to delve deeper into the twisted and yet logical minds of fraudsters which no scientists to date have been able to fully understand. Despite its complexities and difficulties, understanding fraudulent minds is essential in understanding how to defeat them.
Currently, governments have devoted their resources to mitigate fraud in their jurisdictions. Special laws have been enacted to severely punish fraud offenders in the hope of discouraging potential offenders from ever committing fraud in the future. Additionally, anti-fraud task forces have also been established all around the globe to create a hostile environment for fraudsters. Nevertheless, all these efforts do not seem to be enough to put fraud to an end. In Indonesia, for example, every now and then, new corruption cases emerge with new suspects, some of whom are high-ranking officials. Recently, the KPK arrested the Upstream Oil and Gas Regulatory Special Task Force (SKK Migas) Head, Rudi Rubiandini, for allegedly accepting bribes from an executive of Kernel Oil Private Limited, a Singapore-based oil trading company (Prabowo, 2013c). Many believe that Rudi’s case is just the tip of the iceberg, with a number of other high-ranking officials within the Energy and Mineral Resources Ministry believed to be involved in the scheme. The KPK is currently working around the clock to find out just how deep the rabbit hole really is (Prabowo, 2013c). Prior to his career in government, Rudi was a professor at the Bandung Institute of Technology. His stint at the energy ministry and the upstream oil and gas regulator had put him on the map as a leading petroleum expert (Prabowo, 2013c). SKK Migas itself has the authority to sign cooperation-sharing contracts and appoint sellers of oil and/or gas that may generate maximum profits to the state (Prabowo, 2013c).

So far, as investigation and prosecution are concerned, the Indonesian Government has spent their resources in investigating and prosecuting corruptors. However, the fact that corruption remains a major problem in the country suggests that new approaches need to be taken. Based on the data from the Anti Corruption Clearing House, from 2004 to 2013, there have been 596 major cases[1] of corruption in Indonesia uncovered by the KPK, which means that on average 57 major cases are uncovered each year over the past decade (Corruption Eradication Commission, 2013). In the Transparency International’s 2012 Corruption Perception Index, Indonesia is ranked 118th out of 174 countries (Transparency International, 2012). This also means that, despite scoring better than the previous year, Indonesia remains in the bottom 30 cent of the most corrupt countries in the world. One of the major drawbacks of the current anti-corruption measures is that they overemphasize on investigation and prosecution. In reality, corruption seems to

Figure 1. Corruption cases investigated by the corruption eradication commission (2004-2012)

Source: Corruption Eradication Commission (2012)
regenerate faster than the authorities can cut it back. This suggests the need to devote more efforts to suppress its regenerative healing factor so as to increase the effectiveness of the repressive measures.

To understand how corruption’s regenerative healing factor works we must first understand why people commit fraud. Based on the works of criminologist Donald Ray Cressey, the fraud triangle is an example of a model of crime occurrence analysis which focuses on the so-called “trust violators[2]”. Cressey’s theory suggests that for a trust violation to occur, three elements must be present: motivation, opportunity and rationalization.

In terms of motivation, Cressey (1950, p. 97) argued that in all cases that he had studied, non-shareable problems 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) stated:

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.

The perceived opportunity to commit fraud is commonly associated with the perception that a control weakness is present and the likelihood of being caught is small (Dorminey et al., 2012, p. 558). Such opportunity can be optimized only when offenders have the ability to act without being detected (Dorminey et al., 2012, p. 558). According to the ACFE’s global study, “living beyond means” is the most common behavioral symptom of fraud offenders all around the globe (Association of Certified Fraud Examiners, 2012, p. 57). Other symptoms include financial difficulty, family pressure and organizational pressure (Association of Certified Fraud Examiners, 2012, p. 57). These symptoms also represent common pressure/motivation for committing fraud. On the other hand, based on the same study, another common symptom, “unusually close relationship with vendor or customer”, represents an opportunity arising from the lack of employee rotation due to which an employee may stay in one position longer than he or she should have and becomes personally close to the vendor or consumer (Association of Certified Fraud Examiners, 2012, p. 57). Such closeness is then misused to commit fraud.

To complete the triangle, rationalization is a way for the offender to justify their actions. It is essentially an attempt to reduce cognitive dissonance resulting from misconducts (Murphy and Dacin, 2011, pp. 609-612; Dorminey et al., 2012, p. 558). As argued by Ramamoorti (2008, p. 525):

Specifically, trust violators and fraud perpetrators must be able to justify their actions to themselves and others as a psychological coping mechanism to deal with the inevitable “cognitive dissonance” (that is, a lack of congruence between their own perception of being honest and the deceptive nature of their action or behavior). This explanation led to the inclusion of “rationalization” as one of the elements in the conceptual framework provided by the “Fraud Triangle” […]

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

The fraud triangle has been used to explain many of major fraud cases in the past where, given the presence of the three causal factors (pressure/motivation, opportunity and rationalization), the otherwise honest people chose to become full-fledged fraud offenders. A recent noticeable trend in the corruption cases in Indonesia is that the perpetrators are seemingly getting younger and smarter by the day. Among the most well-known examples of this case is that of Gayus Tambunan, a young low-level government tax official who was involved in money laundering and embezzlement for major companies in Indonesia (Kimura, 2012, p. 187). What really made Gayus a media attention was his bold act in bribing police and immigration officials so as to be able to enjoy frequent trips abroad during his detention time (Kimura, 2012, p. 187). Angelina Sondakh is another example of how vulnerable young generation is to the temptation of corruption. Before being convicted to corruption, Angelina, a former Indonesian beauty queen, was a promising young politician who served as a member of the House of Representative (DPR). 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, 2012b). Many believe that the promise of being a clean political party was a factor behind the party’s victory in the last election (Prabowo, 2012b). Similarly, the case of 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), is an example of how some Indonesian young politicians these days cannot withstand the temptation of corruption. 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).

Despite its complexity, the author believes that a fraud is essentially an outcome of a decision-making process by a potential offender in which a number of variables are taken into consideration before the decision is made. Many criminologists believe that offenders are always seeking for 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 a number of different fields of study and was believed to be inspired by Cesare Beccaria with his well-known work, An Essay on Crimes and Punishments (1872) (Beccaria and 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 other words, when making decisions, people are generally guided by their rationality. As proposed by Nida-Rümelin (2010, p. 64), an individual is said to be guided by rationality when he or she follows normative principles of adequacy that may or may not be consciously present or accessible to the thinker. There have been discussions and
debates regarding the boundaries of rationality (Sen, 1994; Caplan, 2006; Velupillai, 2010; Spickard, 1998; McClennen, 2010). Some scholars argue that an individual is said to be rational when he or she is using means to achieve ends so as to maximize his or her utility (Mises, 1966, pp. 19-22; Wintrobe, 2002, p. 18). Caplan (2006, p. 93) in his work argued that the three most commonly used standards of rationality are: responsiveness to incentives, narrow selfishness and rational expectation. Being responsive to incentives is concerning to one’s awareness of the potential benefits based on which he or she makes the decision to act (Caplan, 2006, pp. 93-98). Narrow selfishness is essentially related to one’s predisposition to put his or her personal interests before others’ in making decisions. Rational expectation is related to long-term expectations from one’s acts (Caplan, 2006, pp. 93-98). Sen (1994, p. 385) argued that in a decision-making process, it is essential for a rational person to make the decision consistently in pursuit of his or her objectives in which he or she aims at maximizing the expected value of his or her payoff measured in some utility scale. For example, in economic activities, markets are known to work the way they do due to the millions of decisions made daily by consumers and producers, each rationally calculating profit and loss (Spickard, 1998, p. 100).

In criminal activities, just like in any other activities, offenders will seek the greatest of the benefits with the least of the costs. Furthermore, as Hayward (2007, p. 233) argued that basically, in terms of criminality, it is essentially human nature to search for pleasure and to avoid pain, and thus, human action is organized around calculative strategies aimed at utility maximization. Related to the above discussions, author believes that from the cost–benefit point of view, a potential offender who is exposed to Cressey’s fraud causal factors (pressure–motivation, opportunity and rationalization) will then attempt to assess his or her situation in particular related to the potential benefits and costs of engaging or not engaging in corrupt acts. Whatever option he or she chooses, it will always be one with the highest-perceived net benefits. In the case of rampant bribery in Indonesia, many businessmen in Indonesia seem to be 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 the country and that anyone who does not do it will be likely to lose the competition (Kuncoro, 2006). From the so-called “game theory” perspective, assuming that there are two parties (briber and bribe) 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 and 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 and Luyan, 2011, p. 104). According to Ernst & Young’s 2013 Asia Pacific Fraud Survey, for example, 36 per cent of the surveyed Indonesian respondents believed that it is commonplace to use bribes to win contracts in their industry (Ernst & Young, 2013, p. 2). Of 681 executives, senior managers and working-level employees from corporations with a turnover in excess of $US 500 million were surveyed for the study, with 100 of them from Indonesia. Ernst & Young’s study suggests that Indonesia will not see the end of bribery problems anytime soon.

So far as the rational choice theory is concerned, before committing a corrupt act, a public official will most likely (consciously or subconsciously) assess its potential net benefits. As argued by Kristiansen and Ramli (2006, p. 210):
Based on the rational choice theory, the model presumes that an agent, like a bureaucrat, will become corrupt if the net benefits from corrupt practices exceed those of honesty. Costs related to payback to principals or risks of being detected and sanctioned by them, for instance, the politicians or the judiciary, need to be taken into consideration.

Many scholars have attempted to formulate mathematical models for explaining the rational process of rational decision making (Velupillai, 2010). In reality, however, the net benefit calculation that occurs in an offender’s mind is much more subtle and complex than any mathematical model can fully explain, as it involves weighing different factors subjectively based on his or her perception of the realities of the world he or she lives in. Nevertheless, from the existing cases, it is still possible for us to identify some common patterns in such mental process that can be used as a basis for designing the most viable intervention mechanism to increase the chance of getting “not committing fraud” as the end result of potential offenders’ cost–benefit calculation.

Although different offenders may consider different cost–benefit elements, evidence suggest that some elements appear to be commonly used by many fraud offenders to calculate the net benefits of engaging in fraudulent activities. For example, in the case of bribery in Indonesia, the common benefits that may have been expected by public officials who accept bribes include, but are not limited to, living an extravagant life, and desire to attain high status, power and prestige and loyalty to superiors and organizations. On the other hand, they may also recognize the risk of detection and prosecution, guilt and fear, disappointment, humiliation and possible restitution as the costs or negative consequences that may come with the action. For every perceived element, the potential offender will determine its weight by assigning a subjective value that, in reality, may not be mathematically quantifiable. Nonetheless, for the sake of providing a simple illustration of the weighing process, we assume such value as quantifiable, albeit subjectively so (Table 1).

<table>
<thead>
<tr>
<th>Subjective value</th>
<th>Subjective value</th>
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<tbody>
<tr>
<td><strong>Perceived benefits of accepting bribe</strong></td>
<td><strong>Perceived benefits of not accepting bribe</strong></td>
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<tr>
<td>Extravagant life</td>
<td>10</td>
</tr>
<tr>
<td>High status, power and prestige</td>
<td>10</td>
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<tr>
<td>Loyalty to superiors and organization</td>
<td>10</td>
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<tr>
<td><strong>Perceived costs of accepting bribe</strong></td>
<td><strong>Perceived costs of not accepting bribe</strong></td>
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<tr>
<td>Risk of detection and prosecution</td>
<td>5</td>
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<tr>
<td>Guilt and fear</td>
<td>5</td>
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<tr>
<td>Disappointment</td>
<td>5</td>
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<tr>
<td>Humiliation</td>
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<td>Possible restitution</td>
<td>5</td>
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<tr>
<td><strong>Perceived net benefits of accepting bribe (benefits–costs)</strong></td>
<td><strong>Perceived net benefits of not accepting bribe (benefits–costs)</strong></td>
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<td>5</td>
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Table 1.
A simple illustration of subjective cost–benefit assessment to accept or reject a bribe
The above table illustrates a simple example of how a potential bribe weighs his or her perceived net benefits from accepting a bribe. From the example, assuming that the potential offender relies only on the given identified cost–benefit elements, the final decision would be to accept the bribe simply because the option has higher perceived net benefits compared to the alternative. In reality, there are numerous external factors that may influence a potential offender’s subjective value. Weak legal system and ineffective anti-fraud agencies in a country, for example, will make the value of “risk of detection and prosecution” lower than if the system is strong and backed with effective anti-fraud agencies.

Wealth and power
In most, if not all, cases of corruption in Indonesia, extravagant lifestyle has always been the most noticeable behavioral trait of the offenders. For example, a suspect in the Driver’s License Simulator procurement fraud who is also a Police General, Djoko Susilo, is believed to possess at least $US 5.6 million worth of personal assets based on the findings of the KPK’s investigation (Kompas, 2013a). Such amount of personal assets is believed by the commission as being suspiciously high for even a high-ranking police officer. Referring to ACFE’s biannual global fraud survey, “living beyond means” is consistently ranked as the most observable behavioral symptoms of fraud offenders (Association of Certified Fraud Examiners, 2012, p. 57). This is also applied to corruption cases in Indonesia where in almost every case uncovered by the KPK, immediately after the arrest of a prime suspect, a huge amount of personal assets were confiscated by the commission indicating his or her extravagant lifestyle.

Public officials’ excessive desire for material wealth has been deemed as among the major causes of the rampaging corruption in Indonesia. This is believed to have contributed to the high demand for civil servant positions in the government. In fact, evidence suggests that there is even an underground market for those who are willing to pay a huge amount of money to succeed in civil servant recruitments (Kristiansen and Ramli, 2006). The new civil servants who obtain their positions by bribing the recruitment committee, recouping their “investment” in turn by, among other things, accepting bribes from various sources (Kristiansen and Ramli, 2006). This will then create deviant culture or sub-culture within public institutions that becomes a fertile ground for corruption to grow and flourish in the government.

Just as with material wealth, many public officials in Indonesia are often seen as in an endless pursuit of status, power and prestige. Many of them are struggling to be at the highest positions in their organizations and are willing to do anything to achieve it. Regional elections are an example of such a struggle. Since the fall of the Soeharto regime in 1997 followed by the decentralization reform in 2001, the Civil Service had undergone some major changes among which was the abolition of the former strictly hierarchical relationship between the central government, provinces and districts (Kristiansen and Ramli, 2006, p. 215). With this new system, instead of answering to a higher level government, regional heads at provincial and district levels are now held accountable to regional legislative bodies (Kristiansen and Ramli, 2006, p. 215). The numerous elections as a result of the decentralization had put enormous financial pressure on political parties in Indonesia. Anyone who wishes to compete in an election must first gather enough financial “ammunition” to fund his or her campaigns to win enough votes to be in the legislative body or to be the head in his or her region or district.
Such fierce competition creates pressure/motivation for the contenders to unlawfully obtain and use fund to secure their success. As Mietzner (2007, p. 240) puts it:

[…] “Money politics” has become a household phrase in Indonesia to depict the moral decadence of party politicians, describing their dual practice of accepting bribes from patrons and distributing money to gain or maintain office. Echoing these popular sentiments, domestic and foreign observers have described the parties as rent-seeking entities, driven by oligarchic interests and personal greed. With their legitimacy in decline, parties are generally seen as the weak link in Indonesia’s consolidating democracy. This perception, in turn, has fuelled demands for non-party figures to play a greater role in political life.

Moreover, those who win and sit in the office by fraudulent means (e.g., buying votes) will then attempt on recouping their “investment” by any means necessary. Evidence shows that 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 per cent of the heads of regions who are having legal problems related to the goods and services procurement, 44 per cent are involved in budget misappropriation and the rest are involved in bribery, unauthorized collection and inappropriate license granting (Kompas, 2012).

**Organizational misbehavior**
Due to the numerous arrests of high-ranking public officials in Indonesia by the KPK, public institutions in Indonesia are now under the magnifying glass more than ever before. In June 2013, the Indonesian Forum for Budget Transparency (FITRA) published a list of the top five most corrupt provinces, cities and municipalities (Prabowo, 2013a). In its report, FITRA highlighted regional governments’ lack of competency in managing their resources and suspects that corruption is a major cause of the inefficiencies (Prabowo, 2013a). According to FITRA, the most common corruption schemes in these areas include fictitious procurement, mark-up, unfinished work, disbursement fraud and low-quality goods (Prabowo, 2013a). Judging by the number of high-ranking public officials arrested by the KPK, the public now sees corruption as a culture in public institutions in Indonesia. Referring to Cressey’s fraud triangle, when corrupt acts become commonplace in a public institution, it will also become a rationalization for its members to engage in corrupt acts. This is so because evidence suggests that higher levels of exposure to corruption in daily life may promote a tolerance and an acceptance of corruption that are reflected in norms of behavior (Alatas et al., 2009, p. 664). Referring to the “differential association theory”, Donegan and Ganon (2008, p. 6) argued that:

[…] socialization is always complete and that people do not consciously violate the norms of the society with which they identify. Adherents assert that everyone primarily identifies with a single culture and consistently complies with its norms, but that multiple cultures can exist simultaneously in the same or closely contiguous areas and that affiliation retains a degree of flexibility. Cultures with which individuals identify can be national, ethnic, or religious, and can include street gangs and corporations.
Murphy and Dacin (2011, p. 605) believed that the egoist/local ethical climate is likely to lead employees to engage in fraudulent acts without thinking about it. Because loyalty to superiors is often considered as a supreme virtue in an organization, such behavior will quickly become a culture when authoritative figures are also involved. As Murphy and Dacin (2011, p. 605) put it:

[...] obedience to authority, an organization’s ethical climate and normalization, and forecasts. Each of these situations may alone overpower the recognition of committing fraud, or they may interact with one another.

In an institution where corruption is part of its organizational culture, not only do potential offenders have an excuse (rationalization) to commit the offence, they may also receive some supports from other coworkers or even superiors (Donegan and Ganon, 2008, pp. 7-9).

No bad deed goes unpunished
Corruptors, just like the rest of fraud offenders, think rationally before engaging in corrupt acts. This also includes weighing the possible negative consequences that might occur from their offences. As one of the common perceived costs of corruption, the risk of detection largely depends on the effectiveness of a country’s anti-corruption agency. This is so because, historically speaking, relying on the conventional law enforcement agencies alone has proven to ineffective in combating corruption (Organization for Economic Co-operation and Development, 2008). Anti-corruption agency is now recognized as an important part of a nation’s institutional architecture and grand strategy against corruption (Sousa, 2010, p. 6). Two important elements must be possessed by an anti-corruption agency to ensure its effectiveness, independence and capability (Quah, 2010). Established in 2003, the KPK has been known for its uncompromised independence in investigating even corruption cases involving high-ranking public officials. Nevertheless, the agency’s lack of funding and facilities appears to be its “Achilles’ heel” in combating corruption in the country (Prabowo, 2013b). An alleged cause for this problem is the fact that the funding for the agency must be approved by the very same institution whose many members have been investigated for corruption allegations, the DPR (Prabowo, 2013b).

In terms of detection and prosecution, despite the existing legal instruments, sanctions for corruptors in Indonesia are still considered to be soft compared to those of many other countries. According to an Indonesian Corruption Watch activist, Tama S. Langkun, on average, corruptors are only sentenced to two to five years in prison in the past three years (Jawa Post National Network, 2013). Further, according to Tama, only a handful of corruptors were sentenced to more than ten years in prison (Jawa Post National Network, 2013). For, example, Police General Djoko Susilo was recently sentenced to ten years in prison for his role in the Driver’s License Simulator procurement fraud (Kompas, 2013b). Compared to his confiscated personal assets which represent the losses caused by his crime, many believe that the sentence is too light to give any deterrence effect.

In principal, so far as theories are concerned, crime offenders’ punishment may be aimed at forcing them to pay for what they did to the society (retributivism view) (Kolber, 2013). Nevertheless, some also believe that it should give future benefits at least to the society as the victim of the crime (consequentialism view) (Kolber, 2013). Benefits to the
society include promoting deterrence and the incapacitation and rehabilitation of offenders (Kolber, 2013, p. 1,145). In terms of imprisoning corruption offenders, deterrence is tied to the perceived harsh treatment an inmate would have to endure during the sentencing period (Kolber, 2013). In relation to this matter, a major problem in Indonesia is that even when corruption offenders were managed to be locked up in prison for their crime, it did not seem to give them what prison is supposed to be giving to criminals. According to the Vice Chairman of the People’s Consultative Assembly, Ahmad Farhan Hamid, corruption convicts often receive better treatment and facilities in the prisons compared to common criminals (Waspada Online, 2013). Therefore, there is little evidence that the deprivation of liberty had an intimidating effect on the convicted persons (Lambropoulou, 1999, p. 246). These will greatly diminish the chance for rehabilitation for the offenders which in turn reduces the expected benefits for the society. The fact that many public officials have been incarcerated for corruption is seen as constituting to the notion that serving jail time is a normal part of Indonesian public officials’ lifecycle. In other words, this shows the process of normalizing the abnormal (Wright, 2007, p. 16) which, if not properly dealt with, will be part of the country’s culture and will likely be passed on to future generations.

**Honesty does pay**
As lies and deception are at the heart of any fraud, honesty would have been the cure for the disease. However, just as lies can be a complex matter to discuss, comprehending the mechanics and boundaries of honesty can be a task of great challenge in itself. The notion of honesty has been the subject of discussions among many scholars (Smith, 2003; Basuchoudhary and Conlon, 2000; Slavin, 2006). For example, Smith (2003, p. 517) argued that:

> What distinguishes an ideally honest person, someone who epitomizes honesty through and through, is not simply his refraining from deliberately uttering falsehoods to others. An honest person will, among other things, admit his uncertainty when he experiences doubts about some issue. He will not profess a belief or opinion before it is firmly established in his mind. He will admit error or fault, when appropriate, and assume responsibility for his actions rather than manufacture excuses or feign ignorance. He keeps his agreements.

No one would disagree that honesty is a fundamental virtue in life that everyone should aim to have. Nevertheless, some also argue that there are times when honesty may be perceived to be disadvantageous and counterproductive (Basuchoudhary and Conlon, 2000). For example, as Basuchoudhary and Conlon (2000, p. 140) put it:

> [...] potential survey respondents may not be certain about the confidentiality of their responses. If certain questions are especially embarrassing, then honest respondents may choose not to participate in the survey at all rather than answer the embarrassing questions truthfully. Thus, embarrassing questions could lead to sample selection bias for all questions on the survey. An increase in the number of honest potential respondents could therefore lead to less accurate information being collected by the survey.

In reality, what an individual perceives about the disadvantages of honesty does not always represent the actual case. In most if not all cases, being dishonest will eventually bring nothing but damages and suffering including for the dishonest people themselves. The world had witnessed the fall of mighty corporations such as Enron and WorldCom that was caused primarily by their executives’ misconducts in the form of financial
statement manipulation which had caused many shareholders to lose their money and eventually their trust in the stock market. Hsieh (2004, p. 174) argued that a revelation of dishonesty will be likely to damage trust in relationship as there will be questions on one party’s regard and affection for the other. As for the offenders, having their deception uncovered is the worst thing that could happen (Hsieh, 2004, p. 174). They may have to face investigation and prosecution for their offence and may end up in prison. For example, the greatest Ponzi scammer, Bernard Madoff, was sentenced to 150 years in federal prison for his “robbing Peter to pay Paul” scheme.

After deceiving others, an offender will be likely to attempt to cover his offence by, among others, lying about its true nature. And as the lie continues, he or she will fall down the slope of lies in which each lie will increase the risk of detection an exposure by anyone with access to the facts (Hsieh, 2004, p. 175). At a certain point, when his or her own consciousness questions the validity of his or her act, self-deception will then emerge by which an offender deceives not others but himself or herself. Self-deception is essentially a form of dishonesty with oneself to evade certain thoughts or knowledge (Smith, 2003, p. 526). This process is particularly common in the rationalization element of Cressey’s “fraud triangle” where a fraud offender deceives himself into believing that his or her fraudulent act is not a fraud at all. Essentially, the basic aim of self-deception is to render one’s wrongdoing “unreal” to oneself (Hsieh, 2004, p. 175).

Mastery over self-deception techniques will avoid or at least reduce guilt from fraudulent act which becomes a foundation for rationalization element in the “fraud triangle”. Self-deception is used to rig an argument to make pre-determined conclusion appear justified (Smith, 2003, p. 523). Nevertheless, self-deception will have an addictive effect in the long run which makes offenders unable to stop from lying to themselves. The disconnection from reality as a result of self-deception will result in the inhibition of moral growth, as it will prevent offenders from seeing their moral flaws and thus diminishing incentives for reform (Hsieh, 2004, p. 179).

With regard to the above discussion, one may infer that promoting honesty in the society may reduce fraud. The question is when dishonesty appears so profitable, how do we convince people otherwise? In other words, how do we tell people that honesty is indeed more profitable especially in the long run? As part of ethical value, honesty is indeed more profitable for organizations and individuals. Studies suggest that companies that promote ethical conduct outperform those that do not (Hughes et al., 2008, p. 30). This is so due to the facts that ethics appeal to the customers as well as investors, and it is also a productivity enhancer by which companies’ bottom lines will be improved (Hughes et al., 2008, pp. 31-50). Similarly, honest individuals who do not live in fear of detection and prosecution (i.e. due to past misconducts) will be more productive than those who do. A person who is always willing to see the facts as they are will be free of self-deception, and his or her morality will grow over time by learning from his or her past mistakes. Fraud offenders who continuously rationalize their fraudulent acts will miss the opportunity for self-improvement. This is so because unwillingness to admit mistakes will prevent offenders from correcting or learning from them (Hsieh, 2004, p. 180). For a company that does not perform well at a given accounting period, assessing the unfavorable variances against its budget will shed light on what needs to be fixed in its operation for future improvement. In other words, companies may improve its performance by learning from its past mistakes in their operation. Companies such as Enron and WorldCom did not bother to look at their
unfavorable variances in their operation, but instead resorted to financial statement manipulation to create an impression that the problems have been taken care of.

**The right strategy for the right results**

Too often, we assume the rampaging fraud in a country as a problem of the weak law enforcement. While this might be true to some extent, in reality, focusing on law enforcement alone is far from enough to eradicate fraud, such as corruption. In Indonesia, despite the extensive efforts by the KPK, corruption in particular bribery remains a major problem in the country. For this, the author would like to propose a different approach in mitigating the corruption problems in Indonesia by introducing the so-called “Fraud Decision Scale” model of corruption eradication (Figure 2).

As previously discussed in this paper, when exposed to a situation with three fraud causal factors, pressure/motivation, opportunity and rationalization, a potential fraud offender will weigh (sometimes subconsciously) the perceived net benefits of each option (to commit or not to commit fraud) before making a decision. This means that a corruption eradication strategy needs to cover most if not all aspects of the fraud decision-making process. The first step is to identify all possible perceived benefits and costs of committing and not committing fraud in the society. This requires collaboration between academics and professionals in thoroughly gathering and analyzing data from the society based on which the cost–benefit elements are then identified. All of the identified cost–benefit elements must then be addressed properly in a systematic national effort to eradicate corruption which involves all members of the society. Such effort needs to be focused on reducing the net benefits of committing corruption and increasing the net benefits of not committing corruption.

Table II. shows an example of various initiatives that can be taken to tip the balance of the fraud decision scale in favor of “not committing fraud” which means that
<table>
<thead>
<tr>
<th>Cost–benefit elements/initiatives</th>
<th>Strengthening anti-corruption agency</th>
<th>Increasing penalties for offenders</th>
<th>Prison system and administration improvement</th>
<th>Moral and ethics lessons at schools and universities</th>
<th>Moral and ethics lessons in the family</th>
<th>Building positive organizational culture</th>
<th>Building strong internal control in public offices</th>
<th>Improving remuneration system in public offices</th>
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<tr>
<td>Perceived benefits and costs of accepting bribes</td>
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<td>Extravagant life</td>
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<td>High status, power and prestige</td>
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<td>Loyalty to superiors and organization</td>
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<td>Risk of detection and prosecution</td>
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<td>Guilt and fear</td>
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<td>Self Disappointment</td>
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<td>Humiliation</td>
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<td>Possible restitution</td>
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<td>Perceived benefits and costs of not accepting bribes</td>
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<td>Peace of mind</td>
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<td>Long professional career</td>
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<td>Satisfaction for being honest</td>
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<td>Respect from the society</td>
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<td>Potential financial difficulty (low income)</td>
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<td>Low status, power and prestige</td>
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<td>Intimidation from coworkers and superiors</td>
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**Note:** The matrix illustrates the expected effects (i.e. increasing [+] or decreasing [-]) of a set of initiatives in influencing the subjective values of the perceived cost–benefit elements in the fraud decision triangle.
regardless of the presence and size of pressure/motivation, opportunity and rationalization, it will be unlikely for public officials to succumb to the temptation of corruption. Such initiatives may cover areas such as anti-corruption agency development, increasing penalties for offenders, nurturing the young generation’s moral and ethics through formal education in schools and universities as well as through education in the family, just to name a few. Note that Table II is just an example of how a national strategy on corruption eradication can be systematically formulated. In practice, there are many more initiatives that can be undertaken to eradicate corruption than what the table depicts.

Developing and strengthening the anti-corruption agency (i.e. KPK) is certainly crucial in investigating corruption allegation in Indonesia. Nevertheless, the agency may also function as a means for deterring potential offenders from even thinking about committing corruption due to the higher risk of detection and prosecution. Increasing penalties for offenders along with prison system improvement will influence their cost–benefit calculation, as they will perceive that all the money from the crime will not be worth their “harsh time” in prison.

As places where young generations’ minds are equipped with various skills and knowledge to prepare them for future competition, educational institutions play an important role in eradicating corruption in Indonesia in instilling ethics and moral into young minds. Therefore, it is of utmost importance for educational institutions to be a corruption-free environment for students to learn about honesty and integrity. According to the Transparency International (2013, pp. 15-20):

Children who are confronted by corruption and a disregard for human rights in their early childhood and within their schools may not develop an appropriate sense of dignity, integrity and respect for human rights. They may become accustomed to corruption and the disregard of human rights, and consider these practices a natural part of social interaction […] Corruption in education is particularly harmful in that it normalises and breeds a social acceptance of corruption at the earliest age. As young people rarely have the ability to question the rules of the classroom, they can internalise corrupt views of what it takes to succeed, and carry these forward into society. When this becomes a social norm, its cycle begins anew in each generation.

In Indonesia, the National Examination is conducted every year for all school students throughout the nation. From the 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 pressure for them to pass it. Unfortunately, from time to time, such pressure 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, some of which indicated possible academic frauds (Prabowo, 2012a).

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 broadcasted nationally (Prabowo, 2012a). Despite the Education Minister’s claim that reports on academic cheating during the exam was lower in 2012 than in previous years, concern must be given to how such misconduct will shape Indonesia’s future generations (Prabowo, 2012a). 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, 2012a). A member of the House of Representatives even argued that the security measures for the National Exam amounted to preparations for a war (Prabowo, 2012a).

Evidence from countries around the world suggest that developing wide-ranging programmes on integrating anti-corruption initiatives into school curriculum and classroom activities is essential in eradicating corruption at least in the area of education (Transparency International, 2013, p. 14). Many believe that students’ behavior is a splitting image of society’s morality (Malgwi and Rakovski, 2009, p. 210). In other words, nurturing students’ honesty and integrity will ensure that the future leaders of a country will be more immune to corruption. Students need to be taught about the importance of, for example, living a modest life so as to distance themselves from the temptation of corruption. They also need to learn about satisfaction from being honest individuals and respectable members of the society. They need to understand that money, power and prestige cannot always buy happiness.

As a serious crime, corruption will have detrimental effects on the society as its victim, at least in the long run. Due to corruption, for example, society will be deprived of their rights for public facilities, health, education, just to name a few. However, as the potential victims of corruption, a society with high levels of education will have higher awareness about corrupt acts and thus may act as whistleblowers to uncover the schemes (Eicher et al., 2009, p. 207). This suggests another contribution of education to the eradication of corruption in Indonesia.

Building positive organizational culture also deserves a special attention in eradicating corruption in Indonesia. This is so because one’s individual mindset is often influenced by the collective mindset in his or her working environment. This includes also criminal mindset that underlies corruption within organizations. In Indonesia, many public officials who were previously seen as men of integrity, presumably after being exposed to corrupt culture of his institutions, are finally involved in corruption. According to the Ministry of Internal Affairs, there are approximately 36 per cent of the heads of regions who are having legal problems related to the goods and services procurement, 44 per cent are involved in budget misappropriation and the rest are involved in bribery, unauthorized collection and inappropriate license granting (Kompas, 2012).

Matsueda (2006, p. 5) advocated that from the so-called “differential association theory” perspective, criminal behavior is generally learned in a process of communication in intimate groups. From the view of the social dominance theory (SDT), an organization is more likely to endorse corrupt behavior if it has high social dominance orientation (SDO) attitude (Rosenblatt, 2012; Partto and Stewart, 2011). According to the SDT, in a group-based social hierarchy, there will always be those who are dominant and those who become subordinates which will result in inequality that will be preserved by any means necessary (Partto and Stewart, 2011, p. 1). The dominant individuals in the hierarchy who always try to maintain inequality are believed to be more prone to the temptation of corruption. As Rosenblatt (2012, p. 238) put it:

At the individual level, I propose that socially dominant individuals, who believe that they belong to superior groups of people, are likely to be less aware of organizational corruption by feeling that they are more entitled to the use of power at the expense of others to get ahead and to maintain their dominant positions. In addition, members of subordinate groups are also
likely to have lower awareness of corruption when they show more favoritism and support for the members of the more powerful groups to increase their sense of worth and to preserve social order. At the institutional level, I argue that hierarchy-enhancing institutions reduce members’ awareness of corruption by developing and enforcing structures, norms, and routines that promote informational ambiguity and maximize organizational focus on dominance rather than ethics.

With regard to the fraud decision scale, organization members with high SDO attitude will assign higher subjective value to loyalty to superiors as well as high status, power and prestige, and thus it is better for them to bend or even break the rules than to “betray” their fellow group members and superiors. Rosenblatt (2012, p. 242) believed that, as part of a hierarchy enhancing group or community, a high SDO individual’s ultimate objective is to raise through the ranks and sit on top of the “food chain” so that he or she may enjoy power and privileges others can only dream of. For achieving this state, playing by the group’s rules is a prerequisite even if that means committing corruption (Rosenblatt, 2012, p. 242). Matsueda (2006, p. 6) argued that a person will likely be involved in criminal behavior when he or she perceives committing crime as more beneficial than not, acquires the necessary skills and techniques and sees the opportunity for the offence to be perpetrated. By interacting with other individuals within his or her organization who have somehow normalized corruption, he or she will gradually view that the net-benefits from engaging in corrupt acts exceed those of not being corrupt. Over time, a potential offender will acquire the necessary skills and techniques for committing corruption, and when the opportunity to perpetrate the offence is present, he or she will not be hesitant to take the chance. To diminish opportunity to commit corruption in an organization, strong internal control must be built and maintained so as to close loopholes which may be exploited for fraud.

To enhance its immunity to corruption, it is important for an organization to avoid itself from becoming nothing more than a hierarchy enhancing entity, but instead it should balance it with hierarchy attenuating culture which promotes equality and is less prone to corruption (Rosenblatt, 2012, pp. 240-247). An organization must have in place strong anti-fraud initiatives that can suppress pressure/motivation, opportunity and rationalization to commit fraud. For example, a global study by the ACFE suggests that one of the most common causes of fraud is financial pressure (Association of Certified Fraud Examiners, 2012, p. 57). Low income may drive an otherwise honest person into choosing the path of fraud. For this, it is also important for an organization to have a good remuneration system and pays employees a fair salary. Other measures which may diminish fraud causal factors within an organization include regular job rotation, employee counseling program, segregation of duties and employee vacation plan.

Conclusion
Very often we look in the wrong direction in attempting to solve corruption problem in Indonesia by assuming that it has everything to do with law enforcement. Under such assumption, resources have been devoted to bring as many offenders as possible to justice. However, such an approach does not seem to yield the expected results as new offenders emerge seemingly every day. Taking an unconventional view, this paper sees corruption particularly in Indonesia as an outcome of a rational decision-making process in which individuals perceive and analyze their environments to decide the best acts to make in achieving their objectives. The discussion in this paper suggests that...
each time a potential offender is exposed to an environment where pressure/motivation, opportunity and rationalization to commit corruption are present, he or she will consciously or subconsciously assess all the perceived benefits and costs before deciding to commit or not to commit corruption. In doing so, he or she will assign a subjective value to each cost–benefit element for the purpose of weighing and comparing the perceived net-benefits. This paper also introduces the fraud decision scale model to illustrate how the presence of the fraud causal elements in the fraud triangle will affect one’s decision to commit or not to commit fraud and how to prevent it. Understanding the mechanics by which a potential offender decides to engage or not to engage in corruption gives decision makers a solid basis in formulating an effective strategy to eradicate corruption in a country. By increasing the perceived net-benefits of not committing corruption to the point where committing corruption will be seen as a disadvantageous option, it is expected that, at least in the future, the threats of corruption in Indonesia will be greatly diminished or eradicated.

Notes
1. According to the Law No. 30 Year 2002 on the KPK, only corruption cases with estimated losses of more than Rp 1 billion (US$87,500) are investigated by the KPK.
2. The fraud triangle concepts, which were initially proposed by Donald Ray Cresssey, are now among the most well-known frameworks for analyzing frauds around the world. In his original work, during the course of his PhD study, Cresssey often (if not always) used the term “trust violation” in describing the offence in question – embezzlements. For more discussion, see Cresssey (1950). For his PhD study, Cresssey, in the late 1940s, interviewed nearly 200 incarcerated embezzlers, including convicted executives. For more details on Cresssey’s research method for his PhD, see Cresssey (1950, pp. 27-55).

References


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