

## ENGAGING PEOPLE, ENABLING TECHNOLOGY: CITIZEN'S PERSPECTIVES ON ANTI FRAUD MEASURES IN THE INDONESIAN PUBLIC SERVICES SECTOR<sup>1</sup>

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### ABSTRACT

*This research aims to synthesise citizen's perspectives on anti fraud measures that are currently implemented in the Indonesian public services sector. In this sector, various measures to eradicate fraud/corruption have been initiated by the government despite the fact that such practices are still apparent. Two research questions were proposed; first, what are Indonesian citizens' perspectives on the anti fraud/corruption efforts implemented by the government, in the Indonesian public services sector during the last three years? Second, according to their perspective, which approach on anti fraud/corruption measure that is considered as the most effective way to eradicate fraud and corruption?. Using questionnaires, the research collect responses from 188 respondents – Indonesian citizen older than 21 years old – in 5 cities in Indonesia. The respondents perceive that despite of its low improvement on corruption level, as reflected by the Corruption Perception Index (CPI) score, the anti fraud/anti corruption measures implemented in the Indonesian public service sector are well progressing. The research also reveals that despite of currently low public participation in anti fraud/anti corruption measures, three factors i.e. consistent law enforcement, engaging public participation and implementing information and communication technology (ICT) are perceived as the most effective measures in anti fraud/anti corruption effort. Understanding the importance of those avenues will provide imperative emphasis in designing, formulating and evaluating anti fraud/anti corruption measures, particularly in the Indonesian public services sector. This will in turn provide necessary support for the government to achieve a positive and sustainable economic growth.*

**Keyword:** Corruption, Fraud, Public Participation, Information and Communication Technology (ICT)

### 1. INTRODUCTION

It becomes a common knowledge that Indonesian's monetary crisis in 1998, which eventually lead to the change of 32 years-old government regime, was caused by the deeply rooted "KKN" (*Korupsi, Kolusi, Nepotisme* – Corruption, Collusion and Nepotism) practices. Such widely accepted practice involves both government and private sector. Despite its dreadful impact

towards Indonesian economy, the crisis has sparked a new collective awareness to eradicate the KKN practices.

To achieve the common objective of combating fraud/corruption, various measures have been initiated. One of the most important milestones was the enactment of Anti Corruption Law in 2001, which put the legal standing for the establishment of KPK (*Komisi*

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*Pemberantasan Korupsi* - Commission of Corruption Eradication). This body focuses on both preventive and curative effort to eradicate corruption that causes state's loss. In parallel with law enforcement, other important effort was the launch of an online reporting/whistle blowing platform called LAPOR (*Layanan Aspirasi dan Pengaduan Online Rakyat*) in 2012. This platform enables public to participate in posting inquiries, providing feedbacks, or reporting irregularities experienced while dealing with the government apparatus in the public service sector.

Despite of various measures taken, more than two decades after the crisis, Indonesia is still struggling to lower down the level of fraud and corruption. The CPI (Corruption Perception Index) of Indonesia - an annual index issued by the Transparency International (TI), an international NGO that focuses on corruption - is slowly improving. The index is derived from a survey to business person/private sector, inquiring their experience in dealing with the government officials. The index ranges from zero to 100. Zero shows the highly corrupt countries and 100 shows the least ones. During the last 3 years (2016-2018) Indonesia's score index was 37, 37 and 38 respectively. In the most recent survey (2018), Indonesia's ranking is 89, from 180 countries surveyed.

Such low progress has retriggered similar and repetitive queries: what makes Indonesia sustain its low CPI, despite the existence of various efforts against corruption? Are those current anti fraud/corruption efforts effective and sufficient? Or are there needs to introduce new approaches or to emphasise the specific factor(s) in eradicating fraud and corruption more effectively?

As various previous researches suggest, a single way approach from the government side is not sufficient to combat fraud/corruption practices (Salamon et al, 2003). Wallace, Pichler, (2009) mentioned that public engagement provides fundamental basis to lowering down the fraud/corruption level. Further, Starke *et*

*al.* (2016) and Kossow & Kukutschka (2017) also mentioned the vital role of information and communication technology (ICT) in reducing the fraud/corruption practices. Simply put, anti corruption campaign that civil society-led and ICT driven will complement the single way anti corruption approach by the government.

This research intends to first seek the citizen's perspectives on the anti fraud measures that are currently implemented in the Indonesian public services sector. Also, to reveal the citizens' opinion on anti fraud/corruption factor that is considered as the most effective way to eradicate fraud and corruption. Examining citizen's perspectives on those topics will provide valuable input and imperative emphasis in designing and formulating anti fraud/corruption measures in the Indonesian public services sector.

## **2. LITERATURE REVIEW AND HYPOTHESIS**

### **Fraud & Corruption**

According to Wells (2008), fraud is essentially crime for gain that uses deception as its principal modus operandi. He argues that under the common law, fraud is characterised 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.

Bologna et al. (1994), defined cheating or fraud as criminal fraud that intends to provide financial benefit to the fraudster. Meanwhile, according to Albrecht (2012), fraud is a generic term, where one individual is trying to get an advantage over another by false representations. Association of Certified Fraud Examiners (ACFE, 2017) defines fraud as an act of fraud or mistakes made by the person or entity who knows that the mistake can result in some benefits either to individuals or entities or any other party.

Meanwhile, in Indonesia, the term "KKN" (*Korupsi, Kolusi, Nepotisme* -

Corruption, Collusion and Nepotism) has been collectively agreed as the main causes of the monetary crisis which eventually end the Soeharto Regime (Soeharto and Nugroho, 2017). Warburton (2013) mentioned that it requires multitude resources and thorough comprehension to describe corruption. However, the designation can be condensed into a term used to describe various types of wrongful acts designed to cause an unfair advantage.

### **Public Participation and ICT**

Public participation is closely linked to the concepts of sustainable development and democratic governance. The concept of good governance carries in it the essence of democracy through the mechanism of institutionalised citizen participation (Coulibaly, 2004). In practice, public participation is generally expressed through information, raising awareness, consultation, questioning and dialogue.

Aside from public participation, the role of ICT as important factor to fight fraud and corruption has also become increasingly recognised. ICT are considered as critical tools to assist all key actors in the fight against corruption: government, civil society (and its organizations), the public and private sector and also the media (Bertot et al., 2010). However, the majority of initiatives involving ICT are more focused on administrative streamlining than on improving the participation of non-governmental actors (Davies and Fumega, 2014). This is how the concept of e-governance emerged. E-governance is defined as the use of ICTs to improve the provision of information and services and encourage citizen participation in decision-making processes, to make government more accountable, transparent and effective (Misuraca, 2007).

### **PREVIOUS RESEARCH**

#### **Public Participation and Anti Fraud/Anti Corruption Measures**

The fight against corruption in various countries shows that there is a gap between centrally designed anti-corruption measures and public perceptions of

corruption (Salamon et al., 2003 and Wallace, Pichler, 2009). In the EU member countries, for example, development policy makers are recognizing that engaging citizens and civil society can complement government efforts to promote good governance (GIZ, 2017).

Citizen participation mechanisms have been highlighted in various countries (Salamon et al, 2003 and Wallace, Pichler, 2009). Further, the European Anti-Fraud Office (OLAF – *Office Européenne de Lutte Antifraude*) underline that the fight against corruption requires the involvement of civil society, including the media, universities, and the public (OLAF, 2009). In alignment with this, Transparency International (TI), has launched an anti-corruption tool entitled Advocacy and Legal Advice Centre (ALAC). The centres enabled people to become actively involved in fighting corruption as they are provided with simple, credible and viable citizen participation mechanisms to do so (Salamon et al, 2003). ALAC focuses on empowering citizens, improving responsiveness of institutions to citizens input and encouraging systematic improvement in fighting the corruption (TI, 2018).

#### **ICT role in Anti Fraud/Anti Corruption Measures**

The role of ICT in combating fraud and corruption has become increasingly important. ICT tools have been assisting all key actors in the fight against corruption: government, civil society (and its organizations), the public and private sector and also the media (Bertot et al., 2010).

Within the context of fighting against fraud and corruption, Sturges (2004) synthesises several important roles of Information and Communication Technology (ICT), they are digitalisation of public services, upward transparency, downward transparency and the mobilisation of citizens.

#### **Digitalisation of Public Services**

Following the rapid development of digital

technology since early 2000, digitalisation has been named as one of anti-corruption strategy. There are varieties of project funded by the UK Department for International Development (DFID) utilising ICT to support transparency in the delivery of public services (Sturges, 2004). Several studies, such as Starke *et al.* (2016) and Kossow & Kukutschka (2017) underlined digitalisation of public service delivery as a means of reducing corruption opportunities. Further, Bertot *et al.* (2010) highlighted transparency as the principal mechanism behind successful ICT anti-corruption tools

Application of digitalisation in public services can be seen on e-government initiative. The initiative is primarily intended to increase efficiency in delivering public service. Ndou (2004) mentioned multiple features of e-government, i.e. decrease waiting times, enable continuous/remote services and reduce costs. This instrument also embed anti-corruption feature as they minimise direct contact between citizens and public officials, this will in turn reduce corruption opportunities and favouritism by public officials.

Several studies (United Nations, 2005; Kim, Kim, & Lee, 2009; Elbahnasawy, 2014; Gurin, 2014) highlighted the effectiveness of e-government in reducing corruption. Other important benefit of e-government is the visibility of information on the performance of public officials and availability of data for public regarding public service delivery.

#### **Upward & Downward Transparency**

Within the context of public service, Heald (2006) mentioned the role of ICT to increase upward transparency. This mechanism aims to obtain citizen feedback on the performance of (lower level) bureaucracy. Types of ICT tools that enable upward transparency are e-government tools (automated/online service), online reporting platforms, crowd sourcing tools, and the use of social media. In practice, these tools also provide a reliable platform

for whistleblowers. They support not only transparency and accountability but also participation (GIZ, 2018)

Other important role of ICT is to nurture downward transparency. In contrast to upward transparency, it aims at opening up the government and providing its information to the public. Further, citizens will be able to use the data and to monitor the bureaucracy's performance. Government is expected to ensure the availability of their data through transparent platform. It is therefore will be more difficult to hide the corrupt practices (Davies & Fumega, 2014).

#### **Public Mobilisation**

Other important use of ICT tools is for public mobilisation. In countries where the media, citizen initiatives and civil society organisations are more restricted, ICT (in the form of social media, news website etc.) is used to provide citizens with information on government official's corruption and to further mobilise them to take action against corruption. Utilising ICT to support communication and information sharing will support the public to unite against corruption (Kossow & Kukutschka, 2017).

Despite the various important features of ICT in increasing transparency and accountability, there is no guarantee that it will easily diminish the corrupt practices. As mentioned by Fox (2007) and Bauhr & Grimes, (2014) the relationship between transparency and accountability is not linear and is indeed rather complex (Fox, 2007; Bauhr & Grimes, 2014). However, ICT tools shall be treated as one of the critical part of a comprehensive anti-corruption strategy.

#### **HYPOTHESES**

According to TI (2018), despite of the existence of various efforts against fraud and corruption Indonesia sustains its low Corruption Perception Index (CPI). This research intends to seek the citizen's perspectives on the anti fraud/corruption efforts implemented by the government in the Indonesian public services sector during



the last three years. It also aims to seek citizen's perspective on which approach of anti fraud/corruption measure that is considered as the most effective way to eradicate fraud and corruption.

Two research questions were proposed:

**Research Question No. 1:** For Indonesian citizens, what are their perspectives on the anti fraud/corruption efforts implemented by the government in the Indonesian Public services sector, during the last three years?

**Research Question No. 2:** For Indonesian citizens, according to their perspective, which approach on anti fraud/corruption measure that is considered as the most effective way to eradicate fraud and corruption?.

### 3. METHODS

In order to answer the proposed research questions, this research employs a survey method using questionnaire. The questionnaire in this research is collected using a web-based (online) survey platform. This research acknowledges both advantages and disadvantages of using online survey (Wright, 2005). We opine that this method provides a time and cost efficient mode to reach the respondents and collect the information.

The questionnaire consists of nine questions which are designed to obtain information from respondents related to the proposed research questions. The questionnaire is divided into 2 parts. The first part is the information of the respondent (bio data). In the second part, respondent is requested to answer several questions in relation to the proposed research questions. For example, using likert scale, respondents need to provide their opinion regarding current anti fraud/anti corruption effort implemented in the Indonesian public service sector. The respondents are also requested to rank various anti fraud/anti corruption measures (Deloitte, 2018) based on its effectiveness to prevent and combat fraud/corruption.

Applying purposive random sampling

technique, the sample of this study is randomly selected from different gender, age, latest formal education, and occupation. Respondents are currently residing in several different cities, namely Jakarta, Semarang, Surabaya, Balikpapan and Makasar. As the research targeted citizens who have experience in dealing with the public service institutions, thus the respondent's age should be over than 21 years old. The information collected are then synthesised and presented to answer the research questions.

### 4. RESULT AND DISCUSSION

The population of this study is randomly selected from different gender, age, latest formal education, and occupation who currently residing in several different cities, namely Jakarta, Bandung, Yogyakarta, Semarang, Surabaya, Balikpapan and Makasar. As the research targeted citizens who have experience in dealing with the public service institutions, thus the respondent's age should be over than 21 years old.

More than 97% respondents are currently working, either in public sectors/state owned enterprises, private companies, or as professional. Their latest formal education varies from High School, Diploma, Bachelor degree or Post Graduate Degree.

The survey is collected during the period of 25 April to 15 May 2019. During that period, we have collected 202 respondents using online survey. However, only 188 respondents completely answered all the questions.

Detailed profile of the respondents is presented on the Figure 1 to Figure 4.

#### Anti Fraud/Corruption Efforts in the Indonesian Public Services Sector - Last 3 Years

In the questionnaire, respondents are first asked to provide their opinion on anti fraud/anti corruption efforts implemented by the government in the Indonesian public services sector during the last 3 years. The related questions will be answered by respondent by choosing the score from

0 to 10, the higher score indicates that government shows good improvement on anti fraud/corruption efforts.

78% of the respondents perceive that the anti fraud/anti corruption efforts has been as improving significantly in the past three years Figure 5.

The respondents are asked whether they have witnessing and/or taking part in fraud/corrupt practices when dealing with public service within the last 3 years. Majority of the respondents (75%) never have such experiences Figure 6.

### The Most Effective Factors in Fighting Fraud/Corruption

According to India Corporate Fraud

Perception Survey, Edition III (2107) by Deloitte, there are 12 measures which can be adopted by organization to prevent incident of Fraud. Among those measures, we then selected seven factors which applied to public service sectors.

Respondents are presented with seven different factors to eradicate the fraud/corruption. The factors are: consistent law enforcement,engaging public participation, ICT implementation, involvement of internal and external auditor, conducting training and enhancing the role of leader. Further, the respondents are requested to choose the top three of those factors which are perceived as having the most effective impact in curbing fraud/corruption.

Based on the available responds, it

Figure 1 to 4. **Profile of the Respondents**

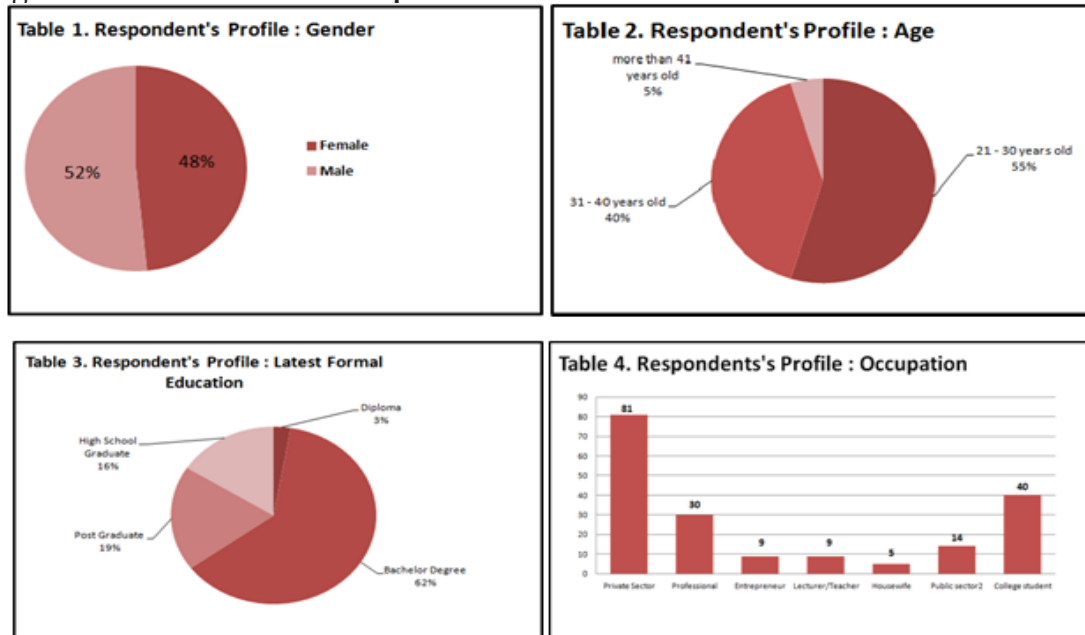


Figure 5 to 6. **Anti Fraud/Corruption Efforts in the Indonesian Public Services Sector**

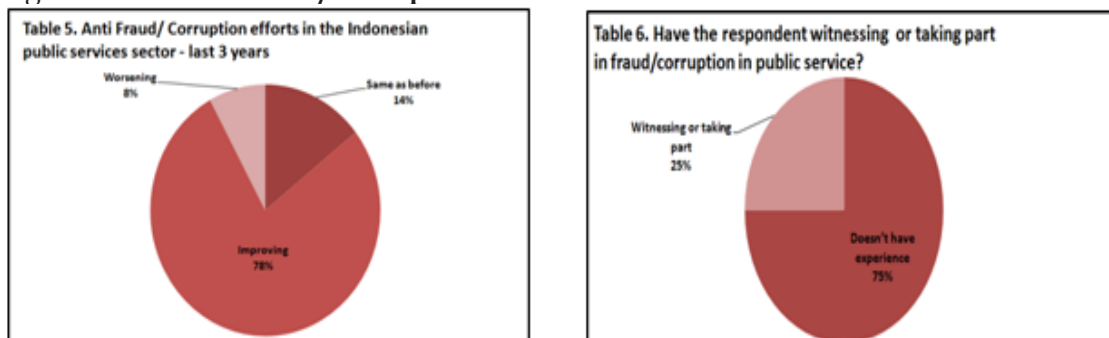


Figure 7. The Most Effective Factors in Fighting Fraud/Corruption

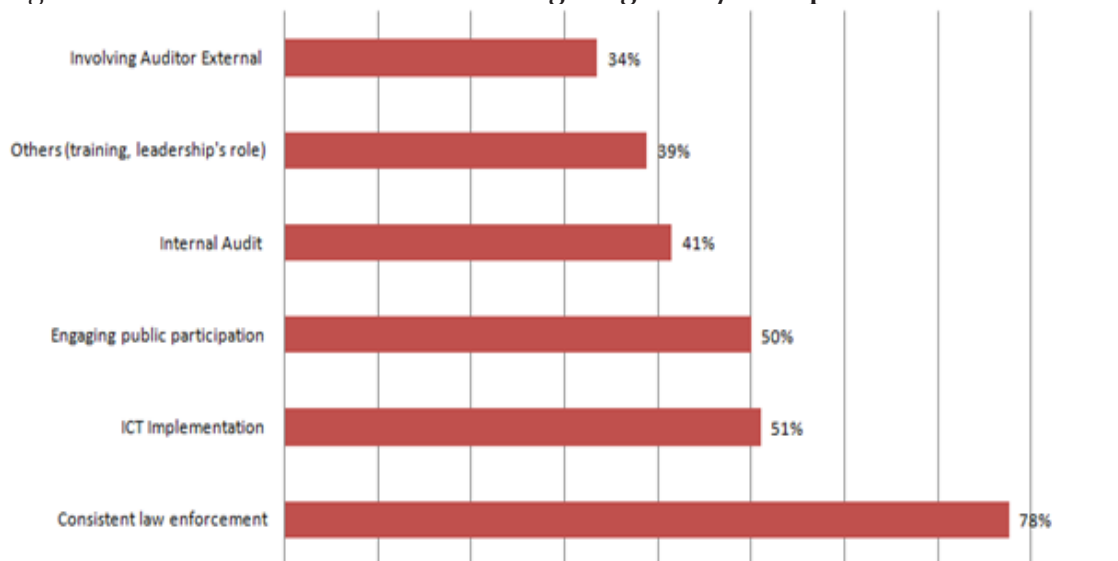
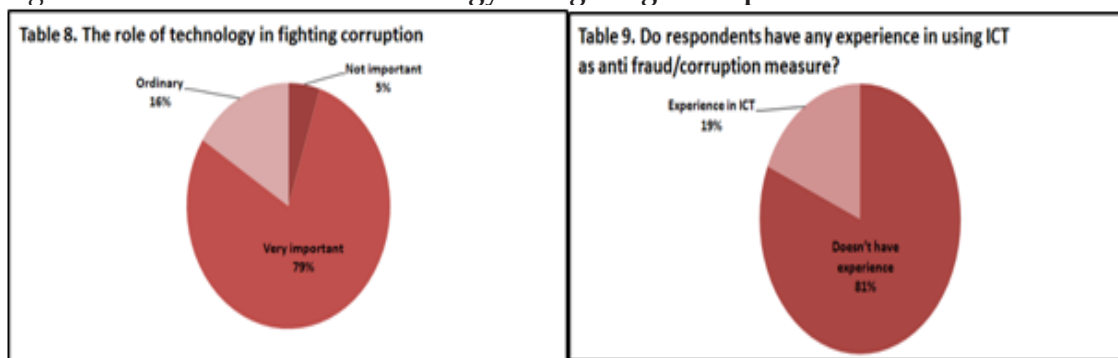


Figure 8 to 9. The Role of Technology in Fighting Corruption



shows that consistent law enforcement, engaging public participation, and ICT implementation have been perceived as three most impactful factors to eradicate fraud/corruption Figure 7.

### The Role of Technology in Fighting Corruption

The respondents are also asked about the role of technology (information and communication technology-ICT) in fighting corruption. The related questions will be answered by respondent by choosing the score from 0 to 10, the higher score indicates that the role of technology is considered as more important in fighting corruptions 79% of the respondents agree that ICT holds important role in lowering down fraud and corruption Figure 8.

However, there are only 19% respondents that have experience in using

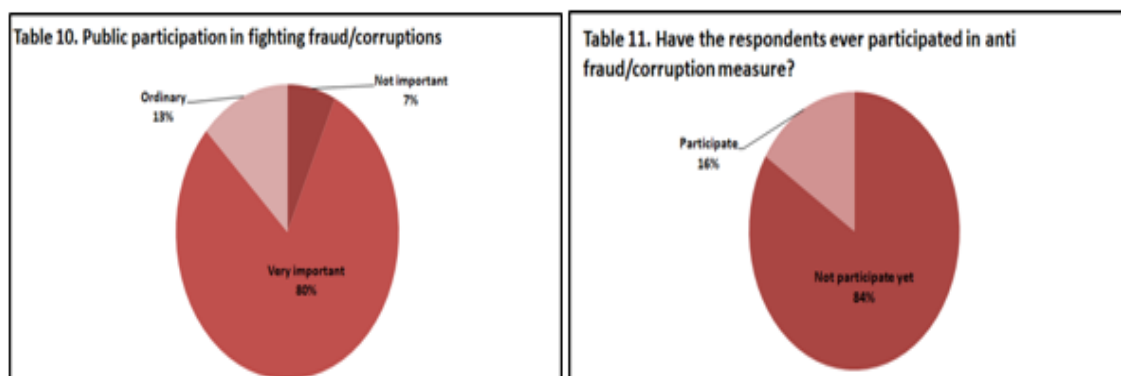
ICT as anti fraud/corruption measures Figure 9.

### Public Participation in Fighting Fraud/Corruption

The respondents are also asked about the role of public participation in fighting corruption. The related questions will be answered by respondent by choosing the score from 0 to 10, the higher score indicates that public participation is considered as more important in fighting corruptions. Also we asked the respondents whether they have experience to participate in the anti fraud/corruptions measures.

Every 4 out of 5 respondents agree that public participation holds important role in lowering down fraud and corruption Figure 10.

Figure 10 to 11. Public Participation in Fighting Fraud/Corruption



Despite of such high perception on the importance of public participation, there are only 16% respondents that have participated in anti fraud/corruption measures Figure 11.

## 5. CONCLUSION

This research aims to synthesise citizen's perspectives on anti fraud measures that are currently implemented in the Indonesian public services sector.

Two research questions were proposed; first, what are Indonesian citizens' perspectives on the anti fraud/corruption efforts implemented by the government in the Indonesian public services sector, during the last three years? Second, according to their perspective, which approach on anti fraud/corruption measure that is considered as the most effective way to eradicate fraud and corruption?

Based on the respondents' responses, most of the respondents perceive that the anti fraud/anti corruption efforts has been as improving significantly in the past three years. Meanwhile, the remaining opines that the anti fraud/anti corruption efforts is stuck and/or worsening.

Further, the respondents of this research chose three factors as the most effective measure to prevent and combat fraud/corruption practices, i.e.: law enforcement for the committed fraudsters, engaging public participation and implementation of ICT in anti fraud/anti corruption program.

These results confirm various previous researches which mentioned that a single way approach from the government side is not sufficient to combat fraud/corruption practices (Salamon et al, 2003). Further it shares similar finding of Wallace and Pichler (2009) which mentioned that public engagement provides fundamental basis to lowering down the fraud/corruption level. In addition, it also reaffirms the vital role of information and communication technology (ICT) in reducing the fraud/corruption practices Starke *et al.* (2016) and Kossow & Kukutschka (2017).

The research concludes that current anti fraud measures implemented by the government in the Indonesian public service sectors is widely perceived as being on the right path. Consistent law enforcement on committed fraudsters and corruptors, engaging public participation and utilizing information and communication technology are named as critical factors in anti fraud / anti corruption strategy. Those factors are perceived as the most effective enabler in fighting fraud and corruption.

However, looking at the currently low public participation on anti fraud/anti corruption efforts, it is worth noting that despite of high public awareness on the importance of those factors, campaigns and socialization shall be continuously performed to enhance public participation on various anti fraud/anti corruption measures implemented by the government.

The success of anti fraud and anti



corruption campaigns will eventually improve the transparency and accountability of public service sector in Indonesia. At the end, it will provide necessary support for the government toward sustainable economic growth.

Subsequent research on this topic may need to consider other sampling technique and methodology to eliminate inherent limitations of purposive sampling technique and online questionnaire. Further research, with a larger respondents and using other methodology (i.e. in depth interviews, focus group discussion) may be required to obtain broader views of the respondents and to further validate the findings of this research.

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