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Diving Deeper to The State Administrator Asset Report (Laporan Harta Kekayaan Pejabat Negara - LHKPN): From Public Perception to Data Analytics

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ABTRACT

This research aims to portray public perceptions towards The State Administrator Asset Report - Laporan Harta Kekayaan Pejabat Negara (LHKPN) as one of the corruption eradication tools. Further, it summarizes public perception on the LHKPN's information quality and its effectiveness. In selecting the respondents, this research applies purposive sampling technique. Respondents of this research are individuals aged over 26 years old who live in 3 cities, namely: Jakarta, Surabaya, and Makassar. This research concludes that the public has concerns regarding the quality of data reported into the LHKPN. Public also negatively perceive the effectiveness of the LHKPN's as a tool for eradicating corruption in Indonesia. To improve such a situation, it is proposed to use digital technologies (e.g., data analytics, big data) to perform detailed analysis on the information contained in the LHKPN. Such a measure is expected to be able to detect any possible red flags. The research also noted that the involvement of civil society to monitor the LHKPN is encouraged.

Keyword: LHKPN, Asset Declaration, Anti Fraud Movement, Anti Corruption, Data Analytics

1. INTRODUCTION

Corruption remains a fundamental problem for many countries. Year 2022 *Corruption Perceptions Index* (CPI) reveals that 124 countries have stagnant corruption levels, while the number of countries in decline is worryingly increasing. For Indonesia, as an example, the CPI score is 34, decreases from 38 in 2021. (Transparency International, 2022)

Many efforts have been made by the Indonesian Government to overcome the corruption problem. According to Presidential Regulation No.54/2018 about National Corruption Prevention Strategy, the focus of the strategies includes

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licensing and trade administration, finance and law enforcement and bureaucratic reform. More specifically, The Indonesian Government requires the government officials to report their wealth and asset through The State Administrator Asset Report - *Laporan Harta Kekayaan Pejabat Negara (LHKPN)*. This measure is believed to be one of the tools to eradicate corruption as stated in Law 28/1999.

All "State officials" are required to declare their wealth under Article 5 of Law 28/1999. Article 11 of Law 43/1999 defines the term "State official" by identifying specific categories and referring to other laws' definitions which apply to a wide variety of senior government employees. The phrase "report and declare his/her wealth" (Article 5) emphasizes financial or asset disclosure. However, the declaration form's content is primarily financial data. In addition to that, data on stock ownership, business operations, or family members could be utilized to monitor any conflicts of interest. (UNODC, 2019).

In the recent days, LHKPN is getting more attention from the public. When there is an alleged corruption case involving a public official, the public will search and highlight the respective official's assets, by consulting their respective LHKPN, which can be freely accessed by the public through e-LHKPN Application at www. elhkpn.kpk.go.id.

The public (and the media) will scrutinize the LHKPN and eventually produce multiple queries. Some common public queries, for example: why the reported assets are too small? Why the reported assets are too big? Why are the reported assets decreasing from year to year? And many other queries.

Such queries show that there are public concerns about information quality in LHKPN. Further, those queries also lead to several more fundamental questions: How is the information quality of the LHKPN? How is the effectiveness of LHKPN as one of the tools to eradicate corruption? And how to improve the use of LHKPN in the anti-fraud/anti-corruption movement?

Getting answers to these questions will provide necessary information to improve the use of LHKPN as one of the anti-corruption tools.

2. LITERATURE REVIEW AND HYPO-THESIS

Corruption

Properly determining the term "corruption" is not as easy as it may seem, as it may require extensive study and insight. However, the phrase can be reduced to represent numerous forms of wrongful activities intended to gain an unfair advantage. Bribery, kickbacks, unlawful gratuities, economic extortion, and collaboration are all examples (ACFE, 2017). As an artifact of social and political organization, corruption is an infinitely complex phenomenon (Warburton, 2013). Despite the various meanings of corrupt activities, however, the essence of corrupt acts remains: the abuse of power and authority by engaging in immoral behavior for personal gain (Soeharto & Nugroho, 2017).

Corrupt practices, ranging from giving odd incentives to extortion, can sometimes be unavoidable, especially in business. The need to corrupt arises when there is a need to secure favorable judgments for one party. Countless anti-corruption programs are implemented, yet the number of corrupt persons grows alarmingly, as seen by more public officials are getting arrested. This state asserts that: corruption feeds corruption. And the longer it exists, the more widespread it grows (Ali & Isse, 2003).

Assets Declaration

In 2010, The OECD conducts a thorough examination of existing asset declaration practices in Eastern Europe and Central Asia, as well as in several OECD nations in Western Europe and North America. It also made policy recommendations on the key components of asset disclosure systems. These proposals will be valuable for national governments and international organizations involved in

the establishment, reform, and evaluation of asset disclosure systems at the national level.

Then, in 2013, Regional School of Public Administration – European Union (ReSPA) conducted the study about income and asset declaration. The study raised some concerns about three principal areas include, (1) Verification methodology, (2) Hiding Wealth and (3) Transparency & Privacy.

The first principal explains how the verification is executed, what financial calculations are utilized, how is the use of investigative means, and what kind of red flags will trigger the detailed verification. The second principal area examines the common pattern used in hiding wealth and how the verification methods are able to detect such pattern. The third principal area relates to privacy issues on the publication of the declaration.

According to Kotlyar & Pop (2016), Asset statements by public officials are a powerful tool for uncovering corruption, illegal enrichment, and conflicts of interest. According to StAR (2017), over 150 nations have made wealth declaration mandatory for public officials. Many of these countries make their asset reports public. Such a measure is taken since civil society and media are essential in exposing anomalies and initiating formal verification of statements by anti-corruption/asset declaration authorities. It is highlighted that public access to declarations increases their anti-corruption value.

International Transparency (2020) stated that asset and interest declarations, of public officials are widely viewed as a necessary tool for preventing corruption and ensuring public service integrity. They allow monitoring institutions and the general public to monitor the financial activities of those in power, including determining if alleged or questionable differences in wealth are justified. They also enable the public to monitor officials' outside activities, such as secondary employment business ownership, which is important for avoiding conflicts of interest.

In terms of asset declaration for public officials, International Transparency also advised the government to: (1) Implement regulations requiring extensive public disclosure of assets and interests to top public officials, (2) Apply a digital system not only for asset and interest declaration capture but also for cross-referencing and dissemination, and (3) Empower an impartial oversight body and key stakeholders to strategically verify and evaluate declarations.

In Indonesia, as mandated by Law No. 30 of 2002 on the Corruption Eradication Commission (KPK): KPK is responsible to manage the full flow of asset declarations for public officials. It is summarized by UNODC's report on Income and Asset Declaration Systems in Indonesia (UNODC, 2009) that (1) The declaration is expected to provide a complete picture of public officials' financial situation, (2) The declaration shall be submitted annually, in addition to coming into and leaving the office, (3) The electronic declaration system is in place, where 90% of declarants use it, (4) The summary of declaration is publicly available online, (5) KPK is responsible to verify the declaration, including accessing banking data for this purpose.

Research Questions
This research examines three research questions as mentioned below,

Research Question 1
How is the public perception towards the information quality of the LHKPN?

Research Question 2
How is the public perception towards the effectiveness of LHKPN as one of the tools to eradicate corruption?

Research Question 3
What are ways or approaches to improve the use of LHKPN in the anti-fraud/anti-corruption movement?

3. METHODS
This study utilizes an online-questionnaire survey method to address the research

questions. Even though different studies reveal both benefits and drawbacks of adopting online surveys (Wright, 2005), the questionnaire in this study was collected using an online survey platform. This online platform provides a time and cost-effective way to reach out to respondents and gather information.

Initially, we designed the questionnaire based on the research questions. To validate the questionnaire and to collect inputs regarding aspects in improving the effectiveness of LHKPN, we conducted 2 sessions of Focus Group Discussion (FGD). On each FGD, we invited 4 participants who have expertise (more than 10 years of working experience) in the field of Internal Audit. During the FGD, to provide clearer illustration for further discussion, we provide the summary of year 2022 LHKPN belongs to 35 public officials. These officials are members of National Coordination Committee for Prevention and Eradication Money Laundry Crime based on President Regulation 117/2016.

The final questionnaire is then divided into 3 (three) sections. The first section is the information of the respondent where the respondents must fill their bio data. In the second part, using *likert* scale, respondent is requested to answer 3 (three) questions about LHKPN: regarding LHKPN's data quality, the effectiveness of LHKPN as corruption eradicating tool and to rank 6 (six) aspects according to their priorities to improve the effectiveness of LHKPN.

In the final sections, the respondents are also asked if they have other aspects/ideas to improve the effectiveness of the use of LHKPN to eradicate corruption.

In selecting the respondents, this research applies purposive sampling technique. Respondents of this research are individuals aged over 26 years old who live in 3 cities, namely: Jakarta, Surabaya, and Makassar. The data gathered is subsequently processed and presented in order to answer the research questions (Figure 2).

## 4. RESULTS AND DISCUSSION
Descriptive Statistic
For this research, from 10 to 20 July 2023, we collected the responses from 102 respondents consisting of 53% Male and 47% Female. 65% of the respondents have responsibility to report and submit the LHKPN. The details of the respondents' demographic are presented in figure 1 to figure 4 below.
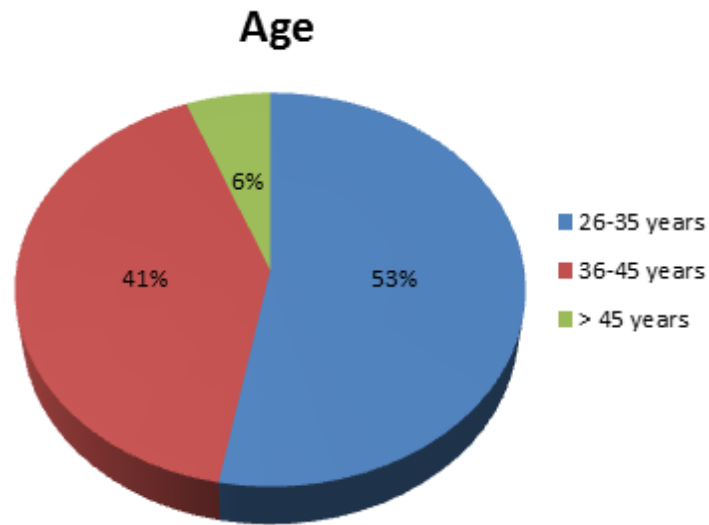
Responses to Research Questions
Based on the collected responses, 76.5% of respondents strongly disagree with the statement that the LHKPN contains of good quality of data (i.e., accurately
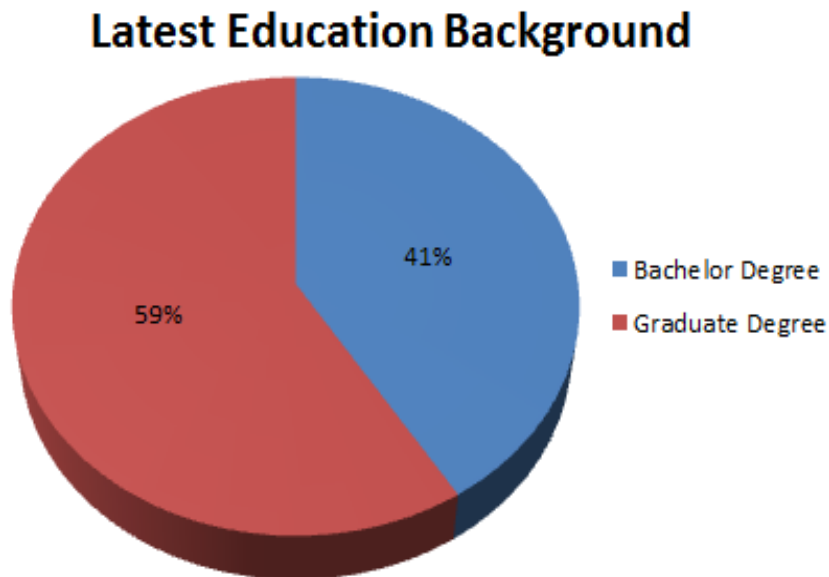
Figure 1. **Respondent's Gender**
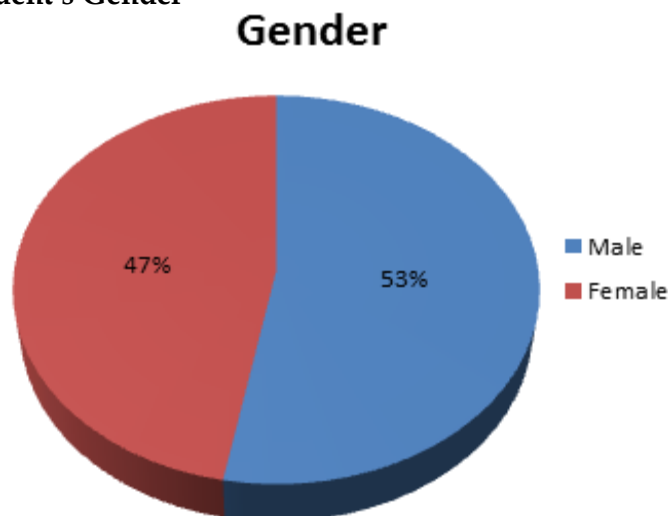
Source: Data Processed

Figure 2. **Respondent's Age**

Age

- 26-35 years — 53%
- 36-45 years — 41%
- > 45 years — 6%

Source: Data Processed

Figure 3. **Respondent's Latest Education Background**

Latest Education Background

- Bachelor Degree — 41%
- Graduate Degree — 59%

Source: Data Processed

and honestly filled). The remaining respondents also opined a similar tone, as presented in Figure. 5.

Furthermore, only 29% respondents agree that the LHKPN plays as effective tool for eradicating corruption. While the remaining opined differently.

The survey results also show that most respondents opined that the use of digital technology (e.g., data analytics, big data) is critical to further examine LHKPN in order to detect potential red flags. In addition, the involvement of civil society to monitor the quality of LHKPN data, is opted as the second most important aspect to be done to ensure the effectiveness of LHKPN as important tool in eradicating corruption.

Other Findings

We have also gathered various suggestions from respondents on how to improve the effectiveness of LHKPN as a tool in eradicating corruption, quoted as follows:

a. Collaboration between independent institutions can be carried out in further verification, especially for questionable

assets and/or income.

"Dapat dilakukan kolaborasi antar lembaga independen dalam melaksanakan verifikasi khususnya pada harta kekayaaan dan pendapatan yang anomali."

b. The information contained in the LHKPN are supposed to be linked with Tax Return.*"Informasi di LHKPN seharusnya dapat dihubungkan dengan SPT Pajak"*

c. Regular communication of the analysis result to the respective supervisors. *"Penyampaian berkala hasil analisa ke entitas pengawas tempat pejabat"*

d. Random checking on bank account, asset ownership and asset's reasonableness should be conducted, in comparison to their salary and/or other income. *"Perlu dilakukan random checking rekening bank, kepemilikan asset, kewajaran aset dibandingkan dengan gaji dan pendapatan lainnya"*

DISCUSSION

The purpose of this study is to depict public perceptions of The State Administrator Asset Report - Laporan Harta Kekayaan

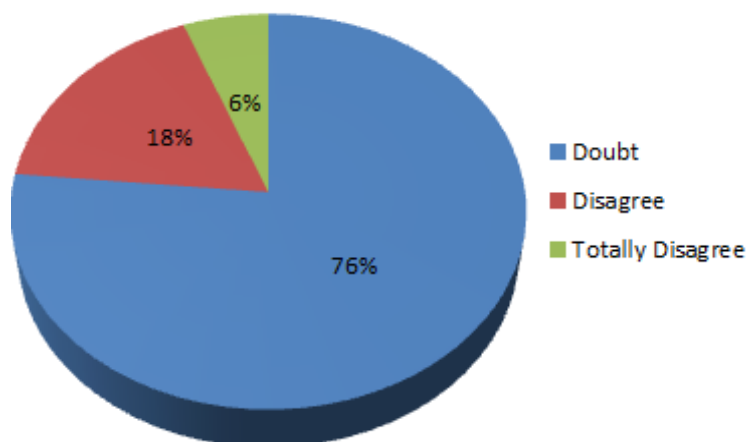Figure 4. **Respondent's Obligation to Report & Submit LHKPN**
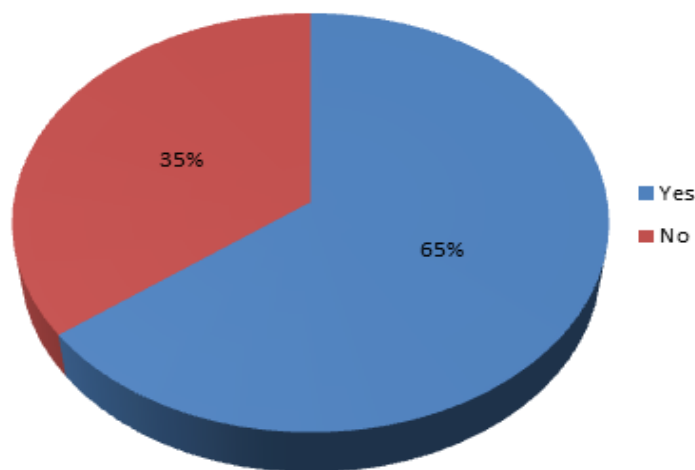
Source: Data Processed

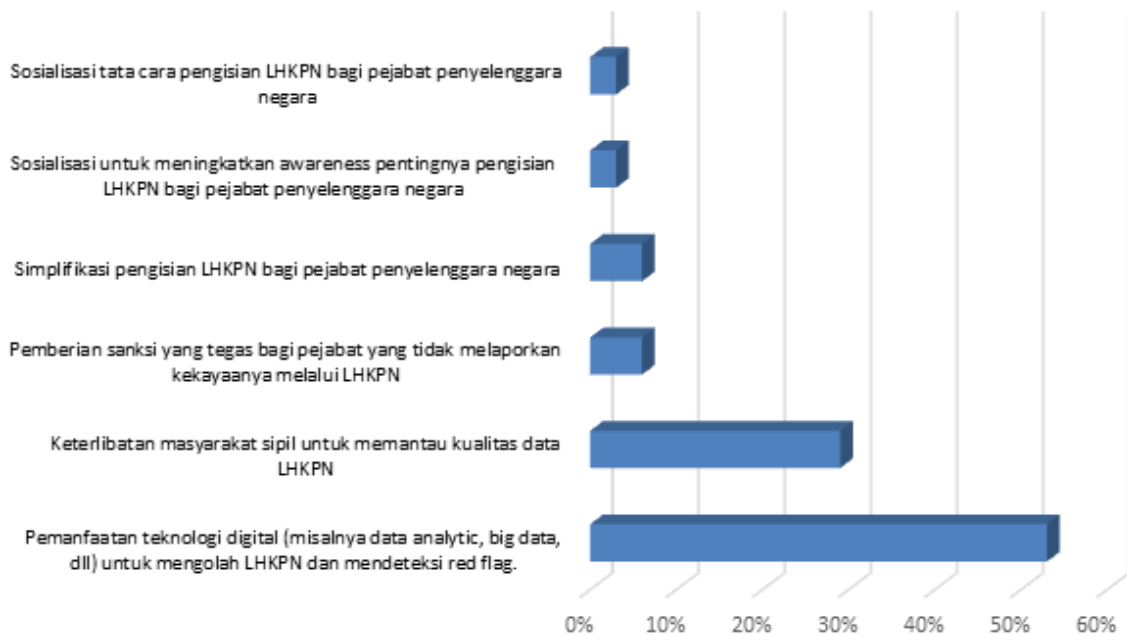Figure 5. **Respondent's Opinion on Data Quality in LHKPN**

Source: Data Processed

Figure 6. **Respondent's Opinion on The Effectiveness of LHKPN in Eradicating Corruption**

The Effectiveness of LHKPN in Eradicating Corruption

- Totally Agree
- Agree
- Doubt
- Disagree
- Totally Disagree

6%
23%
29%
24%
18%
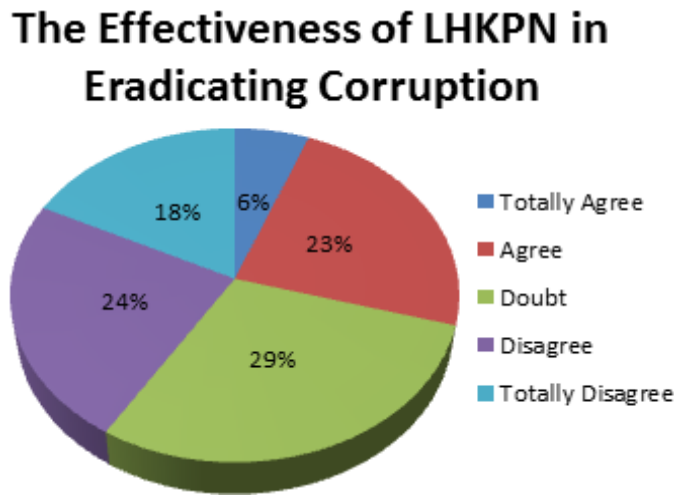
Source: Data Processed

Figure 7. **Respondent's Idea for Improving the Effectiveness of LHKPN**

Respondent's Idea for Improving the Effectiveness of LHKPN

- Sosialisasi tata cara pengisian LHKPN bagi pejabat penyelenggara negara
- Sosialisasi untuk meningkatkan awareness pentingnya pengisian LHKPN bagi pejabat penyelenggara negara
- Simplifikasi pengisian LHKPN bagi pejabat penyelenggara negara
- Pemberian sanksi yang tegas bagi pejabat yang tidak melaporkan kekayaanya melalui LHKPN
- Keterlibatan masyarakat sipil untuk memantau kualitas data LHKPN
- Pemanfaatan teknologi digital (misalnya data analytic, big data, dll) untuk mengolah LHKPN dan mendeteksi red flag.

0% 10% 20% 30% 40% 50% 60%

Source: Data Processed

Pejabat Negara (LHKPN) as one of the instruments for eradicating corruption. It also highlights public opinion on the LHKPN's information quality and effectiveness.

There are several fundamental questions proposed in this study: How is the information quality of the LHKPN? How is the effectiveness of LHKPN as one of the tools to eradicate corruption? And how to improve the use of LHKPN in the anti-fraud/anti-corruption movement?. Obtaining responses to these questions will provide critical information for improving the use of LHKPN as an anti-corruption instruments.

According to the findings of this study, the public is concerned about the quality of data supplied to the LHKPN. The public also has a low perception of the LHKPN's

efficiency as an instrument for fighting corruption in Indonesia. It is proposed to leverage digital technologies (e.g., data analytics, big data) to undertake extensive analysis on the information included in the LHKPN to ameliorate this scenario. Such a method is expected to detect any potential red flags. The research also stated that civil society involvement in monitoring the LHKPN is encouraged.

The findings is in line with Kotlyar & Pop (2016) which stated that Asset statements by public officials are powerful tool for uncovering corruption, illegal enrichment, and conflicts of interest. It is also in similar tone with the study conducted by Regional School of Public Administration – European Union (ReSPA) in 2013 about income and asset declaration which raised some concerns about three principal areas include, (1) Verification methodology, (2) Hiding Wealth and (3) Transparency & Privacy.

The research has intrinsic limitations due to the restricted number of respondents, which may result in respondents with less diverse features. This will eventually have an impact on the research's generalizability and the quality of the insights collected.

Future study will include a bigger number of respondents from a wider range of backgrounds. In order to strengthen the quality of the insights, a Focus Group Discussion and an in-depth interview with relevant subject matter experts and appropriate regulators may be done.

5. CONCLUSION

This research concludes that the public has concerns regarding the quality of data reported into the LHKPN. Public also negatively perceive the effectiveness of the LHKPN's as a tool for eradicating corruption in Indonesia. To improve such a situation, it is proposed to use digital technologies (e.g., data analytics, big data) to perform detailed analysis on the information contained in the LHKPN. Such a measure is expected to be able to detect any possible red flags. The research also noted that the involvement of civil society

to monitor the LHKPN is encouraged. The research has inherent limitation due to the limited number of respondents which may lead to a less-varied characteristics of the respondents. This will eventually have an impact to the generalizability of the research and affect the quality of the insights gathered. Future research shall employ a larger number of respondents from a more diverse background. Also, in order to improve the quality of the insights, Focus Group Discussion and in-depth interview involving relevant subject matter experts and respective regulators may be conducted to provide a more comprehensive view.

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