

Fraud in Financial Institutions

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ABSTRACT

Fraudulent acts in financial institutions have often occurred, there are even some financial institutions who try to clarify related to the frauds that occur in these financial institutions. This study describes fraudulent acts that occur in conventional financial institutions, by taking data from the official websites of each financial institution, by reading reports Good Corporate Governance (GCG) of banks. Data collection from 2015-2019. The research conducted is descriptive quantitative research, where the researcher only describes the data obtained from the source. The results of the study found that there were fraudulent acts in financial institutions that experienced a decrease and an increase in tone. The results of the analysis carried out, that financial institutions need to understand the dangers of fraud in human resources, in order to prevent fraud from an early stage.

Keywords: Corporate Control, Corporate Governance, Fraud

JEL Classification: G00, G20, G30

INTRODUCTION

The development of the banking industry continues to experience a significant increase in Indonesia, this can be seen from the number of financial institutions that exist around the population. This development is certainly something to be proud of for Indonesia, where these developments will help the community in improving their economy. In Indonesia, there are two systems used in running financial institutions, the first is the conventional system and the second is the sharia system. We have often heard of these two systems, where the conventional system first developed in Indonesia, but now conventional financial institutions continue to experience a decline, this can be seen from the data published by the Financial Services Authority, as for the data as follows:

Table 1. Data on the Development and BPR in Indonesia

Year	Commercial Banks	Rural Pre-credit Bank
2014	118	1,632
2015	118	1,636
2016	116	1,633
2017	115	1,599
2018	115	1,597
2019	110	1.554

Source: www.ojk.go.id

From the data above, it can be seen that conventional financial institutions continue to experience a significant decline, both in the number of Commercial Bank offices and the number of Rural Bank offices. This decline was caused by the many phenomena that occurred in the field, including the many cases of employees of conventional financial institutions who tried to commit fraud against funds collected from the public, so that many people were afraid to deposit their money in conventional banks. (Bara, Affandi, Farid, & Marzuki, 2021) The decrease in the number of conventional financial institution offices is inversely proportional to the increase in Islamic financial institutions, where Islamic financial institutions continue to experience a significant increase. This can be seen from the data published by the Financial Services Authority (OJK), while the data are as follows:

Table 2. Data on the Development of BUS, UUS and BPRS in Indonesia

Year	Sharia Commercial Banks (BUS)	Sharia Rural Bank (BPRS)
2014	12	163
2015	12	163
2016	13	166
2017	13	167
2018	14	167
2019	14	164

Source: www.ojk.go.id

The development of Islamic financial institutions has become a phenomenal thing in Indonesia, this development can be seen from year to year which has increased or added to the offices of Islamic financial institutions. This certainly shows that the community believes in Islamic financial institutions, so that people carry out transactions at Islamic financial institutions, which results in the development of Islamic financial institutions in Indonesia (Rahmayati, 2021). This development is a matter of pride for Muslims, where sharia principles can be accepted in the midst of society in Indonesia.

From the data of the two banking institutions above, it can be seen that both of them have experienced developments from 2014 to 2018, where the development or growth of the offices of the two financial institutions has increased significantly, it's just that in 2019 the number of conventional commercial banks and rural credit banks experienced a decline. This decline was also followed by a decrease in the number of Islamic rural bank offices, while the number of Islamic commercial banks stagnated. In the existence of the development of Islamic financial institutions, followed by an increase in assets owned by Islamic financial institutions, but a decrease in the number of offices of conventional financial institutions, also followed by a decrease in the number of assets of conventional banks, this can be seen from the data published by the Financial Services Authority (Sari, Irfan, Jufrizen, & Deli, 2020). The data on asset development are as follows:

Table 3. Asset Development of Islamic Banks and Conventional Banks (in billions)

Year	commercial banks	Sharia Commercial Bank
2015	2,245,451	70,799
2016	2,410,757	78,839
2017	2,463,537	87.850
2018	2,741,984	98,583
2019	2,616,734	112.297

Source: www.ojk.go.id

From the asset development data of Islamic banks and conventional banks above, it can be seen that the growth of commercial bank assets continued to increase from 2015 to 2018, where in 2016 asset growth reached 7.36%, in 2017 it increased by 2.18%, in 2018 it increased by 11.30% while in 2019 there was a decrease in assets of 4.56%. This decline was accompanied by a decrease in the number of offices of financial institutions, conventional commercial banks and rural credit banks. While in Islamic banking assets, there was a significant increase, although the increase was small but consistently continued to increase, this can be seen from the ratio of the increase in the assets of Islamic commercial banks, where in 2016 the assets of Islamic commercial banks increased by 11.35%, in 2017 increased to 11.42%, while in 2018 it increased to 12.21% and in 2019 it increased to 13.91% (Putri, Christiana, Pulungan, & Ardila, 2019).

The number of offices that continues to increase, and is accompanied by a growth in the number of assets, is an attractive indicator for investors. Because investors will look at these two things, to be able to see whether the bank is declared healthy or not. But along with the growth in the number of assets and the number of offices of financial institutions in Indonesia, the higher the cases of fraud that arise from each institution (Radiman, 2018). The fraudulent act of financial institutions is not something that is new to the public, but it is something that is often highlighted by the public. In the financial statements of financial institutions, of course, it can be seen that fraudulent

acts that often appear, both resolved and unresolved. In the financial statements published by each financial institution, of course, fraud is also a component of the bank's assessment (Pradesyah & Triandhini, 2021). However, the fraudulent act must be published by the financial institution, in order to show how capable the financial institution is, to resolve the fraudulent acts that exist in the financial institution.

LITERATURE REVIEW

Black's Law Dictionary Fraud describes the notion of *fraud* includes all kinds of human thought, and which is attempted by a person, to gain advantage from others by wrong advice or coercion of truth, and includes all ways that are not unexpected, full of tactics (Rialdy, 2019). Cunning, hidden, and every dishonest way that causes others to be deceived. In short it can be said that *fraud* is cheating (cheating) relating to the amount of money or property.

The fraud triangle is a theory put forward by Donald R. Cressey after conducting research for his doctoral thesis in 1950 (Noble, 2019). Cressey put forward a hypothesis about the fraud triangle to explain the reasons why people commit fraud. Based on research conducted, Cressey found that people commit fraud when they have financial problems that cannot be solved together, know and believe that these problems can be resolved quietly with the position/job they have and change their mindset from their concept as people who are trusted to hold assets to their concept as users of the assets entrusted to them. Cressey also adds that many of these trust violators know that what they are doing is illegal, but they are trying to bring up the idea that what they are doing is normal. From the explanation above, Cressey revealed that there are 3 factors that support someone to commit fraud, namely pressure, opportunity, and rationalization, as illustrated below (Ruankaew, 2016):

- 1) Pressure
- 2) Opportunity
- 3) Rationalization

First, Kehinde Adekunle Adetiloye, Felicia Omowunmi Olokoyo, Joseph Niyan Taiwo, (2016), have conducted research with the title "Fraud Prevention and Internal Control in the Negerian Banking System" from the results of research conducted, it is obtained that fraud using technology is more significant. Therefore, internal control is needed to prevent fraud.

Second, Yego, John Kiprotich, (2016), conducted a study entitled "The Impact of Fraud in the Banking Industry: A case of Standard Chartered Bank." This study uses samples or variables of Fraud, Audit, Security, Environment and Managers. The results obtained, that the variables used in the study have a significant influence on fraudulent actions, it's just that there is a need to increase security in the existing management system at the bank.

Third, Janduk Gilang Pembayun, (2018), has conducted research in the form of a journal, with the title "Social Climber as an Actualization of the Marginal (Descriptive Study Among South Jakarta Youth). This research is a qualitative type of research, and data collection is carried out by means of interviews. The results of the study showed that in communication, the climber group used media to convey their messages, in the form of verbal messages and non-verbal messages (Pembayun, 2018).

Four, Jesica Gumulya, Mariyana Widiastuti, (2013), have conducted a study entitled "The Influence of Self-Concept on Consumptive Behavior of Esa Unggul University Students." This type of research is qualitative research, data collection is carried out by

distributing questionnaires to students. The results obtained that most of the students of Esa Unggul University have a negative self-concept which is indicated by the results of the study, namely 54.5% of the students studied have a negative self-concept (Tiffani & Marfuah, 2015).

Fifth, Shyngle K. Balogun, Morekwe Selemogwe, Femi Akinfala. (2013), has conducted a study entitled "Fraud and Extravagant Life Style Among Bank Employees: Case of Convicted Bank Workers in Nigeria". The results of this study show that convicted bankers have significantly higher ELAS scores than bankers who are not punished and non-bankers. This study also shows that the style of a fraud in the bank is more luxurious than the non-bank style (Balogun, Selemogwe, & Akinfala, 2013).

RESEARCH METHOD

The method used in this research is descriptive quantitative, where descriptive quantitative method describes data taken from reliable sources, then describes or narrates according to the data obtained. Data retrieval was taken from several conventional financial institutions in Indonesia, the data was taken from the official website of financial institutions in Indonesia. This study uses data from 2015 to 2019.

RESULTS

In Indonesia, fraudulent acts are often heard in financial institutions. This fraudulent act is very disturbing to the public, especially now that fraud is based on technology that continues to develop in Indonesia. For this reason, now many financial institutions continue to strengthen their security systems using two methods, the first using the financial reporting method and the second using a technology or internet-based security system. In conventional financial institutions such as banks, fraud is a threat to banks, where every year financial institutions or banks report fraudulent actions in financial reports published on the company's official website. Detecting mistakes that are easy to make, in financial institutions or public institutions that are engaged in finance. But this can be done, if the elimination of fraud is carried out together (Abdullahi & Mansor, 2018). The data on fraud acts in conventional financial institutions such as banks are as follows:

Table 4. Fraud Actions in Conventional Financial Institutions

No	Bank name	2015	2016	2017	2018	2019	Site
1	BRI	42	156	16	22	107	www.bri.co.id
2	independent	28	22	40	35	40	www.bankmandiri.co.id
3	Panin	3	2	3	1	0	www.panin.co.id
4	BNI	13	23	15	7	5	www.bni.co.id
5	Mega	9	7	6	6	2	www.bankmega.co.id

The data above is obtained from the financial statements published by each bank on the official website of the bank concerned. When viewed from the data on fraudulent acts that occurred, the bank has been able to minimize fraud, this can be seen from the decreasing number of fraud cases handled by each conventional bank. It's just that there are some banks that still experience an increase in fraud or are said to be stagnant with cases of fraud that occur, but there are also banks that continue to minimize fraud so that in the year of observation no fraud occurred. From the data above, the fraud has been handled or resolved by the bank. This means that every year conventional financial institutions or conventional banks have handled fraudulent

acts, so that these cases can be resolved through legal channels, and of course the perpetrators are given sanctions that have been set by law enforcement.

DISCUSSION

Human resources are the most important component in the development of the company, whether it is a company engaged in finance or non-financial. The importance of human resources has resulted in many companies being willing to spend or budget very high finances, in order to obtain quality human resources. According to Nawawi, what is meant by human resources includes three meanings. First, human resources are people who work within an organization, which is also called personnel, labor, employees or employees. Second, SDI is human potential as the driving force of the organization in realizing its existence. SDI is the potential which is an asset and functions as capital (non-material/non-financial) within the organization, which can be realized into real potential (real) physically and non-physically in realizing the existence of the organization.

To reduce fraudulent actions in conventional financial institutions, human resources are the first thing that must be addressed. Where if seen from the increase in cases that occurred in the financial institution, there was an increase, there was also a decrease. This can be seen from the data published by each bank in Indonesia.

Table 5. Fraud Actions in Conventional Financial Institutions

No	Bank name	2015	2016	2017	2018	2019	Site
1	BRI	42	156	16	22	107	www.bri.co.id
2	independent	28	22	40	35	40	www.bankmandiri.co.id
3	Panin	3	2	3	1	0	www.panin.co.id
4	BNI	13	23	15	7	5	www.bni.co.id
5	Mega	9	7	6	6	2	www.bankmega.co.id

From the data above, it can be seen that there are several financial institutions or conventional banks that have experienced a significant increase in fraudulent acts that occur, there are even some financial institutions that have decreased. This happens not far from the human resources in the financial institution. For this reason, the first thing to pay attention to in reducing fraud cases is the development of human resources at the financial institution.

If we reopen the financial reports published by the financial institutions of each bank, or in the Good Corporate Governance (GCG) reports of each financial institution, then of course the report will show the settlements that have been carried out by the financial institution by taking the appropriate path law (Mintara & Hapsari, 2021). The data obtained from the GCG report regarding the settlement are as follows:

Table 6. Fraud Case Resolution

No	Bank Name	2015	Nt	2016	Nt	2017	Nt	2018	Nt	2019	Nt
1	BRI	42	RI	156	RI	16	RI	22	RI	107	RI
2	Mandiri	28	RI	22	RI	40	RI	35	RI	40	RI
3	Panin	3	RI	2	RI	3	RI	1	RI	0	RI
4	BNI	13	RI	23	RI	15	RI	7	RI	5	RI
5	Mega	9	RI	7	RI	6	RI	6	RI	2	RI

Note: Nt = Note RI = Resolved

Settlement of fraudulent acts that exist in financial institutions, is usually resolved through legal channels, and these fraudulent actions can also be carried out not only by employees. This means that the fraudulent acts committed not only come from bank employees, but also from external financial institutions in Indonesia. Most of these frauds are carried out by using technology, or using tools that can penetrate the system of financial institutions, or often said to be cyber actions. In the results of research conducted by Krisnhoen, found that acts of fraud can be prevented through E-Procurement, this is to reduce fraudulent actions that occur (Danuta, 2017).

CONCLUSION

From the results of the presentation of the data and the discussion conducted above, it can be concluded that, financial institutions must of course tighten the safeguards or systems that exist in financial institutions, this is useful for monitoring fraudulent actions carried out, both employees and other parties. The reduction in fraud cases must of course continue to be carried out by every financial institution in Indonesia, so that people believe in financial institutions, and of course people feel comfortable keeping their money or assets in financial institutions. Strengthening human resources in financial institutions also needs to be done, this is an initial action in preventing fraudulent actions in financial institutions.

LIMITATION

This research was only conducted using a quantitative approach, and only from several conventional banks in Indonesia. This research is also very limited, because there is no direct interaction between researchers and policy makers in financial institutions, so it is important for researchers to interview policy makers to obtain accurate information regarding fraudulent acts in financial institutions.

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DECLARATION OF CONFLICTING INTERESTS

This article is the result of research conducted by the author, and there is no element of interest on the part of ICPM and other parties.

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