

Uncovering Hidden Realities: A Phenomenological Approach to Financial Crime in Public Procurement

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ABSTRACT

This research aims to uncover the hidden reality of financial crime in the context of public procurement using a phenomenological approach. Through in-depth analyses of the experiences of financial criminals, procurement officials, and the communities involved, the research identifies the factors that drive fraud in the procurement process. The results show that the complexity of the procurement system, local social, economic, and cultural pressures play a key role in the dynamics of financial crime. Dissatisfaction with complex procurement procedures and pressure to achieve a certain status are the main triggers for fraud. The implications of this research underscore the need for reforms in the procurement system, increased transparency and accountability. Practical suggestions involve additional education and training for procurement officials, addressing social pressure through social programs, and strengthening internal and external oversight. By highlighting the long-term impact of fraud in public procurement, this research provides a basis for policy and practice changes to create an environment of greater integrity and efficiency in the use of public funds. Collaboration with stakeholders, including researchers and academics, was identified as a strategic step towards achieving this goal.

Keywords: Phenomenology, Procurement Fraud, Public Procurement

INTRODUCTION

Public procurement at the local government level is an integral part of governance that determines the success of development and community services (Georghiou et al., 2014). However, in some cases, this process has been found to be vulnerable to financial crimes that can harm public finances, hinder local development, and harm the interests of the community. Financial crimes in public procurement include acts such as corruption, collusion, nepotism, and other manipulations that can compromise the integrity and transparency of the procurement process (Royo et al., 2014). Despite many efforts to prevent and tackle fraud in public procurement, there are still hidden realities that are not fully understood (Rustiarini et al., 2019). Therefore, this study will adopt a phenomenological approach to explore the hidden reality behind public procurement fraud at the local government level.

It is important to understand that financial crime in public procurement is not just a financial issue, but also has significant social, economic, and political impacts (Bracci et al., 2015; Ferwerda et al., 2017; and Abdullahi & Mansor, 2018). By investigating this phenomenon through a phenomenological approach, this research seeks to explore the subjective experiences of financial criminals, explore the psychological factors that may motivate fraudulent behavior, and consider the social and cultural context that may influence financial crime propensity.

By presenting a deeper understanding of this hidden reality, this research is expected to contribute to the development of more effective policies to prevent, detect and tackle fraud in public procurement. Through a phenomenological approach, we can gain deep and contextualized insights, helping to detail solutions that fit the specific dynamics at the local government level.

The Research Issue covers a number of complex issues. First, how does dissatisfaction with the public procurement system motivate perpetrators of financial crime, and what are the psychological factors that drive perpetrators to engage in fraudulent behavior? Second, how do social, economic, and cultural aspects at the local level influence the dynamics of financial crime, and what role do local values and social norms play in providing a foundation for fraud? Third, the long-term impact of fraud on local development and community services needs to be analyzed.

Objectives the research involved an attempt to understand the perspectives of financial criminals, analyzing their subjective experiences and views, and exploring the psychological factors, motivations and dissatisfactions that may be triggers for fraudulent acts.

In addition, the research aims to identify contextual factors, including social, economic, and cultural aspects, that may influence financial crime propensity. Considering the role of local values and social norms in public procurement dynamics is also in focus. The long-term impact of financial crime on society and economic development at the local level will be analyzed, and the research findings are expected to support policy change and fraud prevention in the future. Using a phenomenological approach, this research seeks to uncover the hidden realities behind fraud in public procurement, presenting concrete and contextualized solutions that can assist local governments and other stakeholders in combating the financial crime and improving the integrity of public procurement.

The research questions that can inform this study include a number of important aspects. First, how does dissatisfaction with the public procurement system motivate perpetrators of financial crime, and what are the psychological factors that drive perpetrators to engage in fraudulent behavior? Second, how do social, economic, and cultural aspects at the local level influence the dynamics of financial crime, and what role do local values and social norms play in providing a foundation for fraud? Third, the long-term impact of fraud on local development and community services needs to be analyzed in depth. In addition, how can existing surveillance systems be improved to prevent and detect fraud? These questions form the basis for this research to explore and uncover the hidden reality of financial crime in public procurement at the local government level through a phenomenological approach.

LITERATURE REVIEW

Agency Theory in Public Procurement

Agency Theory is the main foundation for understanding the role and dynamics of the relationship between local government as the main agent and the public as the principal in the context of public procurement. In this theory, it is presumed that each person is primarily driven by their self-interest, leading to a conflict of interest between the principal and the agent (Christiana et al., 2020). It highlights the complexity of this relationship by emphasizing the potential conflicts of interest that can give rise to fraudulent practices in the procurement process. According to Jensen and Meckling in Lumapow (2018), agency relationships occur when an individual or a group of individuals (the principal) hires others to perform a task on behalf of the principal, granting them certain decision-making authority, including decisions related to funding. In the view of Agency Theory, local governments as agents may have incentives to pursue personal or group benefits, which could be reflected in fraudulent acts. Agency conflicts, which are caused by the difficulty of principals (the public) watches every action of agents closely, becoming an important focus in analysing the phenomenon of financial crime in public procurement (Parker et al., 2018).

Agency Theory is applied to explore the motivation of agents (government) in engaging in fraud. For example, through accepting bribes or manipulating the procurement process, agents may act in violation of the principal's trust. By detailing the agency conflict, this research aims to identify gaps in the public procurement oversight and governance system that may trigger fraud (Wawrosz, 2022).

Furthermore, Agency Theory becomes a key guideline in designing more effective solutions. This research considers the incentive mechanisms that encourage agents to act in accordance with the interests of the principal. A phenomenological approach is integrated to provide the subjective perspectives of the agents involved, providing deep insights into their motivations, and the rationale behind exploiting loopholes in the public procurement system.

RESEARCH METHOD

This research was conducted in North Toraja regency in South Sulawesi province. The research locus was the procurement unit of the local government of North Toraja district. This research uses a qualitative approach with a focus on phenomenology. Phenomenology is a philosophical and methodological approach developed by Edmund Husserl, a 20th century German philosopher.

Husserl's phenomenological approach aims to study human experience directly and investigate the structure and subjective meaning behind the experience. The main focus of Husserl's phenomenology is on consciousness and subjective experience, as well as the understanding of objects in the world we experience (Williams, 2021).

Related to consciousness as an important aspect in phenomenology, there are two key concepts to understand in more detail, namely Noesis and Noema. Noesis refers to the conscious subjective act or awareness that directs itself to the object or Noema. It encompasses the subjective aspect of experience, for i.e. how the subject realizes or directs its attention to the object at hand. Noesis involves the process of recognizing, understanding, and subjective judgement of the object that is realized. While Noema refers to the object realized in consciousness. It is the objective aspect that is presented in subjective experience. Noema includes the objective content or meaning of the object that appears in consciousness. In phenomenology, Noema is understood as the universal or essential structure of objects that appear in consciousness (Creely, 2018).

Noesis and Noema are interrelated in the experience of consciousness. Noesis is the subjective consciousness that directs itself to the object or Noema, while Noema is the object that appears in consciousness through the action of Noesis. The relationship between Noesis and Noema is a central element in Husserl's phenomenological analysis that allows us to understand how subjects experience the world and give meaning to the objects they encounter (Yee, 2019).

The phenomenological approach, especially the interpretation of the concepts of Noesis and Noema will allow researchers to understand and explore the experiences, interpretations, and meanings of individuals towards fraud in the procurement of goods and services. Data were obtained directly from informants in the research field through in-depth interviews. Throughout the fieldwork, the researcher stayed at the home of one of the key informants as a guest, with the aim that the researcher could obtain in-depth information. Interviews were recorded with the permission of the informants and transcribed in the form of research manuscripts. The informants selected in this study were key informants who fulfilled the criteria as informants according to Creswell (2013). The research informants consisted of goods and services procurement officials, and the community involved in the procurement of goods and services of the local government of North Toraja regency.

Data collected through interviews and observations were analyzed using a qualitative analysis approach. Interview transcripts and observation notes were reviewed in depth to identify emerging themes, patterns and meanings related to the procurement of goods and services local government of North Toraja regency. Data analysis was conducted in four stages based on Creswell and Creswell's (2017) data analysis method. These were transcript preparation, data organization, category arrangement, data analysis, data interpretation and research report writing.

RESULTS

One of the key findings of this research is that the motivations driving financial criminals are primarily related to dissatisfaction with the procurement system, which is perceived as cumbersome and inefficient. Some procurement officials openly expressed that the lengthy and complex process is often a source of frustration, prompting them to seek shortcuts, including through fraud. For example, one key informant stated as follows.

"The procurement process is like an endless maze. Often, we get caught up in overly complex rules and regulations, and this makes our job difficult. In order to hit targets or complete projects quickly, some of us feel compelled to look for instant ways, even if it involves ethical breaches."

The quote reflects the views of a procurement official who signalled that dissatisfaction with the complexity of the procurement system can be a trigger for fraud. This finding is consistent with previous research suggesting that the level of complexity in the public procurement process may motivate financial criminals to seek unethical means to expedite the process and achieve their goals (Nzimakwe & Biyela, 2021). Overall, these findings highlight the importance of understanding internal factors, such as dissatisfaction with procedures, as an integral part of the dynamics of financial crime in local government procurement.

Social, economic, and cultural aspects at the local level play a very significant role in shaping the dynamics of financial crime in local government procurement. Through participatory observation of public procurement operations, it was revealed that social pressure to achieve a certain status encourages individuals to engage in fraudulent practices. A number of informants highlighted the existence of social norms that place added value on high social status, and that engaging in fraudulent activities is considered a means to achieve this level. One informant expressed this view by saying as follows.

"Here, being a 'successful' official is not just about money. There is great pressure from society to achieve certain milestones. And sometimes, to achieve that, people feel compelled to take shortcuts, including in the procurement of goods and services."

This statement reflects how social factors, such as pressure to achieve a respected social status, can influence an individual's decision to engage in fraudulent acts. In addition, cultural factors also play a key role. The high expectations associated with the implementation of government projects create an additional impetus to look for quick ways, even if it involves unethical actions. An informant stated, as follows.

"People expect quick and good results from these projects. And sometimes, to fulfil that expectation, there is a tendency to cut corners, especially if regular procedures are too time-consuming."

Interpretation of previous research results supports this finding. Previous studies suggest that social pressure and cultural expectations can be risk factors in encouraging fraudulent practices in the context of public procurement (Sharma et al., 2019). Thus, an in-depth understanding of the influence of social, economic, and cultural aspects on the dynamics of financial crime contributes significantly to our understanding of the factors that motivate and influence perpetrators of fraud in local government procurement.

The long-term impact of procurement fraud is the main focus of this study, given its close relationship with the success of development projects and the integrity of public procurement. The results reveal that the success of development projects is strongly linked to the integrity of the public procurement process. The existence of fraudulent practices can have serious consequences involving local development and the quality of public services. An interview quote from a procurement official reflects this impact as follows.

"When there is fraud in procurement, projects suffer. There may be ineffective use of funds, poor quality materials, or even projects that are not completed as planned. As a result, development that should benefit the community actually harms them."

Previous studies support these findings by highlighting that fraud in public procurement can hamper the efficient use of budget, reduce the quality of infrastructure, and create uncertainty in the implementation of projects (Asuquo et al., 2021). In this context, the long-term impacts include not only financial losses, but also a decline in public trust in local government. The existence of fraud creates an environment where the integrity and transparency of governance is questioned, resulting in shaken public trust.

Key questions related to improving oversight systems in the context of public procurement were identified as pressing needs in this study. According to several procurement official interview, the expansion of oversight systems is key to improving integrity in public procurement processes. They highlighted that increased transparency and accountability are essential preventive and detective measures against fraud in public procurement. In this context, one procurement official revealed.

"The current monitoring system needs to be strengthened. We need to be more transparent in every stage of procurement, from announcement to contract execution. That way, there will be no loopholes for ill-intentioned parties to commit fraudulent acts."

DISCUSSION

This research explores the hidden dimensions of financial crime that occur in local government procurement processes. The main focus of the research is on North Toraja district, South Sulawesi province, as a representative study area in the context of public procurement at the local government level in Indonesia. Through a phenomenological approach, this research succeeds in describing and unravelling in depth the complex and often hidden realities associated with fraudulent practices in such procurement. Significant findings revealed through phenomenological analysis provide greater insight into the dynamics of public procurement at the local government level, explaining the interactions, motivations, and consequences of any adverse financial actions. The phenomenological approach allows researchers to understand the subjective perspectives of financial criminals, detail the social and cultural contexts that influence criminal tendencies, and provide a holistic picture of the reality on the ground.

Previous research supports the urgency of improving oversight systems in public procurement. Previous findings suggest that the success of oversight has a direct impact on the level of fraud (Suh, 2019). By identifying the urgent need for improved oversight systems, this research makes an important contribution in the context of policy development aimed at preventing, detecting, and tackling fraud in public procurement at the local government level.

This research details the hidden dimensions of financial crime in local government procurement in North Toraja district, South Sulawesi province, using a phenomenological approach. Phenomenological analysis successfully revealed the complex and often hidden realities associated with fraudulent practices in such procurement. Significant findings provide deep insights into the dynamics of public procurement at the local government level, explaining the interactions, motivations, and consequences of any adverse financial actions.

The phenomenological approach allows understanding the subjective perspectives of financial criminals, detailing the social and cultural contexts that influence criminal tendencies, and providing a holistic picture of the reality on the ground.

One of the key findings is the motivation of financial criminals, particularly in relation to dissatisfaction with the procurement system, which is perceived as cumbersome and inefficient. A number of procurement officials stated that the lengthy and complex process was often a source of frustration, prompting them to seek out other avenues shortcuts, including through fraud. This statement reflects that dissatisfaction with the complexity of the procurement system can be a trigger for fraud, consistent with the findings of previous studies that point to complexity as a motivation for fraud in public procurement.

Social, economic, and cultural aspects at the local level also play an important role in shaping the dynamics of financial crime. Participatory observation shows that social pressure to achieve a certain status encourages individuals to engage in fraudulent practices. Cultural factors, such as high expectations associated with the implementation of government projects, also fueled the search for a quick fix, even if it involved unethical actions. These findings are reinforced by previous research, suggesting that social pressure and cultural expectations can be risk factors in driving fraudulent practices in public procurement.

The long-term impact of procurement fraud is the main focus of this research. Fraudulent practices can hinder the efficient use of budget, reduce the quality of infrastructure, and create uncertainty in the implementation of projects. In addition to financial losses, fraud also harms public trust in local government, creating an environment where the integrity and transparency of government is questioned. These results support the findings of previous studies showing that fraud in public procurement can have serious consequences, highlighting the urgency of preventing and combating fraud in local government procurement.

This research highlights the importance of improving oversight systems in the context of public procurement at the local government level. Procurement officials emphasized the need for increased transparency and accountability as preventive and detective measures against fraud. The identification of the urgent need for improved oversight systems makes an important contribution to the development of policies aimed at preventing, detecting and tackling fraud in public procurement at the local government level, in line with the findings of previous research highlighting the positive relationship between effective oversight and low levels of fraud.

This research explores the hidden dimensions of financial crime in local government procurement processes, with a particular focus on North Toraja district, South Sulawesi province. A phenomenological approach was used to describe in depth the complex realities associated with fraudulent procurement practices. The phenomenological analysis yielded significant findings that provide deep insights into the dynamics of public procurement at the local government level.

The motivations of financial criminals, mainly related to dissatisfaction with the perceived complexity of the procurement system, was one of the key findings. The long and complex process of procuring goods and services is often a source of frustration, encouraging procurement officials to seek shortcuts, including through fraud. Social, economic and cultural aspects at the local level also play an important role in shaping the dynamics of financial crime. Social pressure to achieve a certain status encourages individuals to engage in fraudulent practices, and cultural expectations related to the

delivery of government projects fuels the search for quick fixes, even if they involve unethical actions. The long-term impacts of procurement fraud, such as ineffective use of funds and decreased public trust in local government, are the main focus of this research. The research also highlights the need to improve oversight systems in public procurement at the local government level, by increasing transparency and accountability as preventive and detective measures against fraud.

The results of this study deeply explore the long-term consequences of fraud in local government procurement. With a deeper understanding of these impacts, it is hoped that this research can make a significant contribution to the development of effective policies to prevent, detect and tackle fraud in public procurement at the local government level.

CONCLUSION

The conclusions of this study illustrate the complexity and impact of financial crime in local government procurement. The phenomenological approach enables an in-depth understanding of the motivations of perpetrators of financial crime, the social, economic, and cultural contexts that influence fraudulent acts, and their long-term impact.

The main findings of this research include that the motivations of financial criminals are fueled by dissatisfaction with the perceived complexity of the procurement system. The complexity of the procurement process is often a source of frustration, driving procurement officials to seek shortcuts, including through fraud. Social, economic, and cultural aspects at the local level also play an important role, where social pressures and cultural expectations can encourage individuals to engage in fraudulent practices.

The long-term impacts of fraud include impediments to efficient use of the budget, deterioration in infrastructure quality, and loss of public trust in local government. In addition to financial losses, fraud creates an environment where the integrity and transparency of government is questioned.

The research also highlighted the need for improved oversight systems in public procurement at the local government level. Procurement officials emphasized the importance of transparency and accountability as preventive and detective measures against fraud. The identification of the urgent need for improved oversight systems makes an important contribution to the development of policies aimed at preventing, detecting and tackling fraud in public procurement at the local government level. As such, this research provides deep insight into the dynamics of financial crime in public procurement at the local government level and provides a basis for the development of more effective policies to counter, such fraud.

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DECLARATION OF CONFLICTING INTERESTS

The authors declared no potential conflicts of interest.

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