

# Cashless Transaction Policy: The Strategy of Fraud Prevention in Jakarta Province, Indonesia

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## ABSTRACT

This research aims to reveal the fraud potency after the implementation of cashless transaction policy at the government of DKI Jakarta Province. The claim that cashless transaction can minimize fraud, propels the researcher to use fraud triangle as the analysis technique. The results show that cashless transaction policy can strengthen the internal control at once improve the transparency and accountability of local government financial management. As the consequence, it cut the culture which causes fraud occurrence until the opportunity of fraud practice can be minimized. However, it is still cannot be terminated. This finding supports at once confirms that cashless transaction can become the strategy of fraud prevention.

**Keywords**— *Cashless payment, Cashless transaction, Fraud Triangle, Fraud Prevention, The Government of DKI Jakarta Province*

## 1. INTRODUCTION

Indonesia is recorded as the country with the highest level of corruption in Asia Pacific compared to several other countries such as New Zealand, Singapore, Australia, and Malaysia [1]. Corruption in Indonesia is common in many local government circles. In the last 4 years (2016, 2017, 2018, 2019) many Regional Heads were involved in corruption cases. Recorded from 2004 to 2019 there were 136 Regional Heads caught in a corruption case. At the Provincial level there were 21 cases of corruption and at the District and City level there were 115 cases [2], [3].

The high number of corruption cases involving regional heads indicates that Indonesia has a corruption emergency. Based on the identification and investigation of the corruption eradication commission, there are several sectors that become areas of corrupt practices such as procurement of goods and services, budget management and licensing [3]. On the other hand, there are several modes of operation in the practice of non-ethical actions, namely, bribery, abuse of authority, extortion, and money laundering. The most dominant of these modes is the practice of bribery [3].

The above phenomenon triggering various prevention efforts, one of which is the issuance of Presidential Instruction Number 10 of 2016 concerning Actions to Prevent and Eradicate Corruption. This regulation is an extension of the National Strategy for Corruption Prevention and Eradication in 2012-2015. Following up on this regulation, the Ministry of Home Affairs issued Circular Letter Number 910/1866 / SJ in 2017 concerning the implementation of Cashless transactions at Provincial, Regency and City Governments. This circular is intended to accelerate the implementation of Cashless transactions with regional governments as an effort to increase accountability and transparency in financial management and to prevent corruption.

Efforts to prevent criminal acts of corruption are believed to be done by implementing Cashless transactions [4]–[8]. That is

because the patterns or modes of corrupt practices that occur are mostly using cash transactions with the aim of eliminating traces of transactions [4], [9]. Then, in several other countries such as India and Nigeria, they also apply the same thing to minimize fraud acts [6], [7], [10], [11]. In Indonesia the application of the Cashless transaction policy is not new. Studies have been conducted [4] to measure opportunities and challenges while campaigning for the urgency of implementing Cashless transactions. Some of the benefits obtained include increasing state revenue, reducing printing costs and the circulation of cash, preventing the circulation of counterfeit money, as well as preventing fraud, especially in central and regional government environments.

Orientation in dealing with fraud can be done at least with 2 main focuses, namely prevention (preventive) and action (curative) [12]. In this study, the focus is on fraud prevention orientation. The results of studies on fraud prevention can be found in various references including [13]–[16].

Reference [16] argued that technology protection is an effective way to prevent fraud, while increasing internal control. In addition, [13] affirmed that good internal control must be followed by the leadership's commitment. Another concept stated by [14] that the occurrence of fraud one of which is due to the opportunity (fraud by opportunity) so that by pressing it is a must to prevent fraud. The three references above are aligned, which is to believe that internal controls that are built can reduce the opportunity for fraud. This is in line with two major strategies [15] which are formulated based on the triggers of fraud, especially in the frame of fraud triangle.

Fraud Triangle is the result of research conducted [17]. In the study revealed the reasons why someone commits fraud. There are three main reasons, the first is the pressure, the second opportunity, and the third is the rationalization of the deeds done. This study aims to prove the claim that the policy of Cashless transactions can reduce fraud by using the perspective of fraud triangle. This paper is divided into several subtitles, among others; literature review, methods, results of discussions and conclusions.

## 2. CASHLESS TRANSACTIONS IN FRAUD TRIANGLE FRAME

The application of Cashless transactions within the Regional Government essentially replaces all revenue and expenditure items with the banking system. As it is known that Cashless transactions represent the transfer of some money from one party to another by using instruments in the form of a card payment instrument (APMK), giro, e-money, cash management system, mobile banking or others [18].

The use of the above instruments is a form of service to support comfort and safety in transactions. Thus, the application of Cashless transactions is intended to ensure that all financial transactions are carried out comfortably and safely. Efforts to secure financial transactions, especially in the scope of agencies are a form of internal control. One of the main values in internal control is to minimize opportunities for deviations, such as theft, forgery, to fraud.

Speaking of fraud, it cannot be separated from the fraud triangle. In the concept of fraud triangle [17], fraud occurs because of pressure, opportunity and rationality. These three elements, are inseparable series. However, the element of opportunity is the most important part of fraud. That is why, [15] and [14] believe that the element of opportunity can be suppressed through good internal control. In line with [16] states that information technology protection can prevent fraud. Therefore, Cashless transactions are part of the effort to suppress the opportunity element above. To find out how far Cashless transactions can accelerate fraud prevention can be examined through the implications of their application.

## 3. METHODOLOGY

This research is a descriptive qualitative research with a case study approach. Claims that Cashless transactions can suppress fraud acts lead researchers to use the fraud triangle as an analytical method to capture reality in the field and serve as a means of proving the above claim. The location of the study was conducted at the Provincial Government of DKI Jakarta. Site selection was based on several considerations, namely; (1) DKI provincial government has a large APBD value compared to other regional governments. (2) The application of the Cashless transaction policy has been 100%, (3) DKI Jakarta as the Capital of Indonesia is at the same time determined by the Indonesian Ministry of trade as a role model for other local governments in the application of Cashless transactions, (4) Availability of access to explore research this.

Primary and secondary data were used in this study. Primary data obtained from interviews and observations. Interviews were conducted with informants who had the capacity and role in the implementation of the Cashless transaction policy. While secondary data were in the form of documents such as government regulations or governor's regulations, inspectorate inspection report results and the audit report of the Audit Board (LHP BKP) and other documents that have relevance to Cashless transactions.

## 4. RESULTS AND DISCUSSION

The implementation of Cashless transactions in the Provincial Government of DKI Jakarta has been carried out in stages, starting from paying employee salaries online, limiting the nominal cash transactions, until now all government revenue and expenditure transactions have been based on Cashless. The instrument used in supporting this policy is in the form of optimization of banking service products from DKI Jakarta Bank, such as card payment instruments (Jakcard, JakOne, Credit Card, Kartu Jakarta Pintar or Jakarta Smart Card and Kartu Lansia Jakarta or Jakarta Elderly Card), checks, checking accounts, e-Dapem, e- Retribution, Ragunan e-Ticketing, e-Kir, SP2D online, and Cash Management System. In addition, there is support for other service infrastructure such as the provision of EDC, ATM, and JakMoblie. All of the above instruments are part of the means for the realization of a Cashless transaction ecosystem within the DKI Jakarta Provincial Government..

### *4.1. Cashless Transactions Cut the Causes of Cultural Fraud*

The implementation of the Cashless transaction policy within the DKI Jakarta Provincial Government provides many benefits. One benefit is that it can cut the culture that causes fraud. The culture that causes fraud is known as the main scourge of fraud in government and corporate organizations [19], [20].

Before the Cashless transaction policy was implemented in the DKI Jakarta Provincial Government environment, there were employees' habits especially in the scope of SKPD / UKPD whose activities had the potential to deviate and harm regional finances. These activities include the use of regional assets that are not in accordance with their purpose and the administration of accountability that is not in accordance with applicable regulations. The action can occur due to pressure and opportunity as stated by informant I;

"Honestly, we feel more helped, and in fact we secure the position of OPD treasurer, because, the Treasurer in the SKPD in this system does not have cash, right? but if the treasurer holds cash and knows there is money in the bank, it must be as if he feels the money belongs to him. So, he felt he could use the money for personal needs for example. Then, if asked (treasurer) about the SPJ (Letter of Responsibility), he would say it's easy to make later, which then makes the treasures can't be held responsible, and eventually making fictitious SPJ, fake, etc., to cover the activity he has done earlier. This is actually not just in Jakarta, but in all governments in Indonesia. Besides BPK has also found a fictitious SPJ "

In addition, continued informant I who said;

"At that time, the treasurer of expenditure can hold money in inventory. Once he was given a big budget, if he was given his supply money, for example, to finance the project, it was a 2 trillion budget, he could hold the inventory money until 1 billion. Even though only that much, just imagine if the 1 billion money was taken by a naughty treasurer, there was money cash in a safe can be turned around, not in SPJ, instead it can be used incorrectly, already people take it to the bank using a 1 billion check in cash, after that we don't know what to use it for? yes, it's better if it's made directly to pay for

activities, if not? if you are naughty, you can just play the money first, you can play on stocks, at exchange rates or precious metals, now the price is 500, tomorrow 550, he can get the provision, then when you close the book, just return the money."

Potential events above, are very vulnerable to occur. If examined carefully, the first phrase said by informant I above, can describe the construction of fraud. In this context all elements of triangle fraud are fulfilled. SKPD leaders with their capacity are able to pressure the treasurer to spend amount of money, followed by the availability of opportunities and rationalization. Opportunities in the form of the availability of funds managed by treasurers with large amounts and are cash [4] plus the integrity of weak employees so that fraud behavior is expected to occur [12]. In addition, organizational assets that are easily distorted are cash [15].

Furthermore, there are some unscrupulous employees who ask for commissions on work or activities offered to third parties (contractors). As stated by informant II as a printer, computer service provider and office stationery provider in several SKPD DKI Jakarta provincial government.

"Actually it depends on the person, there is someone who is naughty by setting a tariff. I have this activity, can I do if I ask for a share of 5% of the value of this activity. And that was once experienced by me, when I went with my uncle, when I was doing administration, someone came. But for now it is not all budget is transparent".

In addition, the control of the regional treasurer (BUD) over the cash supply in each SKPD treasurer is difficult to know the real position, so that it can trigger the misuse of regional assets by certain treasurers, as revealed by informant III:

"There are many indications that the Regional General Treasurer (BUD) itself as BPKAD is not able to control the cash position in each SKPD treasurer at that time, therefore the limit of cash expenditure at the treasurer"

Some of the statements of the informants above show the weakness of internal control so that it can open the space for the occurrence of fraud [12], [14], [15].

However, after realizing these potentials and applying a Cashless transaction policy, great area can be cut, for example, individual heads of SKPD, treasurers and employees can no longer use inventory money easily, especially for personal needs, because all funds are stored in banks and transaction flow records. Likewise, the BUD can ensure the cash position in each treasurer in real time and no more funds settling in the treasurer treasury.

In addition, the potential mark-up of the purchase price of food and drink meeting activities, the purchase of office stationery can be minimized because the purchasing process is centralized in the public section, no longer directly from the related SKPD and ATK (Office Stationery) purchases are supported by the availability of e-purchasing as a means of purchase as well as a catalog unit price of office supplies. Including official travel, the DKI Jakarta provincial government has cooperated with several airlines and also hotels to ensure that all great areas that cause fraud can be suppressed.

Likewise, the distribution of social assistance funds, all based on Cashless using JakOne, JakLansia, etc. So that the distribution of social funds is well absorbed and appropriate, because the instrument has been protected for use, for example

smart Jakarta cards. Recipients can only use the grants to buy products that have been determined by the government.

In terms of revenue, the use of Cashless transactions provides many benefits, including; minimize the lapping action on the receipt of regional levies, improve the accuracy of tax revenues and levies. To maximize the implementation of Cashless transactions at the reception post of the DKI Jakarta provincial government in collaboration with 12 national and private banks, 1 post office, and a Tokopedia market place. There are also e-retribution, e-Kir, e-Ticketing services, etc.

Thus, all financial activities, both revenues and expenditures, can be maximized in terms of distribution and absorption and meet the principles of transparency and accountability.

#### ***4.2. The Treasurer, Accountant and Auditor's Perception of Cashless Transactions***

Specifically, based on the scope of work, Cashless transactions also have an impact on treasurers, accountants and auditors within the DKI Jakarta Provincial Government.

The treasurers, no longer worried that the money held was lost, miscalculated, borrowed, or used that was not in accordance with its designation by certain individuals. The burden of responsibility is reduced and the workload is lighter because all of them use cash management systems. Accountants consider that Cashless transactions have an impact on local financial governance and administration. This means that the preparation of financial statements is supported by evidence of reliable and real-time transactions, so as to improve the accuracy of information on the presentation of reports and the decision making of stakeholders. The pinnacle of achievement for accountants is when local government financial reports get a fair opinion without exception the last 2 years.

Likewise with the auditors, feel the impact in the work carried out due to Cashless transaction policies. General activities such as stock upname, no longer need to be done, proof of banking transactions to be legal evidence in uncovering cases and all financial transaction flows can be traced to the end user.

#### ***4.3. Cashless Transactions are Not the Main Strategy of Removing Fraud.***

As the previous explanation, that the occurrence of fraud is the implication of the weak internal control of the organization. In reality, the application of the Cashless transaction policy within the DKI Jakarta provincial government is indeed improving internal control. However, this control is only focused on the flow of APBD funds both in terms of revenue and expenditure of the organization. However, (especially regional expenditure) after reaching the end user, control over the flow of funds is cut off. The saving is that the next transaction is no longer Cashless, but flexible according to the wishes of a third party (the Contractor). As an illustration, let's look at the following picture.

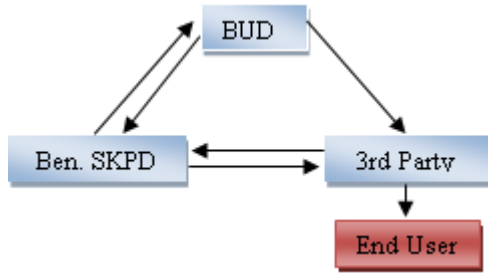


Figure 1. Flow of Cashless Transaction Funds

The picture above illustrates the flow of financial activities in the DKI Jakarta Provincial Government. All economic transactions that occur starting from BUD, SKPD treasurer and third parties, as well as the opposite are Cashless while third parties to end users are flexible. In this context, the room for fraud is open again, because the flow of funds is no longer controlled. This area is one of the recommendations of the study [4] as an effort to prevent fraud. Seeing this phenomenon, it shows that the cash transaction ecosystem in DKI Jakarta is not yet fully formed. But it also needs to be appreciated that the Provincial Government of DKI Jakarta has sought to improve internal control over the APBD it manages. In addition, it was recognized by auditors within the DKI Jakarta Provincial Government that Cashless transactions cannot eliminate fraud but, quite effectively in suppressing fraud. Such as the informant's 4 functions as an internal auditor as follows; "So what is effective in terms of prevention, yes, cashless has a very important role in that. Because without cash, it can reduce employee bad intentions and I admit that cashless suppresses fraud.

The effectiveness of fraud prevention activities in the DKI Jakarta Provincial Government can be seen in the table below.

TABLE I. REGIONAL LOSSES DATA RESULTING FROM REGULER SUPERVISION OF THE DKI JAKARTA PROVINCIAL INSPECTORAT

No	Year	Number of Findings	Value of Loss Before Cashless (IDR)	Value of Loss After Cashless (IDR)
1	2014	93	1.585.955.405	
2	2015	55	1.926.734.224	
3	2016	17		675.023.117
4	2017	42		582.651.923
5	2018	39		325.256.320
Total		246	3.512.689.630	1.582.931.360

Source: Inspectorate of DKI Jakarta Position as of - 31 December 2018

The data above shows that before and after the implementation of the Cashless transaction policy, the amount of regional

losses has decreased, as well as the number of findings that tends to decrease and fluctuate. The large number of indirect findings increases the amount of regional losses, depending on the context and the potential losses caused. That is why in 2016, there were only 17 findings, but the losses generated were very large and even exceeded the losses of the following year. In addition, the data above also proves that Cashless transactions cannot eliminate fraud. This is consistent with the statement of informant 4:

"When talking about the budget, it is about the system, which is the current system for the payment, but for that it is fictitious or not, we don't know, mas, it could be using Cashless, but whether the PT (company) transferred is true or not? And whether the person is conspiring with those who give cash".

The statement of the informant above, shows that caution against fraud must be maintained, because even though Cashless transactions have been implemented, there is always a gap for fraud. As the fraud prevention strategy develops, the capabilities of fraud perpetrators also increase, so that sufficient vigilance is needed and is continuous.

Other facts, Cashless transactions are only able to accommodate activities that are financial transactions, while non-financial activities such as ensuring the quality of construction work, decision making or signing of sales contracts or cooperation that may be detrimental to regional finances, cannot be reached. Like the case of purchasing sane land. Transactions carried out using checking accounts (Cashless), however, these activities become the findings of the BPK, because of the irregularity of the sale value. That is why, Cashless transactions cannot stand alone as the main strategy in preventing fraud.

## 5. CONCLUSION

The implementation of Cashless transactions in the DKI Jakarta Provincial Government environment is evidence that Cashless transactions can improve internal control and cut the culture of causes of fraud, including cutting the potential for misuse of organizational assets in the form of money in SKPD treasurers, cutting down the behavior of unscrupulous employees asking for commissions on work / activities offered to contractors, cut the price mark-up opportunities for the purchase and procurement of goods and services. But Cashless transactions cannot eliminate fraud.

In addition, the implications for work activities, Cashless transactions make treasurer work easier, increase the ease, accuracy, and reliability of the administration, reporting and accountability of regional finances and facilitate the auditor in carrying out the supervision process.

The results of this study confirmed that Cashless transactions can be a fraud prevention strategy as well as efforts to optimize revenue and absorption of the regional budget and development in a transparent and accountable manner. However, Cashless transactions cannot stand alone as the main way in preventing fraud, so that support is needed from all elements of the organization in creating a good and clean culture.

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