

# Whistle Blowing System in Banking as a Social Control Tool in Banking Crime Prevention Efforts

Ida Nurhayati, Rita Farida, Indianik Aminah

Politeknik Negeri Jakarta  
Jakarta, Indonesia

Nurhayati.ida24@gmail.com, rita.farida@sipil.pnj.ac.id, indianik.aminah@akuntansi.pnj.ac.id

**Abstract**— This study aims to help socially in the effort to prevent crime in the banking sector. Bank Indonesia implements a violation reporting system through the Bank Indonesia Whistle Blowing System (WBS). The Whistle-Blowing System (WBS) is a reporting tool for internal circles within Bank Indonesia in particular, and the public in general to report any behavior or actions that violate the Code of Ethics carried out by Bank Indonesia personnel and banking personnel as a whole. This study uses a qualitative descriptive method, with a socio-cultural approach, juridical and observation to obtain valid data. Likewise, interviews and FGDs were conducted with government representatives, in this case from OJK, practitioners, academics related to banking. The result is that the existence of WBS can help uncover a violation, a crime, although it still needs more intense socialization, and the need for protection for whistleblowers, at least from internal banking circles. However, practitioners stated that it is less effective because the main factor of our culture is that there is still a sense of reluctance to report friends, especially leaders. If the legal protection is adequate, then the WBS as a social control against banking violations/crimes will be more effective to minimize the prevention of banking violations/crimes can be minimized.

**Keywords**—whistleblowing; social control; banking crime;

## I. INTRODUCTION

To complete the ethical infrastructure and detect violations of the code of ethics and code of conduct, Bank Indonesia implements a violation reporting system through the Bank Indonesia Whistle Blowing System (WBS). The Whistle-Blowing System (WBS) is a reporting tool for internal parties within Bank Indonesia in particular and the public to report any behavior or actions that violate the Code of Ethics by Bank Indonesia personnel.

Ogbu [1] Whistle Blowing is quite effective in eradicating corruption, although it still needs the support of regulation, communication, ethics in a frame that is mixed in a coordinated manner.

In WBS there is a coordinated and integrated system starting from receiving reports to following up on alleged violations. Through this system, the public can report suspected violations of ethics, behavior, and work procedures carried out by human resources.

The existence of the WBS creates a mutual monitoring system on the conformity of behavior and compliance with work procedures carried out by Bank Indonesia's human resources. WBS is also a form of BI's commitment to always maintain integrity and professionalism, including accountability in the enforcement of alleged violations [2].

Erwin and Ramsay [3] in their research concluded that in general Financial Institutions in Indonesia have positive nuances towards whistle-blowing activities, namely that companies create a positive environment to support these activities although more can be done by the government to regulate and enforce compliance to encourage compliance. public trust.

Sutherland [4] explained that professional thieves have many characteristics that are very similar to those that are unprofessional. Professional people are careful in making plans for the success of their activities. The thief also carefully plans every action, including the determination of the case if he is arrested.

Violations and crime in banking, including criminology. (The study of crime, perpetrators of crime, victims of crime, and prevention of crime) including white collar crime. White-collar crime violates trust because it creates distrust, lowers social morale and results in large-scale social disorganization. Thus, violations of the banker's

profession code of ethics in violations of banking crimes in lawful work.

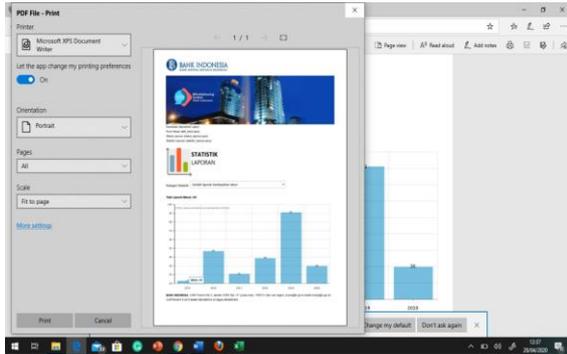


Figure 1. Number Of Incoming Whistle Blowing System Report 2015-2020 (Source, Bank Indonesia, 2019)

The data above shows quite fluctuating, but quite good in 2019, there were 91 cases. This shows that there is awareness, a culture that leads to the objectivity of society in viewing something that is not by following norms and regulations. The research question of this study is:

1. How is the implementation of WBS in banking?
2. How effective is it as a means of social control of banking crime?

## II. LITERATURE REVIEW

This whistle-blowing system provides broad opportunities for all elements of the nation to participate in efforts to eradicate corruption. Through this system, anyone has the right to report to parties within the organization who are appointed and mandated to receive messages or reports and are responsible and forward them for further processing. In this case, the authority should be held by the highest leadership and can then be processed legally.

Mustofa [5] In general, crimes that occur in banking, the loss suffered by the community is very large, because of taking advantage of the situation. The condition of the victim (customer) who has trusted him, and conditions related to his position, including the use of authority.

Panjaitan [6] revealed that the whistleblowing system can improve forensic audits that are effective, transparent, and responsible will encourage and increase employee participation in reporting suspected fraud that they know.

Hidayati [7] citing Hwang and Staley (2013) are factors that encourage whistle-blowing, including social justice and professional ethics, morals, monetary rewards, peer encouragement, law and policy, impact on organizations, and impact on society.

Yunawati [8] The implementation of the Whistleblowing System at BCA is still not able to reduce the level of internal fraud that occurs, it is proven based on the number of complaints entered in the system. In 2017, there were 17 (seventeen) complaints and there are 10 (ten) cases of irregularities committed by permanent employee.

Maulida and Baynitri [9] Fraud prevention carried out by the Central Bank of West Java Banten in Bandung is included in the sufficient category. The implementation of the whistleblowing system affects the prevention of fraud.

### 2.1 Whistle-Blowing System

Whistle-blowing System is a system that manages or regulates procedures for complaints/disclosures regarding unlawful behavior, unethical/improper actions, violations of Company policies and/or regulations, actions or behavior that can cause Company losses with the aim of optimizing the participation of stakeholders. Stakeholders and other parties in disclosing violations that occur within the Company [10]

There are two types of Whistle Blowing, namely: Internal Whistle-Blowing occurs when a person or several employees know about fraud committed by another employee or the head of his department and then report the fraud to the higher leadership of the company. The main motivation of whistle-blowing is moral motivation to prevent losses for the company. An institution or organization must maintain an internal communication system so that it can avoid functional and dysfunctional conflicts. Internal whistle-blowing should be resolved internally so that there is no spread of problems that can bring down the name of the agency, institution, or organization.

External Whistle-Blowing, External Whistle-Blowing is when someone or several employees know of fraud committed by the company and then leak it to the public because he/they knows that the fraud will harm the community. The main motivation is to prevent harm to society or consumers.

Reports of these frauds are no leaks. Every employee in a company or institution does have an ethical obligation to maintain the good name of the company. In addition, of course, everyone wants to work in a conducive environment and also wants the company to progress in a healthy way. [11]

### 2.2 Whistle Blowing System as Early Detection of Violations

Zhang [12] argues that ethical leadership is positively related to internal reporting by subordinates. Zhang controlled for the ethical climate and found that collective moral potential as a component of the ethical environment, and employees' personal identification with their supervisors fully mediates the

relationship between ethical leadership and internal complaints.

Meutia, et al [13] suggest that the commitment of internal professional auditors has a positive effect on the desire to do whistleblowing, considerations from the ethical side of the internal auditor have a positive effect on the desire to do whistleblowing, the commitment of internal professional auditors, the location of moderated supervision does not affect the desire to do whistleblowing.

### *2.3 Whistle-Blowing System as a Social Control of Banking Crime*

Social control is the ability of social groups or institutions in society to implement norms or regulations to be effective. In 1957, Jackson Toby introduced the notion of individual "commitment" as a very decisive force in shaping attitudes of social control. Then, Scot Briar and Irvine Piliavian stated that increasing individual commitment and adaptation/adjustment play a role in reducing deviation.

Travis Hirschi said that "criminal behavior is the failure of social groups" such as family, school, equal friends to bind themselves together. That is, the person is seen not as a person who is intrinsically obedient to the law, but adheres to an antithetical point of view as one should try not to commit a crime. This argument is based on the fact that we are born with a natural tendency to break the rule of law. In this case, social control views delinquency as a natural thing from a person's failure to develop restrictions on himself for violating the law.

Social control is part of the direct and ongoing community reaction. Control resides in conventional people and social ties to adult members, societal institutions, and societal beliefs (laws, normative standards). Thus Hirschi calls a person's relationship with society. He identified four social bonds; attachment, commitment, involvement, and belief. Each of these variations of social ties explains variations in crime. The stronger the bond, the more likely control, and conformity will emerge; the weaker the bond, the more likely people are to want to break the law.[14]

According to F. Ivan Nye, humans are given control so that they do not commit violations, therefore an adequate socialization process will reduce the occurrence of delinquency. Because this is where the educational process is carried out for someone who is taught to restrain desires (impulses). In addition, internal and external control factors must be strong, as well as law-abiding.

The control theory assumptions put forward by F. Ivan Nye consist of:

1. There must be internal and external controls;

2. Humans are given rules so as not to commit violations;
3. The importance of the socialization process that there is adequate socialization, will reduce the occurrence of delinquency because that's where
4. The educational process is carried out on a person; and
5. "It is expected that youth obey the law (law-abiding).

According to F. Ivan Nye, there are four types of social control, namely:

1. Direct control imposed from without by means of restriction and punishment.
2. Internalized control exercised from within through conscience (consciously internalized control);
3. Indirect control related to affectional identification with parents and other non-criminal persons
4. Availability of alternative to goals and values (availability of alternative means and values to achieve goals).[15]

### *2.4 Effectiveness Theory*

Effectiveness can be assessed from various points of view and depends on who is assessing and interpreting it. Effectiveness can be measured through the success or failure of an organization to achieve its goals. If an organization succeeds in achieving its goals, then the organization can be said to have been running effectively. The most important thing is that effectiveness does not state how much it will cost to achieve these goals. Effectiveness only looks at whether the program process or activity has achieved the stated goals.[16]

Winarno and Tjandrasari [17], factors that can affect the effectiveness of law enforcement, among others :

1. The legal factor itself;
2. Law enforcement;
3. Facilities or facilities that support law enforcement;
4. Society, where the law applies or is applied; and
5. Cultural factors.

In Indonesia, the effectiveness of WBS proposed of the 5 (five) factors is generally fulfilled, but the most dominant is the 5th (five) factor. This is also in accordance with the results of the FGD, where for Indonesia, with the characteristics of its people, there are still values of etiquette between employees

(subordinates) and leaders (superiors), so that there are feelings that have not been disbursed, that "subordinates" are lacking or even not dare to report "superiors" or leaders. This is a separate obstacle to implementing WBS, so it can be said to be less effective.

### III. RESEARCH METHOD

This study uses a qualitative descriptive method through a juridical approach, legal and socio-cultural aspects, to the existence of WBS in companies, especially banking. The existence of the WBS launched by the Financial Services Authority will be seen in its implementation, targets, and constraints. In general, the existence of WBS on paper as part of regulations in a company/bank is relatively available. However, in practice, it is necessary to know its effectiveness.

The next step is an Focus Group Discussion (FGD) which will involve authorities, banking actors/practitioners, and banking legal experts. The thoughts on the FGD results are analyzed according to the legal basis and theory related to the object of this research.

The object of this research is the source of documents in the form of banking regulations from the central level to the branches which will be reviewed and analyzed according to their implementation. Regulation of the Financial Services Authority, Bank Indonesia. Likewise conventions or customs, as well as norms, cultures that apply related to habits that apply in banking.

This research will explain that WBS is very necessary as an early detection effort of a violation or crime in banking, which is carried out by the internal bank/banker. Awareness about the need for courage to disclose, report violations/crimes is something that needs to be socialized. To create a clean and responsible work environment.

The data needed for both primary and secondary will be carried out, among others by:

- a. To obtain primary data, unstructured interviews were conducted with bank representatives, represented by banking practitioners/experts, academics, and from the Financial Services Authority.
- b. The results of interviews with several parties were analyzed using a combined method of "monster grid"[16] and re-confirmed to informants and resource persons in FGDs, to obtain an overview that substantially WBS is needed in an effort to early detect a violation/banking crime.
- c. The results are analyzed to determine that WBS can be a tool for early detection of banking

violations/crimes committed especially by internal banks.

Data analysis can be mapped to the control and prevention of banking crimes, as input for the concept of prevention/early detection of banking violations/crimes.

For more details, it can be described in the following flow chart:

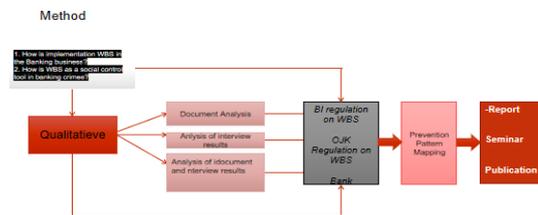


Figure 2. mapped to the control and prevention of banking crimes

The data collection of this researcher was carried out in several ways/methods, namely secondary data from the Bank Indonesia web, from the literature, legal documents related to whistleblowing.

### IV. RESULT AND DISCUSSION

Primary data were obtained from interviews with representatives from the Financial Services Authority (OJK), Focus Group Discussions (FGDs) involving financial and banking practitioners and academics. This was done because this research concerns regulations, and their implementation, so that the target is carried out on policymakers, both in banking and non-bank financial institutions.

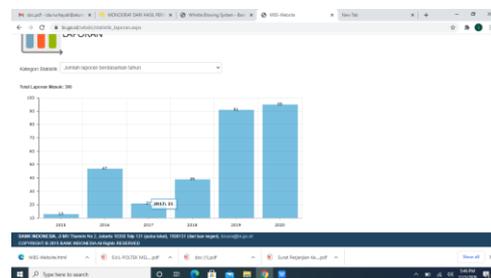


Figure 3 Number of Reports by Year

Source: Bank Indonesia, 2020

The statistical data in Figure 3 above regarding the number of reports, both internal and external to BI for the last 6 (six) years, shows a fairly high increase, especially from 2018 to 2020. Only in 2017. the graph decreased compared to the previous year, namely 2016.

This shows that the public is increasingly aware that if there is a violation, it is necessary to report it, regardless of who the perpetrator/reported is.

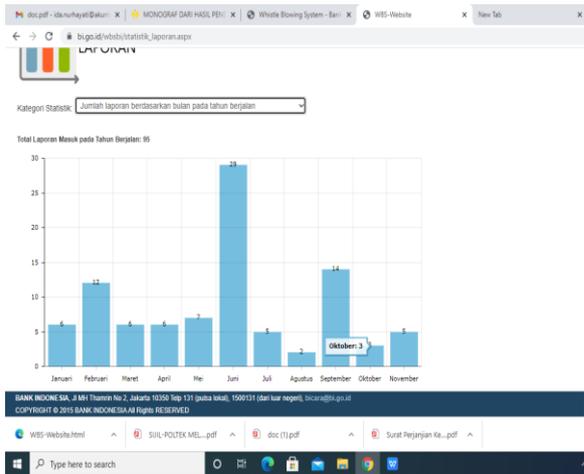


Figure 4. Number of Reports by Month In Current Year

Source: Bank Indonesia, 2020

The statistical data in Figure 4 above shows that in the current year 2020 the number of reports fluctuated. Reports tend to be quite high in February, June, and September. Especially in June, the increase was very high when compared to the previous months. Then sloping down, after June, but the number of reports has increased again occurred in September.

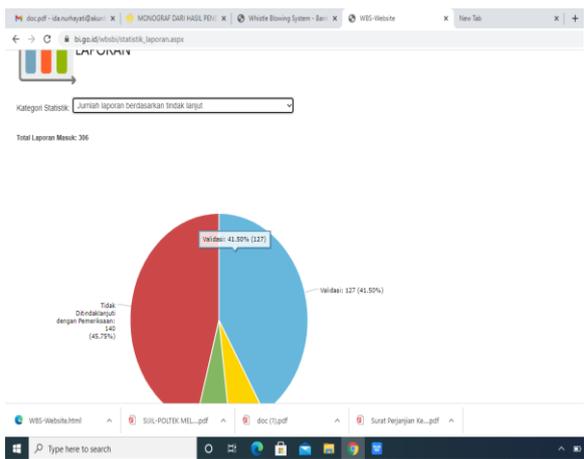


Figure 5. Number of Reports Based on Follow-up Source: Bank Indonesia, 2020

Figure 5 above shows that the amount of report data that goes to the Financial Services Authority. Of the total 306 incoming reports, 127 (41.50%) have been validated, 20 (6.54%) have been inspected. Meanwhile, those who have completed the examination stage are 19 (6.21%), and those who are not followed up with examinations are 140 (45.75%). Thus, it can be seen that the largest percentage are reports that are not followed up by examination, the

following are only validated. While the reports that have been audited and those that have been completed at the inspection stage are almost the same, only a difference of approximately 1%.

Looking at the statistical data above, there are several things that can be known and can be confirmed with the results of the Focus Group Discussion (FGD) and interviews that the research team has conducted with OJK, banking practitioners, and academics, the results of which are as follows:

TABLE I. SUMMARY OF INTERVIEW AND FGD RESULTS

| No | Question  | Answer  |
|----|---|---|
| 1. | How far is the implementation of whistle blowing in banking? Has it been effective or not?  | <p>I can't say in general, so this answer is based on my personal experience. Whistle blowing in Indonesia began in 2006, but for overseas it has been around since the 1700s. In my opinion, whistle blowing has not been effective, not only in Indonesia, but also in other countries (especially western countries). Because the concept is closely related to the culture of a nation.</p> <p>There are two aspects of whistle blowing in Indonesia that are still unclear, namely "to what extent do we accept the state of power" and "individualism and collectivity (appreciating togetherness)"</p> <p>However, there are contradictory answers from BI practitioners, who say they are quite effective. This can be seen from the instrument in the form of the WBS system that has been made by BI.</p> |
| 2. | Can whistle blowing be related to GCG? There is also a need for witness protection, so that there is a kind of courage, meaning that its existence is needed but also feared? | <p>Yes, it's true, that's why whistle blowing can't be done completely, so its implementation is a bit distorted and not right on target. Whistle blowing from a sociological or anthropological point of view and supervising. Many banks say this is an internal audit matter, because audit usually conducts research on what causes a loss. Usually in banks, apart from internal audit, there is also preventive management, whose job is to think about how to close or change the system. It is better if it is suspected that it is better to take it to the realm of law, not the bank that gives the verdict itself. To use whistle blowing originating from the west requires</p>  |

|    |   |  |
|----|---|--|
|    |   | many considerations from various sides, especially culture, also including costs and capabilities. For this reason, as in recruiting employees, we pay attention to the 3I principles, namely intelligence, integrity, and initiative. Must pay attention to the side of integrity and also be considered from the side of justice.  |
| 3. | Examples of cases experienced by my husband: When the banking crisis, BI provided liquidity assistance to many collapsed banks so that their banks were healthy again. However, to deal with this, a lot of funds have actually flowed into personal pockets. Because of that my husband prefers to leave his office. What is your opinion? | Maybe your husband sees the liquidity assistance from BI being misused, but it could be that the other party/side has a specific purpose, for example for certain priorities that are in the interests of the board of directors. This is one of the shortcomings of whistle blowing, there is a risk of a misunderstanding. At that time there were many difficult times about our banking industry, but on the other hand there were people who were happy because they could replace other people who were like your husband (decided to leave his office).                   |
| 4. | Examples of cases experienced by my brother: He is a college graduate from a bank (recent graduate), he audits and knows the ins and outs of the flow of money circulating, he knows his superiors are not good with the flow. But he also decided to leave knowing that.   | If it is because of the necessities of life, he might go against his conscience. Whistle blowing is to fight crimes or bad actions committed by someone. However, its application does not pay attention to the cultural side, which is still a consideration. As a form of social control, whistle blowing may be more appropriate, than as a law. Our culture cannot strongly control good people or close friends who do something bad, so they are afraid to act and instead choose to be silent or pretend not to know.   |
| 5. | Is the implementation of WBS effective enough in banking?   | In accordance with this research, in my opinion the measurement of effectiveness is classified as output. As far as I know from several complaints in 2019, it leads to ethics leading to human capital. The extent to which the bank is harmed in these figures has just entered into accounting. So in my opinion the problem of effectiveness in this system can be seen from how much the bank is harmed, and how the complaint process is. As far as I know, of the 89 complaints, 90% of them are related to ethics, so that overall it is actually not detrimental to BI. |

|    |   |   |
|----|---|---|
|    |   | Ethical sanctions are usually social sanctions. The direction is to the ethics and behavior of employees in a company.  |
| 6. | So when it comes to the law, it's a bit difficult, isn't it, sir?   | Yes. The legal system from time to time is changing (dynamic). But the time is different, it can be long or short. So WB should be highly considered. Because this is more social in nature, it is still difficult to draw it to law because we are legalistic, so the process is still long. This can be reviewed legally and culturally first to relate whether it is effective or not. |
| 7. | Whistle blowing is reporting/leaking a secret/violation. If we ourselves as reporters are afraid to report, the consequences will be damaging to the company itself. What actions should we take? | If you want to be a whistleblower, you should be a good and true whistleblower, think before you act, and it is better to find out/authentic evidence. Because whistle blowing is not easy.   |

Source, primary data 2020.

From the FGD data, in principle, the existence of WBS in Indonesia from the perspective of banking practitioners and experts is still less effective, this is because its implementation is closely related to the culture of the people. If the community still views that it is unethical to report violations, especially leaders, colleagues.

The opinion is different if the one who conveys it is the regulator who considers it to be quite effective. Thus, this research still needs to be continued to further explore WBS and make it more socialized to the community.

In the results section, the author presents Statistics 4.1, 4.2, and 4.3 and Table 4.1 a matrix description shows that banks have gradually developed a whistle-blowing system as a form of compliance with regulations, as well as an effort to enforce law and discipline. This is part of preventive efforts against crime prevention. At least there have been concrete steps in efforts to control crime in a socially ethical manner.

The WBS system is created as a form of controlling crime the responsibility and sportsmanship for violations committed in the workplace environment.

The whistle-blowing system is one of the steps taken by the Corruption Eradication Commission (KPK) which is being promoted, not only within the Ministry/Government Agency but also in every private organization. corruption Eradication. Through this system, anyone has the right to report to parties within the organization who are appointed and mandated to

receive messages or reports and are responsible and forward them for further processing. In this case, the authority should be held by the highest leadership and can then be processed legally.

#### V. CONCLUSION

Whistle-blowing System for social control, especially in banking in general, has been created. If we look at it, its existence becomes something important in efforts to prevent and control crime and violations, especially in the banking sector, and corporations in general. Although currently in practice, socialization and intervention by the government or regulators are still needed.

The Whistleblowing System still needs thorough socialization, so that it is better understood by the community. There is a need for more effective socialization so that the general public is more aware of the importance of WBS, and is concerned about acts of violating regulations.

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