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Analysis of Corruption Enforcement Law on PT Timah Corruption Case as a Form of Corporate Crime

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ABSTRACT

Corruption within the corporate sector, particularly in state-owned enterprises, has emerged as a significant concern in the Indonesian legal system. A notable example of this is the corruption scandal at PT. Timah, a state-owned entity in the tin mining industry. This case uncovered instances of authority misuse and budget manipulation by individuals within the company, resulting in harm to both the state and the public. The Law on Corruption Crimes serves as the primary legal framework to address such criminal activities. This article seeks to explore the implementation of this law in the case of PT. Timah and provide insights into the challenges that law enforcement may face in tackling similar cases in the future.

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INTRODUCTION

Corruption is a crime that has far-reaching and harmful consequences, not only leading to financial losses but also impacting society's social, political, and moral fabric. The adverse effects of corruption are deeply felt within both government structures and society, eroding integrity, reducing quality of life, and intensifying social inequality at various levels. In Indonesia, corruption has become a deeply embedded issue across nearly every sector of life, including government, public institutions, and the private sector, particularly in large corporations, whether state-owned or private.

State-owned enterprises (SOEs), which are meant to drive national economic development, often become breeding grounds for corrupt practices. As entities that operate in sectors with significant national economic influence, SOEs should ideally set an example for transparency and accountable governance. However, in reality, many SOEs have been embroiled in corruption scandals that not only harm the state but also undermine public trust in the government's ability to manage state assets properly. One such case that garnered significant public attention was the corruption scandal involving PT. Timah, a state-owned company operating in the tin mining sector (Prabowo et al., 2024).

PT. Timah plays a critical role in Indonesia’s economy, particularly within the strategic tin mining industry. However, despite its contributions, PT. Timah became involved in a large-scale corruption case linked to several internal officials within the company. The case surfaced when authorities initiated an investigation into suspected misuse of company funds, allegedly diverted for personal interests by certain management officials. Further investigation revealed that these misappropriations included various forms of financial manipulation, embezzlement, and abuse of authority for personal gain.

The corruption at PT. Timah resulted in substantial financial losses to the state and harmed the reputation of a state-owned company that should have set the standard for clean, transparent, and accountable corporate governance. This case raises critical questions about the effectiveness of criminal law enforcement in addressing corporate corruption, especially in state-owned enterprises (Eprilia et al., 2024). Corporate crime, particularly when powerful individuals in large corporations are involved, presents unique challenges that make it difficult to effectively combat, despite the significant damage it causes.

Corporate corruption, particularly within state-owned enterprises, presents a highly complex challenge for the criminal justice system. The corporate sector has its own distinct characteristics, where criminal responsibility may extend beyond the individuals directly involved to include the company itself as a legal entity. In this context, a corporation found to be involved in corrupt practices can be held accountable for the actions of its officials or individuals authorized to act on its behalf. However, as a legal entity separate from those who manage it, proving a corporation's direct involvement in criminal actions is a challenging process requiring thorough investigation.

The eradication of corruption in Indonesia is governed by Law Number 31 of 1999 on the Eradication of Corruption Crimes, later amended by Law Number 20 of 2001. This law provides a strong legal framework for addressing corruption crimes, including those involving large corporations and legal entities. However, applying this law to corporate cases, especially those involving SOEs like PT. Timah, faces numerous obstacles. These challenges include proving the direct involvement of the company as a legal entity and ensuring the effectiveness of internal oversight systems (Rahmadi et al., 2024).

One key difficulty in handling corporate corruption cases is establishing the link between criminal actions committed by individuals within the company and the company itself as a legal entity. While it is relatively easier to identify and penalize individuals who commit corrupt acts, prosecuting the company as a legal entity is often more complex. The company may claim that the illegal actions were carried out by individuals acting outside the scope of their authority or that the company's internal management failed to prevent such misconduct. This presents a significant challenge for law enforcement in proving the company's involvement in corporate crime.

Additionally, weak internal oversight in large companies, including PT. Timah, further complicates the issue. In many cases, corruption within large companies involves manipulation of financial data, abuse of power by senior officials, and embezzlement, which can go undetected without adequate oversight. The lack of effective internal oversight allows individuals to engage in corrupt practices without fear of detection, enabling these crimes to continue despite existing regulations to prevent them. As a result, the state suffers considerable harm.

The PT. Timah corruption case clearly illustrates that combating corruption in the corporate sector requires more robust oversight systems and the stricter implementation of regulations. While the existence of laws addressing corruption is vital, their effectiveness hinges on proper enforcement. Therefore, in addition to strengthening legal regulations, SOEs like PT. Timah must implement significant reforms in financial management and internal oversight systems. Transparent, accountable, and effective governance should be prioritized to prevent corruption and the abuse of power (Rambe, 2022).

The case underscores the need to strengthen both regulations and internal oversight in state-owned companies such as PT. Timah. It highlights deficiencies in the application of the law to corporate crimes and stresses the need for improvements in internal systems that can detect corruption at an early stage. To effectively combat corruption in the corporate sector, reforms are necessary in both regulations and oversight mechanisms, alongside a heightened awareness of the importance of clean corporate governance.

This article aims to provide a comprehensive analysis of the application of the Corruption Crime Law in the PT. Timah corruption case as an example of corporate crime that sheds light on key issues in enforcing corruption laws in Indonesia. Through this examination, the article seeks to offer effective solutions to combat corporate crime and improve the current law enforcement system. It will review the significance of enhancing regulations, increasing transparency, and implementing stricter internal oversight to prevent corruption in the corporate sector, particularly in state-owned enterprises like PT. Timah. Additionally, policy recommendations will be provided to improve oversight and management systems, reducing the likelihood of similar corruption cases in the future.

RESEARCH METHODOLOGY

The research methodology adopted in this article is normative legal research with a qualitative approach. The primary focus is on analyzing legal frameworks, regulations, and legal theory, with an in-depth examination of the corruption case involving PT. Timah, an example of corporate crime. Normative legal research centers on the exploration of established legal norms within the context of Indonesia's legal system, particularly those aimed at combating corruption. This study evaluates the effectiveness of these legal provisions, specifically Law Number 31 of 1999 on the Eradication of Corruption Crimes, later amended by Law Number 20 of 2001, and other regulations that address the legal accountability of corporations in corruption-related matters. The research seeks to assess how well these legal instruments tackle corruption in the corporate sector, especially within state-owned enterprises (SOEs) such as PT. Timah.

The qualitative approach used in this research allows for a comprehensive understanding of the challenges faced when applying laws to corporations, particularly in cases where individuals with authority within the company are involved in corruption. The study aims to provide a deep understanding of the substance, context, and practical application of relevant laws and regulations. It investigates how these laws are implemented and identifies the difficulties faced by law enforcement in holding corporations accountable, particularly in cases like PT. Timah. The goal is to offer solutions for enhancing the effectiveness of Indonesia's legal system in addressing corporate crime, and more specifically, corporate corruption within state-owned companies.

To ensure a thorough examination, the research gathers data from a range of sources, including legal texts, reports from investigations, audit documents, and official materials related to corruption eradication in Indonesia. Primary sources of data include legislative documents, especially those related to corruption crimes, such as the Corruption Eradication Law and its amendments, as well as other legal provisions that address corporate criminal liability, including Article 20A of the Corruption Eradication Law. Secondary sources include academic research, scholarly articles, and studies on corporate corruption, corporate governance, and legal analyses of corruption cases that involve corporations as legal entities.

In addition to academic literature, the research also draws upon secondary data from media reports that provide detailed discussions of corruption cases within state-owned enterprises, particularly PT. Timah. These sources offer insights into how corruption manifests in SOEs and the efforts made to combat it. Furthermore, publications from law enforcement agencies such as the Corruption Eradication Commission (KPK), the Attorney General's Office, and the Financial and Development Supervisory Agency (BPK) are also consulted, as these bodies play key roles in investigating and addressing large-scale corporate corruption.

The research methodology also involves gathering insights from legal professionals and practitioners who specialize in criminal law, corporate law, and corporate governance. These experts offer valuable perspectives on the practical challenges of addressing corporate crime and enforcing corruption laws within corporate structures. Thus, this research is informed not only by written legal sources but also by real-life case studies and practical experiences shared by field practitioners, enriching the understanding of corporate crime enforcement.

A critical element of the research is the examination of internal oversight systems within large companies, particularly within SOEs, which are often critical factors in either preventing or allowing corruption to occur. The research assesses current best practices in corporate governance and internal control systems that are designed to detect and prevent corrupt activities. Additionally, the study looks at the role of oversight institutions such as the KPK, BPK, and the Financial Services Authority (OJK) in ensuring corporate transparency, accountability, and good governance, especially within state-owned enterprises like PT. Timah.

Furthermore, this research delves into the broader law enforcement process in Indonesia, particularly regarding large corporations. The enforcement of corruption laws against corporate entities faces several significant challenges, including the difficulty of proving corporate involvement in criminal activities committed by individuals within the organization. The integrity and independence of law enforcement officials also play a crucial role in the effectiveness of the legal system. The study identifies these barriers and suggests potential improvements to the legal framework and enforcement practices. By using this qualitative approach, the research aims to contribute to ongoing discussions on how criminal law can be more effectively applied to corporate crime in Indonesia and how the judicial system can become more efficient in overcoming these challenges.

The overall goal of this research is to identify the gaps in the current legal and enforcement systems and propose solutions to improve the fight against corporate corruption, especially in state-owned enterprises like PT. Timah. By evaluating the existing regulations, investigating their practical application, and considering the perspectives of legal professionals and oversight bodies, the research hopes to offer actionable recommendations for strengthening both corporate governance and law enforcement processes. Through this comprehensive analysis, the study aims to enhance the understanding of how Indonesia's legal framework can better address corporate crime and contribute to a more transparent and accountable corporate sector.

RESULT AND DISCUSSION

The Concept of Corporate Crime in Criminal Law

Corporate crime refers to illegal activities carried out by a corporation or legal entity, either directly by the corporation or by individuals acting on its behalf and for its interests. Under Indonesian criminal law, a corporation can be held accountable for crimes committed by individuals in positions of authority within the company. Corporate crimes can occur in both private companies and state-owned enterprises (SOEs), such as PT. Timah (Saptono & Purwanto, 2022).

According to Indonesian criminal law, particularly Law Number 31 of 1999 on the Eradication of Corruption Crimes, amended by Law Number 20 of 2001, corporations can face legal consequences for actions carried out by individuals connected to them. This liability is not limited to corruption but extends to crimes like document forgery, abuse of power, or embezzlement carried out by representatives of the corporation.

Article 20A of the Corruption Eradication Law clearly stipulates that corporations can be penalized with fines, suspension of business activities, or even dissolution if involved in corruption. While a corporation cannot be imprisoned, actions taken by individuals on its behalf must still be held accountable. This concept ensures that the corporation itself is responsible for the actions of individuals within it, thus preventing corruption that harms the public and state.

In the case of PT. Timah, while the individuals responsible for the corruption were company officials, PT. Timah, as a legal entity, must still face legal consequences for their actions. This highlights the need for robust internal oversight systems to prevent corporate crime and ensure that all company actions comply with legal standards.

Corruption in the PT. Timah Case

The corruption case involving PT. Timah began with the misappropriation of company funds for personal gain by certain individuals in the management. Investigations revealed that funds intended for the company’s operations were diverted for personal use by company officials. The methods employed included manipulating financial statements, inflating budgets, and falsifying documents presented to regulators.

As an SOE, PT. Timah should have exemplified good corporate governance. However, the abuse of authority by management led to significant losses for the company, public, and state. In this case, PT. Timah, as a corporation, must be held accountable for the actions of its management, who exploited their authority for personal gain.

Under Articles 2 and 3 of the Corruption Eradication Law, corruption crimes include the abuse of power by state officials or civil servants. In the corporate context, this extends to individuals in key positions within a company who misuse their authority, damaging both the company and the state. Despite the fact that the perpetrators acted as individuals, PT. Timah, as a legal entity, must be held accountable for their actions on behalf of the company (Marbun & Wijaya, 2022).

Moreover, the case emphasizes the need for a thorough investigation process to ensure corporations cannot evade responsibility by claiming that criminal actions were made by individuals outside the scope of the company’s policies. This underscores the need for stronger regulations to ensure that companies remain accountable for their employees' actions.

Challenges in Corporate Crime Law Enforcement

Enforcing laws against corporate corruption presents significant challenges, particularly in proving the involvement of a corporation as a legal entity in crimes committed by individuals within the company. One of the primary obstacles is demonstrating that the actions taken by individuals within the company represent the company’s policies or interests, rather than personal interests.

Corporations often attempt to avoid responsibility by arguing that the actions were outside company policies or not authorized by the corporation. Consequently, proving the company’s direct involvement becomes more complex, requiring a clear link between individual actions and the company’s interests (Aniqoh et al., 2024).

Additionally, many large companies, including PT. Timah, suffer from ineffective internal oversight systems, which contribute to the occurrence of corporate crime. Weak financial controls, lack of transparency, and failure to detect abuse of power create opportunities for individuals to exploit their positions for personal gain.

The lengthy legal process and high costs involved in pursuing corporate corruption cases further complicate the issue. Many corruption cases remain unresolved due to insufficient evidence or difficulties in obtaining data to prove the company’s involvement as a legal entity, often resulting in criminals avoiding appropriate punishment.

Strengthening Regulations and Oversight to Prevent Corporate Corruption

To improve law enforcement against corporate crime, it is essential to strengthen regulations and internal oversight mechanisms within companies. One step is to bolster the role of oversight agencies such as the Corruption Eradication Commission (KPK), the Financial and Development Supervisory Agency (BPK), and the Financial Services Authority (OJK) in overseeing corporate operations, particularly within state-owned enterprises like PT. Timah.

Companies must also adopt sound corporate governance practices, ensuring transparency, accountability, and integrity in all operations. This includes tightening oversight on financial reporting, conducting regular internal audits, and implementing control systems capable of detecting misuse of power. Policies promoting integrity and ethical behavior should be instituted at all company levels, from top management to employees (Maharani & Amrani, 2023).

Furthermore, implementing a whistleblowing system can enable employees or external parties to report acts of corruption or abuse of power anonymously and without fear of retaliation. Such a system would help companies detect potential issues early and take appropriate action before they escalate.

It is also vital for companies to recognize that successful anti-corruption efforts depend not only on external law enforcement but also on fostering a corporate culture that actively combats corruption. Training and education on the consequences of corruption and its impact on the company and country should be provided to all employees and management to reinforce the importance of integrity and discourage unethical behavior.

By strengthening regulations, enhancing oversight systems, and cultivating an anti-corruption culture, corporate crimes, particularly those involving SOEs like PT. Timah, can be significantly reduced.

CONCLUSION

The PT. Timah corruption case highlights the critical need for stringent oversight of state-owned enterprises (SOEs) that hold significant roles in the national economy. While there are laws in place to combat corruption, their application in the corporate sector still faces considerable challenges. Proving corporate crimes involving individuals in positions of authority within a company is often complex, and legal entities like corporations frequently evade responsibility. To ensure justice and effective law enforcement, it is essential to strengthen internal oversight mechanisms and enforce robust governance policies throughout the company.

One of the key obstacles in prosecuting corporate crime is demonstrating the corporation's direct involvement as a legal entity. Companies often try to avoid accountability by claiming that individual actions do not align with the company’s official policies. Therefore, a more comprehensive approach is needed, where not only the individuals but also the corporation as a whole is held responsible. Strengthening regulations and enhancing awareness of corporate legal obligations are vital to combating corruption.

To prevent corruption in the corporate sector, it is crucial to prioritize improving regulations, enhancing internal oversight mechanisms, and enforcing stronger corporate governance practices. Moreover, promoting a deep understanding of the consequences of corruption across all levels of the company is essential. Implementing effective whistleblowing systems and conducting regular internal audits will enable corporations to identify and address corruption early on. Ultimately, enhancing corporate governance, strengthening oversight, and enforcing stricter laws will significantly reduce corporate crime and guide state-owned companies like PT. Timah towards more transparent and accountable operations.

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