



# Understanding with a Practical Perspective the Corruption Mode of Goods/Services Procurement in Indonesian Public Organizations

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## ABSTRACT

This research aims to clarify the study of corruption in public procurement in public organizations in Indonesia, which when studied through the dimensions of anthropology and democracy is considered too broad in scope and cannot touch the main substance in the discussion of corruption that is specific to public organizations. Corruption in public procurement management in Indonesia is still seen as part of unethical behavior and from a rational perspective is also seen as deviant behavior. The factors for the formation of unethical behavior and categorized as deviant behavior are due to, among others, the structural pressure factors of individuals in public organizations and the intervention factors of parties ranging from vendors, state administrators, and state officials in providing “lure” in the form of gifts or rewards for state administrators and state officials to abuse authority. The results of the study successfully identified modes of corruption in the procurement of goods/services based on the stages and perpetrators of corruption. Corruption in particular in Indonesia is also caused by the weak supervision and management system for preventing corruption in Indonesia. The design of an appropriate and credible public procurement method is one of the solutions to reduce the risk of corruption that begins with the public procurement process. The e-Purchasing method with the e-Catalogue mechanism without negotiations with vendors as a concrete manifestation of the selection of goods/services procurement methods is considered to be very supportive of corruption prevention efforts in Indonesia, because it can directly limit corrupt behavior in public organizations. The novelty, in this study, is to provide recommendations for improvement in the form of a recommendation system design for government procurement of goods/services that is more directed at prioritizing the use of the e-Purchasing method with the e-Catalogue mechanism to reduce the risk of corruption in government spending.

**Keywords:** Corruption, Procurement, Behavior, Public Organization, e-Purchasing, e-Catalogue.

**JEL Classifications:** Q18, Q13

## 1. INTRODUCTION

The terms “*arisan lelang*” and “*perusahaan bendera*” in public procurement corruption are still used as one of the modes of corruption in Indonesian public organizations. Improvements in public procurement management are still being made by the government to further optimize corruption prevention efforts. The study of corruption in public procurement in public organizations cannot be studied with a broad anthropological and democratic

approach, but more specifically it is still very interesting to study through the lens of individual behavior in more depth in public organizations, which some practitioners call the mode of corruption. The purpose of public procurement is to improve governance, which has not been fully implemented. Since 2004, the ministries/institutions/regional apparatus that have stumbled upon corruption cases handled by the Corruption Eradication Commission until 2022 are 904 cases of corruption, of which 277 cases are cases that begin with the public procurement

process. The total percentage until 2022 reached 30.64% which was directly handled by the Corruption Eradication Commission of the Republic of Indonesia. Public procurement management from 2004 to 2022 shows no indication of a change in the system towards a more optimal prevention of corruption due to many inhibiting factors, which some experts mention at several levels. Tella and Ades (1994, p10) explains that “the level of rents in general, and market structure in particular, determine the level of corruption in the economy”.

Anti-corruption procurement reform in public services since 2009 has developed very quickly until 2023 specifically due to the support of many stakeholders including the State Cryptography Agency, the Financial and Development Supervisory Agency, the Corruption Eradication Commission, Universities, Partnerships, the Millennium Challenge Corporation and the United States Agency for International Development, the Asian Development Bank and the South Korean Government. Support from various stakeholders makes the implementation of goods/services procurement easier to be adopted by the Electronic Procurement Service institution which is used by ministries/agencies/regional apparatus throughout Indonesia as a means to implement the process and stages of goods/services procurement with a more dominant e-Procurement system in procurement management. The implementation of e-Procurement in general is not only supported by the availability of human resources, but must also be supported by network infrastructure, hardware, supporting software and other facilities that also need to be maintained. Corruption at the procurement stage and process can damage the country’s economic structure. Vadera and Vadera (2007) in his research also explained that in addition to damaging the country’s economic structure, corruption can damage social order by misusing authority for personal gain.

Discussing procurement corruption in public organizations in a broad sense complicates the efforts of the government, society and procurement practitioners to formulate strategies for coordination, supervision and prevention of corruption. The literature obtained from the Corruption Eradication Commission in implementing corruption prevention includes expanding understanding to the public that corruption is better prevented than prioritizing prosecution. Procurement management is more focused on preventing corruption by prioritizing the management control function from the perspective of supervision in public organizations. Corruption prevention, if studied in a broader dimension with anthropological and democratic approaches, will be difficult to implement practically because it is at the level of public organizations. Behavioral studies to understand corruption in public organizations are currently considered very relevant. One of the efforts of the Corruption Eradication Commission in preventing corruption in the goods/services procurement sector is to encourage changes in the management of goods/services procurement from the e-Tendering method to the e-Purchasing method with the e-Catalogue mechanism. The novelty in the research is to provide recommendations for improvement in the form of a recommendation system design for government procurement of goods/services that is more directed at prioritizing the use of the e-Purchasing method with

the e-Catalogue mechanism to reduce the risk of corruption in government spending.

## 2. LITERATURE REVIEW

### 2.1. Corruption in General Perspective

Corruption has essentially occurred in all political systems, with facts at almost every level of government. Furthermore, Caiden (2014, p5) outlines the origin of the word that “the word corruption means something spoiled; something sound that has been made defective, debased and tainted; something that has been pushed off course into a worse or inferior form”. In the latter sense, corruption is equated with something that has been pushed off course into a worse or inferior form. A person who has committed corruption is considered a person who has been pushed off course into a worse or inferior form in the social life of the community. Corruption according to Law Number 31 of 1999 concerning the Eradication of Corruption is: “every person who is categorized as unlawful, commits an act of enriching themselves, benefiting themselves or others or a corporation, abusing the authority or opportunity or means available to them because of their position or position that can harm the state finances or the state economy (Republik Indonesia, 1999)”. Furthermore, according to Law Number 20 of 2001 concerning the Eradication of Corruption, it explains that corruption is “an unlawful act with the intention of enriching oneself, others, or corruption that results in harm to the state or the state economy (Republik Indonesia, 2001)”.

### 2.2. Typologies of Corruption

Alatas (1987) divides 7 (seven) typologies of corruption, among others, are (1) Transactive corruption (transactive corruption), pointing to the existence of a reciprocal agreement between the giver and the recipient, for the benefit of both parties, (2) Extortive corruption, refers to the coercion of the giver to bribe in order to prevent losses that are threatening himself, his interests or things he values, (3) Investive corruption, is the provision of goods or services without any direct link to certain benefits, other than the benefits that are imagined to be obtained in the future, (4) Kinship corruption (nepotistic corruption), is the unauthorized appointment of friends or relatives to hold positions in government, or actions that provide preferential treatment in contravention of applicable norms and regulations, (5) Defensive corruption (defensive corruption), is a victim of corruption by extortion. His corruption is in order to defend himself, (6) Autogenic corruption (autogenic corruption), is corruption committed by a person himself, (7) Supportive corruption, is corruption committed to strengthen existing corruption. In the management perspective Caiden (2014, p5) explains that there are several administrative reform strategies, namely: (a) Privatization and coproduction, handing over the authority to provide public goods and services to the private sector; (b) debureaucratization, cutting bureaucratic structures and procedures that are convoluted for efficiency and effectiveness of governance; (c) reorganization, rearranging public organizations according to their main tasks and functions (tupoksi) to make them more flexible; (d) effective public management, improving managerial processes in public organizations to make them more effective in carrying out their functions; and (e) Value for money, eliminating unnecessary activities, which can spend the budget.

### 2.3. Corruption is a Type of Bureaucratic Pathology

Meanwhile, Siagian (1994) explains that there are 5 categories of bureaucratic pathology, among others:

1. Pathologies arising from the perceptions and managerial styles of officials within the bureaucracy, such as: Abuse of authority and position, perception based on prejudice, obscuring problems, accepting bribes, conflict of interest, tending to maintain the status quo, empire building, luxury; favoritism; fear of change, innovation, and risk, fraud; arrogance, indifference to criticism and suggestions, unwillingness to act, fear of making decisions, blaming others, unfairness, intimidation, lack of commitment, lack of coordination, lack of creativity, low credibility, lack of imaginative vision, malice, nepotism, irrational actions, acting outside authority, paranoia, patronage, unwillingness to delegate, ritualism, unwillingness to take responsibility, and xenophobia.
2. Pathologies caused by a lack of or low level of knowledge and skills on the part of staff carrying out various operational activities, such as: inability to translate leadership policies, inaccuracy, complacency, acting without thinking, confusion, unproductive actions, lack of ability to develop, low quality of work, superficiality, inability to learn, inaccuracy of action, incompetence, ineptitude, disorganization, taking irrelevant actions, indecisiveness, lack of imagination, lack of initiative, low ability, unproductive work, clutter, and stagnation.
3. Pathologies arising from the actions of members of the bureaucracy who violate the norms of applicable laws and regulations, such as: fattening costs, accepting bribes, dishonesty, corruption, criminal acts, fraud, kleptocracy, fictitious contracts, sabotage, improper bookkeeping, and theft.
4. Pathology manifested in dysfunctional or negative behavior of bureaucrats, such as: acting arbitrarily, pretending to be busy, coercion; conspiracy, timidity, degradation, disrespect; discrimination, dramatization, hard to reach, indifference, undisciplined, rigid, inhumane, insensitive, disrespectful, uncaring, misbehaving, misplaced enthusiasm, negativism, dereliction of duty, low responsibility, blood lethargy, paparazzi, carrying out irrelevant activities, prioritizing self-interest, suboptimal, imperative territory, unprofessional, unreasonable attitude, exceeding authority, vested interest, and waste.
5. Pathologies that are the result of internal situations in various agencies within the government, such as: Improper placement of goals and objectives, social obligations as a burden, exploitation, unresponsiveness, hidden unemployment, improper motivation, inadequate rewards, inadequate working conditions, incompatible work, lack of performance indicators, miscommunication, misinformation, too heavy a workload, too many employees, favoritism systems, unclear goals, uncomfortable working conditions, inappropriate facilities and infrastructure, and sudden changes in attitude.

The five categories of bureaucratic pathology in question focus more on the behavior of members of the bureaucracy who violate the norms of law and legislation applicable to the analysis of public procurement cases. The focus used in the five categories of bureaucratic pathology in this study is corruption in public organizations.

### 2.4. Implementation of e-Procurement in Some Countries

One of the procurement benchmarks that supports corruption prevention is the procurement of goods/services that are implemented electronically. The implementation of e-Procurement has been widely researched, among others, by Hui et al., (2011) who explained the results of the study that one of the common complaints made by contractors in the procurement process is the prevalence of interference from outside parties and cronyism, which affects the awarding of contracts. Procurement officers are blamed for malpractice and non-compliance with procurement system policies and procedures. Furthermore, research by Ibem et al., (2018) explains the results of research that different levels of use of e-Procurement technology, barriers to absorption and factors affecting the adoption of e-Procurement by industrial organizations greatly affect the success of procurement implementation in organizations in the Nigerian building industry. Research on industrial organizations has different dimensions from e-Procurement research in the government public sector. Research by Altayyar and Kerridge (2016, p 1) explains the results of research with different dimensions related to nine external factors relevant to the adoption of e-Procurement in Saudi Arabian SMEs, namely: “government support, own postal addresses and delivery services, providing secure and trustworthy online payment options, low cost and high speed internet connection, IT-related educational programs, supplier’s willingness and readiness to participate or exert pressure, competitor’s pressure, policies and regulations and Business and national culture of the country”.

Other e-Procurement research is conducted by Daoud and Ibrahim (2017) which explains that e-Procurement applications are assumed to be influenced by technological context (relative advantage, compatibility, and complexity), organizational context (organizational readiness, top management support and information systems committee), and environmental context (competitive and regulatory pressures). Furthermore, the results of research by Antonio Aguiar Costa et al. explain that the level of entity administration affects the implementation of e-Procurement, which is also influenced by the innovation adoption process (Costa et al., 2013). Sambasivan et al., (2010), provide an overview in research on perceived usefulness, perceived ease of use, service assurance by service providers, service provider responsiveness, facilitation conditions, web design (service quality) is strongly related to the intention to use the electronic procurement system. Another function of e-Procurement implementation is a positive and significant relationship with the concepts of usability, ease of use, and trust when democratic governments in developing countries seek to fight corruption in public procurement (Neupane et al., 2012).

Research by Ruth and Andrew (1998) explains that government intervention in electronic commerce should be minimal, and in general according to Teo et al. (2009) in their research explained that firm size, top management support, perceived indirect benefits, and business partner influence are positively and significantly related to the implementation of e-Procurement. The process of procuring goods and services that are not transparent is a potential for corruption that is difficult to control. Research by Liao et al.,

(2003) explains that in the government sector, procurement is sometimes a source of corruption, scandal and misuse of public resources. In addition to unqualified personnel, the transparency of the procurement environment is another source of problems in procurement procedures, e-Procurement helps the procurement process avoid the risk of corruption as much as possible.

Research that makes Indonesia the object of discussion is one of the research conducted by Choi et al., (2016) which recommends the need for improved e-Procurement implementation through modification of the e-Government road map to narrow the gap between design and reality, thereby achieving e-Government goals and pursuing the full benefits of mature e-Government conditions in Indonesia. Gunasekaran et al., (2009) focused on the research results that found the fact that e-Procurement essentially focuses on acquiring resources, especially maintenance, repair, and operation items, and increasingly materials and components. Research that is already at a further stage of e-Procurement implementation, is research conducted by Liu et al who have studied green public procurement which is one of the important environmental policy tools for sustainability (Liu et al., 2018), and more uniquely research conducted in the United State by Percy et al. (2008) which focuses more on the study that the most important benefit of e-Procurement is its ability to facilitate integration within the company and throughout the supply chain. Research that explains that government procurement is more efficient, transparent, non-discriminatory, and accountable is one of the studies conducted by Liao and Wang (2002) which examines the role of statutory regulation in the implementation of e-Procurement in Taiwan.

Hermawati and Mas (2017) focus more on explaining e-Procurement in their research in terms of public procurement procedures which are more likely to be supported by 2 laws, namely public procurement law and public procurement contracts law. Hermawati and Mas (2017) prioritize public procurement with a legal approach and its application to procurement contracts law. Hermawati and Mas (2017)'s research is intended to provide broad information that state-level procurement of goods and services must be supported by law-level regulations in order to provide strict sanctions against violations in the procurement of government goods and services in the public sector. In general, the regulation of procurement regulations at the level of a law is a firm basis for implementation because the law contains the main substance that regulates sanctions for violations of procedures committed by actors in the procurement of government goods and services. The overall implementation of e-Procurement is changing the way businesses buy goods, as most products and services are procured using electronic data exchange and the internet, the implementation of e-Procurement is inevitable in both manufacturing and services (Gunasekaran and Ngai, 2008).

The e-Procurement application conducted by the United Nations focused on routine and non-strategic purchasing transactions (Walker and Harland, 2008). The challenges of e-Procurement implementation in the government sector are not only related to software integration, data management and rollout strategy, but also legal and administrative procedures, IT infrastructure, outsourcing contracts and information technology skills (Aman and Kasimin,

2009). Aman and Kasimin, (2009), prioritize software integration, data management and rollout strategy with legal and administrative procedures so that the form of procurement system integration is more comprehensive and integrated. IT infrastructure, outsourcing contracts and IT skills are also a form of supporting factors for the successful implementation of the third overall integration of software, data management and rollout strategies with legal and administrative procedures have been implemented well. An important variable for successful e-Procurement adoption is to address the internal service quality attributes of the e-Procurement process (Croom and Brandon-Jones, 2007). In general, (Croom and Brandon-Jones, 2007) focus more on the internal service quality attributes of the e-Procurement process. Overall, the implementation of electronic procurement in some parts of the country is an effort to prevent corruption, realize efficient and effective bureaucracy and companies.

### 3. RESEARCH METHODS

This research uses qualitative methods, which prioritize the exploration process to understand the meaning of individual or group behavior, describing social problems or human problems (Creswell, 2009). The criteria used in determining informants in this study include informants who know in detail the case of goods/services procurement from the investigation to the best data input efforts regarding the concept of building an e-Procurement implementation model in Indonesia. The informants in the study amounted to 114 informants, who are competent and are policy makers and direct actors in corruption cases in public procurement in Indonesia.

### 4. RESULTS

Modes of Corruption Based on Stages in the Public Procurement Process.

#### 4.1. Corruption at the Budget Planning Stage

In certain situations, budget planning is the first entry point for fraud in the procurement of government goods and services. After committing fraud in budget planning, the goods and services procurement committee is free to mark up the unit price of government procurement of goods and services to the stage of manipulation of documents for receiving work results. Fraud in the process of procuring goods and services is only one part of the follow-up to the collusion process in the pre-planned budgeting. This condition has long occurred, so that the entry of fraud in the implementation of certain project work starts from the planning and budgeting stages. Planning and budgeting that are still not in line at this time still provide opportunities for fraud in contract implementation and ultimately have a high risk of corruption in the procurement of government goods and services. Procurement management using the auction method is no longer relevant at this time to be a procurement model intended for the delivery of public services in Indonesia because it is considered too risky so that it opens up opportunities for markup of self-estimated prices, risks in terms of price negotiations and many other fraudulent practices which then end in manipulation of documents for receiving work

results that are not in accordance with the procurement work contract. Synchronization between planning and budgeting is one of the solutions to the problem at the budget planning stage so as not to open up opportunities for the procurement package bonding system when the conditions of the state revenue and expenditure budget/regional revenue and expenditure budget, have not been approved jointly between the executive and legislative branches.

#### **4.2. Planning Stages of Goods and Services Procurement**

In the planning stage of the procurement of goods/services, it starts from the markup of the estimated price itself, technical speech leads to certain vendors, splitting certain packages, internal conspiracies in the agency with vendors and conflicts of interest with agency officials. In recent years, fraudulent practices at the planning stage of the goods and services procurement package have still occurred and in different patterns and modes. When viewed from the management stage, the planning mechanism in the procurement of goods and services has been done wrong, namely by planning something deliberately so that fraud in the implementation of goods and services procurement can be easily carried out. At the planning stage of the government procurement package, fraud begins at the stage of markup of the provisional estimate price and preparing specifications leading to certain vendors and continued with the breakdown of packages and conducting internal conspiracies in the agency with vendors so that there is a conflict of interest of companies affiliated with agency officials. Fraudulent practices in the planning stage of the goods and services procurement package are a follow-up to fraud committed at the budget planning stage. At the planning stage of the goods and services procurement package, the markup of temporary estimated prices is very easy to do because the stages and processes of planning the goods and services procurement package can conduct surveys which have been arranged or conditioned to accommodate the payment of project fees at a later date. This condition then makes the stages and processes of government procurement of goods and services a conflict of interest. The solution to the fraud in question is that the planning of the goods and services procurement package is carried out with strategic steps, including monitoring the unit price and/or the amount of lump sum requirements in the project with a limit on the fairness value of each work item. Indications for the markup of the provisional estimate price can be stopped by seeing whether the procurement process of the goods and services in question has been or not, so that there is no need to benefit yourself and the corporation with the provisional estimate price markup technique. In line with the concept of Che and Roberto (2004) in his research, which explains the role of corrupt agents who are willing to manipulate the results of contract proposals with a bribery system. The corrupt agent described is not only from the bureaucratic structure but also from the vendor directly.

#### **4.3. Stages of Selection of Goods and Services Procurement Providers**

Furthermore, at the selection stage, fraud occurs starting from the announcement stage which is made limited, electronic procurement system fraud such as reducing bandwidth, changing server hours, account theft, manipulation of auction documents such as “*arisan lelang*”, the same IP address, similar bidding documents, flag companies (or companies that are only borrowed by government

officials), manipulation of winner selection, internal conspiracies in agencies with vendors and conflicts of interest of companies/private companies affiliated with government officials. This selection stage is the stage that determines the winner in the process of procuring goods/services, so that if in the selection stage fraud takes place, the next stage can proceed to the contract implementation stage which can also easily commit fraud. In the implementation stage, informants also mentioned that the work was not in accordance with the specifications to accommodate the fraud that had been carried out from the beginning, namely at the budget planning stage and at the planning stage for the procurement of goods/services.

At the stage of selecting goods/services providers, fraud in SPSE is carried out by reducing bandwidth, changing server hours, turning off the server during the provider's schedule to enter bids, account theft by hackers or electronic procurement system admins, manipulating auction documents with applications, its implementation in the form of “*arisan lelang*” mode, The same IP address, similar bidding documents, flag companies are illustrated as a form of implementation of fraud by only borrowing certain companies that are only for the needs of companions in the procurement of goods/services or acting as a conditioned auction winner, but the implementation is carried out by certain vendors that have been previously agreed upon. The practice of fraud in the selection of goods/services providers has been running for a long time and many of these practices have also been processed legally, but the *modus operandi* has been strengthened with new references, so that it seems different in handling the case, even though the basis of fraud is almost the same as the fraud committed in major cases in the field of public procurement of goods/services before. Manipulation of auction documents has become a fraudulent practice that can no longer be hidden because the practice is a follow-up to facilitate the stages of fraud in budget planning and planning of government procurement packages.

#### **4.4. Stages of Contract Implementation**

At the stage of contract implementation, easy fraud is also carried out, one of which is work that is not in accordance with the specifications in the work contract, manipulation of goods/services handover documents caused by conspiracy between internal agencies and vendors. The entrance in handling procurement cases is when indications of fraud are found in the implementation of the contract, some items that become procurement items are manipulated to facilitate the payment of project fees that have been given starting from the budget planning stage to the stage of implementing contract work. The project work package, which has been bonded in advance, makes the selection stage of the goods/services provider not in accordance with the rules and in the end the fraud is carried out repeatedly to facilitate the conspiracy in the contract implementation stage. The *modus operandi* varies, among others, manipulating work handover documents that are not in accordance with the technical specifications agreed upon by the vendor and the commitment-making official in the contract.

The contract implementation stage is the end of fraudulent practices in the stages and processes of goods/services procurement with the mode of corruption based on the stages. Government goods/

services procurement management identifies the contract implementation stage as one of the final stages that determines the quality of the results of a job that will be produced in a series and stages of the government goods/services procurement process. At the stage of contract implementation, fraud is carried out with the mode of work carried out not in accordance with specifications due to the need for project fees that must be conditioned, so of course the quality of goods/services that will be produced is not good, even far from the quality of the actual specifications. This condition is the entrance for law enforcement to see whether the project work is in accordance or not with the technical specifications that have been determined previously. The stage to facilitate the practice of implementing work that is not in accordance with the specifications is that the project manager manipulates the goods/services handover documents. This manipulation of handover documents is the most critical stage because it has entered the area of manipulation of goods/services documents that will be produced in a government goods/services procurement process. This condition certainly involves many elements ranging from budget users, budget user powers, commitment-making officials, goods/services procurement working groups, work receiving committees, other accompanying experts. The stage of contract implementation is the most detailed stage of examination if fraud is suspected in the stages and processes of public procurement of goods/services. The real conditions in the project work will be seen easily to identify whether the work is in accordance with the specifications and whether the work is done properly or vice versa, namely the practice of manipulating the work handover documents by the work receiving committee.

Overall, starting from budget planning, planning for government goods/services procurement packages, selecting vendors or providers of goods/services procurement, to the final deadline for contract implementation, fraud schemes are seen from the stages in the government goods/services procurement process. At the budget planning stage, there are 3 types and forms of fraud, namely projects/packages that have been sold in advance (*dijjon*) to vendors before the budget is approved or passed, conspiracy between the executive and legislature and the private sector, and conflicts of interest of companies/privates affiliated with the executive, legislature/political parties. At the planning stage of the goods/services procurement package, 5 main items of fraud were inventoried, including markup of own estimate prices, technical spech leading to certain vendors, internal conspiracies in agencies with vendors, conflicts of interest of companies/privates affiliated with agency officials. The stages of selecting vendors or providers are identified as 6 types of fraud, including limited announcements, fraud in electronic procurement systems, manipulation of tender documents, manipulation of winner selection, internal conspiracies in agencies with vendors, conflicts of interest of companies/private companies affiliated with agency officials. The final stage, namely the stage of contract implementation, identified 3 types of fraud, including work not in accordance with specifications, manipulation of handover documents, and internal conspiracies in agencies with vendors or providers.

Overall, corrupt practices in the stages of public procurement of goods/services have been inventoried which are classified based

on 4 stages, which can make it easier for parties to identify which level of fraud is at which level. Massive fraud in procurement management if it is not supported by the budget planning stage will also not be practiced in the stages and processes of public procurement. Fraud committed with the mode of only one stage, the practice of corruption in the procurement of goods/services is also more partial per perpetrator and the impact is not so broad in the management of government procurement of goods/services.

## 5. DISCUSSION

Modes of Corruption Based on Actors in the Public Procurement Process.

In public procurement management in Indonesia, corruption can also be seen from different dimensions based on the actors in the public procurement process. The Government Procurement Policy Institute classifies modes of corruption based on the actors in the procurement process into 3 groups, namely fraud committed by vendors, fraud committed by collusion between vendors and fraud committed by government and vendor collusion. In Indonesia, fraud committed by the government and vendors has the most *modus operandi* and involves the most criminals. Under certain conditions, the perpetrators of fraud in public procurement of goods/services committed by the government and vendors have many examples of modes which are then carried out massively and repeatedly in ministries, institutions and local governments.

### 5.1. Fraudulent Procurement of Government Goods/Services by Vendors

The *modus operandi* carried out by vendors is, among others, system hacking by disrupting the electronic procurement system, changing the opponent's bidding documents and others, all of which are at the system level of the electronic procurement system. Furthermore, the system hack model fraud is carried out with the help of information technology experts sponsored by the vendor. This information technology expert then helps the vendor to commit fraud to the level of changing the opponent's offer in the auction for the procurement of government goods and services. The second mode is practiced in the form of fraudulent work that is not in accordance with specifications. Fraud in this mode utilizes the weaknesses of budget users, budget user attorneys, commitment-making officials and officials/committees receiving work results who have limited knowledge and skills in terms of obtaining the types of goods or services that are auctioned openly on the electronic procurement system system.

### 5.2. Fraud in Government Procurement of Goods/Services Committed by Collusion Between Vendors

Fraud in other modes committed by collusion between vendors can be seen as a different phenomenon compared to the phenomenon of fraud committed by a single vendor. Hacking the electronic procurement system by disrupting the electronic procurement system, changing the opponent's bidding documents and others are also carried out in the *modus operandi* of collusion between vendors. Furthermore, manipulation of auction documents with examples such as "artisan lelang", similar bidding documents, flag

companies and others. The mode of fraud committed by collusion between vendors is a crime that has begun to be structured because there are practices of “*arisan lelang*” and “*perusahaan bendera*” with the explanation that the flag company means that the vendors have agreed between them who the winner of the auction is. Then the “*arisan lelang*” mentioned in the mode of fraud in the procurement of goods/services carried out by collusion between vendors is carried out by the practice of vendors bidding on several packages of goods/services procurement by appointing auction winners in turn to trick the committee/working group for the procurement of goods/services in the public procurement work unit. Collins and Rodriguez (2009) in previous research explained the justification for the company’s involvement in corruption. The involvement of vendors or companies in corruption is an unnatural thing, which some experts associate with business ethics. Unfair competition between vendors makes the position of the company or vendor the main agent of corruption in the stages and processes of goods and services procurement.

### 5.3. Government Procurement Fraud Committed by Collusion between Government and Vendors

Among structured fraud involving a single vendor and collusion between vendors, collusion between the government and vendors is a more massive form of fraud. Fraud committed by the practice of government and vendor collusion is the most common practice in Indonesia with several *modus operandi*. The management of government procurement of goods/services in terms of stages, there are not many rules that are violated, but fraudulent practices begin with packages/projects that have been promised in advance, both during the budget planning stage and at the stage of planning the procurement of goods/services or at the stage of the process of selecting providers or vendors who win the auction. The worst practice is collusion involving the executive, legislature and vendors. This practice opens up a very wide and broad space for fraud and leads to the arrangement of auction packages that have been conditioned before the stages and processes of selecting vendors are carried out.

The practice of conflict of interest also occurs in the dimension of companies/privates affiliated with the executive, legislature or political parties. Furthermore, fraudulent practices between the government and vendors are implemented in the form of self-estimated price markups, breaking packages in the planning and budgeting stages and processes or at the planning stage of the government’s goods/services procurement package. The conspiracy is carried out on the electronic procurement system system, document manipulation, manipulation of the selection of auction winners, manipulation of work handover documents and internal conspiracies in agencies with vendors that lead to massive fraud. Based on the identification of modes based on the perpetrators, the procurement of goods/services has a category of types of corruption, first corruption based on stages and modes of corruption based on the perpetrators. These types of corruption modes are a different series because the stages of goods/services procurement are classified stages to make it easier to delineate between one process and another. Meanwhile, corruption seen from the perpetrators identifies the forms of fraud committed by each perpetrator either by a single vendor, collusion between

vendors and other vendors and more massive fraud between the government and vendors. In line with Sonin and Lambert-Mogiliansky (2006) research which discusses collusion in the procurement of goods/services with the mode of fixing the offer again before the official opening of the offer in the procurement stage. In the Corruption Eradication Commission reference, it is mentioned that it is part of fraud committed by collusion between the government and vendors, or collusion between vendors and vendors.

### 5.4. Discussion on Corruption with Other Approaches

Ashforth et al. (2008), explained that the development of the theory of corruption in organizational life as a systemic and synergistic phenomenon. One of the synergies of the development of corruption theory explains the relationship between corrupt behavior and personal greed, some fraud committed by workers with creative patterns, organizational cultural factors that also support the occurrence of patterns of corruption in public organizations. Furthermore, Cameron et al. (2009) also explain cultural differences in individual decision making in corruption games. Cameron et al. (2009) define culture as the accumulation of individual experiences, shaped by the social, institutional, and economic aspects of the environment in which individuals live. In practice, the coordination carried out by elite groups to commit corruption is carried out with planning that is *masiv* and difficult to uncover in the rule of law. Panda and Jha (2017), explains that cultural analysis is also a factor that can explain the conflict between individualism and collectivism. In practice, the coordination carried out by elite groups to commit corruption is carried out with planning that is *masiv* and difficult to uncover in the rule of law of the country. Cameron et al. (2005), conducted a cross-cultural study of corruption behavior that is different from one another. Each country has different cultural characteristics of corruption, including countries that have good tolerance in terms of social control. Cross-cultural studies provide an understanding that subjects in India show higher tolerance for corruption than subjects in Australia while subjects in Indonesia behave similarly to subjects in Australia. Subjects in Singapore have a higher propensity for corruption than subjects in Australia.

In a certain context, Bhattacharyya and Hodler (2010), explain that the quality of democratic institutions is closely related to corruption in a country. The higher the appreciation of democracy in a country, the smaller the risk of corruption that will occur. The study is certainly very interesting because democracy is an integral part of the bureaucratic system in a country. If the study of corruption that occurs in public organizations requires immediate mitigation in a series of corruption prevention in Indonesia, then the analysis of democracy cannot play a direct role in preventing corruption, because its dimensions are too broad. Breit (2011) in his research explains that there are discursiveness in corruption, including a focus on organizational hierarchy and abuse of power. Abuse of power is a major discussion in corruption in Indonesian public organizations. The tendency to abuse power is analyzed based on the study of bureaucratic pathology which tends to position individual behavior in the category against the rules that apply in a public organization. Che and Roberto (2004), in the study explained the role of corrupt agents who

are willing to manipulate the results of contract proposals with a bribery system. The corrupt agent described not only comes from the bureaucratic structure but also from the vendor directly. Auriol (2006), in his research, emphasized that the procurement of goods/services using the open tender method opens up the greatest opportunities for corruption. Bribery is the main bridge to corruption in the procurement of goods/services with the open tender method. Furthermore, researchers An and Kweon (2017), provide a different picture of corruption prevention, explaining that increasing employee income or salary also aims to reduce the risk of corruption. The general perception of society that positions corruption as an act of behavior that harms society, especially the poor, is in line with the opinion of Bracking (2007), which focuses more on the discussion that corruption can damage the structure of social order which is detrimental to society directly.

Furthermore, Ganuza and Celentani (2002) discusses bribery in the procurement of goods/services that allow vendors to be arbitrary in carrying out certain projects. This condition will later affect the quality of the work to be realized, so that the possibility of project work results is not in accordance with the technical specifications of the procurement of goods/services that have been integrated in the work contract. Cleveland et al. (2010), emphasize the application of strict laws in reducing bribery which is considered as immoral and unethical behavior and can damage the economy. Corruption is more dominantly studied through the mode of bribery which is then agreed as deviant and immoral behavior. Overall, corruption is also seen as a pathology that can damage the economic system of society. Wolfstetter and Lengwiler (2006) offers technological assistance to minimize the chance of corruption in public procurement. The role of technology is considered important, because procurement management can be formulated with a design that further closes the opportunity for deviant behavior in the procurement of goods/services. According to Rowley and Rama (2017), prioritizing the role of the rule of law will reduce the occurrence of corrupt practices in procurement. In addition to the role of technology that can reduce the risk of corruption in the procurement of goods/services, the role of the rule of law is also the main line of eradicating corruption on a broader scale. Sanjay et al. (1999), explains that one of the bad things about corrupt practices in the bureaucracy is that it can damage the investment order in the country's economy. Some researchers also explain that agents of corruption in the legislative order are more dominantly carried out by individuals of the male gender, this is in line with the explanation of Esarey and Schwindt-bayer (2019) in their article entitled "Estimating Causal Relationships Between Women's Representation in Government and Corruption", which explains that corruptors are more likely to be dominated by male actors. Unique research but rationally justifies some of the hypotheses proposed in corruption research.

Kocsis and Fazekas (2017) explains that the highest level of corruption in procurement is a single bid in a competitive market and a combined score of tenders known as "red flags". Furthermore, Fisman and Svensson (2007) explain the different dimensions of corrupt practices, including the negative influence between tax rates and bribery practices on the economic growth of companies. Bribery affects the growth of companies that

are the main actors in corruption. Gorsira et al. (2018), in their research focuses on organizational and individual factors together shaping corruption, and the role of organizational ethical climate plays a central role in triggering corruption through individual motives. Overall, it is explained that there is an influence of the organizational ethical climate in triggering corruption in public organizations or corporate organizations. Overall, single bidding is part of the monopoly of the procurement system and has an impact on unfair competition between procurement vendors. Furthermore, corrupt practices are believed to greatly affect the growth of the company, and what is not interesting is that organizational ethics play a major role in triggering opportunities for corruption in organizations. Huang (2015) examines corruption in a broader dimension, including the study of the impact of corruption on the country's economic growth. The research was conducted in 13 countries which overall provided information under corruption has succeeded in damaging the structure of economic growth in each country that is the object of research. Jancsics and Jávó (2017) in a study entitled "Corrupt Governmental Networks" explained that elite groups have a tendency to commit corruption consciously by designing and coordinating in advance a corruption plan that involves many people. Sonin and Lambert-Mogiliansky (2006), further discusses studies related to collusion in the procurement of goods and services and at the same time clarifies the relationship between bribery behavior and abuse of authority in the procurement of goods/services. Lennerfors (2017), explains 4 different philosophical theories of corruption, the first is the understanding of the perpetrator of corruption, the second "explains how a person is socialized into corruption", the third is corruption built on philosophy and argues that corruption is a degeneration of ideals, and the fourth is "inspired by psychoanalysis and explains why corruption is often externalized and seen as a feature of other people, companies, sectors, and countries". Soreide and Schultz (2008) provides one illustration of information that corruption has the effect of reducing the quality of products and services provided.

The topic of behavior in organizations is still very relevant to be discussed in reference to corruption because the substance of corruption studies is closely related to organizational behavior. Efforts to prevent corruption in public procurement if studied too broadly through anthropological, cultural, democratic approaches will be ambiguous, because it is too general to be able to touch the substance. In principle, corrupt behavior in public procurement is closely related to the study of organizational behavior, which in practice is often subject to external structural pressures on individuals and groups in the organizational structure of implementing public procurement. Based on the concept presented by Liao et al., (2003), it explains that in the public sector procurement is sometimes a source of corruption, scandal and misuse of resources. In addition to unqualified personnel, the transparency of the procurement environment is another source of problems in procurement procedures. Based on the concept of Liao et al., (2003), it can also be explained that unqualified procurement resources lead to procurement resources that tend to lack integrity in the stages and processes of government procurement of goods/services whose behavior is easily intervened by external parties both within the organization and by parties from outside the organization.



The second factor is in addition to external pressure on individuals and groups in the organizational structure, individual intervention in the organization occurs with a pattern of giving “lures” or promises to give a gift or something in return for services on the basis of carrying out certain corrupt behavior by technically misusing the authority of position or authority as state administrators and state officials in the form of bribery. The solution offered to maximize corruption prevention efforts is to limit organizational behavior so as not to commit deviant acts in the procurement of goods/services, including a commitment to have a more credible and accountable procurement method using the e-Purchasing method through the e-Catalogue mechanism. Ease of access to umbrella contracts in the process of building a procurement system with regional and local e-Catalogue mechanisms, currently there are still very limited enthusiasts in ministries/institutions/regional apparatus. The e-Purchasing method with the e-Catalogue mechanism tends to be built after the occurrence of corruption cases such as cases of procurement of medical devices and medicines, cases of motor vehicle procurement and interestingly, a system for e-Catalogue procurement of electronic identity card blanks has been built after costing the state 2.3 Trillion in 2011-2013 (Komisi Pemberantasan Korupsi, 2017). In the practice of implementing the e-Purchasing method with an e-Catalogue mechanism without negotiation, presenting data from the audit results of the Financial Audit Agency which explains in detail that the risk of corruption in the procurement of goods/services is almost non-existent. Wolfstetter and Lengwiler (2006) offers technological assistance to minimize the chance of corruption in the procurement of goods/services. Furthermore, Aditya et al. (2017) explains that e-Catalogue is a model that has many system advantages in terms of implementation, especially a series of activities for corruption prevention efforts.

## 6. CONCLUSION

Fraud in the procurement of government goods/services begins with the budget planning stage with the mode of corruption based on the stages identified in the study, which begins with projects or work packages that have been sold in advance (dijoin) to vendors before the budget is approved or ratified, procurement is not in accordance with the needs (document engineering), conspiracy between the executive, legislature and the private sector (vendors), conflict of interest of companies/private companies affiliated with the executive, legislature/political parties and continued at the planning stage of the government procurement package of goods and services identified fraud with markup of own estimate prices, technical speech leads to certain vendors, splitting of certain packages, internal conspiracies in agencies with vendors, conflict of interest of companies/private companies affiliated with agency officials. At the stage of selecting goods and services providers or vendors, fraud occurs in the form of manipulation of auction documents (for example: “Arisan lelang”, “perusahaan bendera”), manipulation of winner selection, internal conspiracy in the agency with vendors, conflict of interest of companies/private companies affiliated with agency officials. The conditions of fraud in the procurement of goods and services at the selection stage make the electronic identity card project package increasingly unaccountable. Furthermore, at the management stage of contract implementation in the electronic identity card project, fraud occurs

in the form of work that is not in accordance with specifications, manipulation of work handover documents, internal conspiracies in agencies with vendors.

The modes of corruption identified based on the perpetrators carried out by vendors include system hacking by disrupting the electronic procurement system, changing the opponent’s bidding documents and others, all of which are at the SPSE system level. Furthermore, the system hack model fraud is carried out with the help of information technology experts sponsored by the vendor. This information technology expert then helps the vendor to commit fraud up to the level of changing the opponent’s bid in the auction for the procurement of government goods and services. The second mode is practiced in the form of fraudulent work that is not in accordance with specifications. Fraud in this mode utilizes the weaknesses of budget users, budget user attorneys, commitment-making officials and officials/committees receiving work results who have limited knowledge and skills in terms of obtaining the types of goods or services that are auctioned openly on an electronic procurement system.

Fraud in other modes committed by collusion between vendors can be seen as a different phenomenon compared to the phenomenon of fraud committed by a single vendor. System hacking of electronic procurement systems by disrupting the electronic procurement system, changing the bidding documents of opponents and others are also carried out in the modus operandi of collusion between vendors. Furthermore, manipulation of tender documents with examples such as “arisan lelang”, similar bidding documents, “perusahaan bendera” and others. The mode of fraud committed by collusion between vendors is a crime that has begun to be structured because there are practices of “arisan lelang” and “perusahaan bendera” with the explanation that “perusahaan bendera” means that the vendors have agreed between them who the winner of the auction is. Then “arisan lelang” is mentioned in the mode of fraud in the procurement of goods and services carried out by collusion between vendors carried out by the practice of vendors bidding on several packages of goods and services procurement by appointing auction winners in turn to trick the working group for the procurement of government goods and services in the goods/services procurement work unit.

Among structured fraud involving a single vendor and collusion between vendors, collusion between the government and vendors is a more massive form of fraud. Fraud committed by the practice of government and vendor collusion is the most common practice in Indonesia with several modus operandi. Management of government procurement of goods and services in terms of stages, there are not many rules that are violated, but fraudulent practices start from packages/projects that have been promised in advance, both during the budget planning stage and at the stage of planning the procurement of goods and services or at the stage of the process of selecting providers or vendors who win the auction. The worst practice is collusion involving the executive, legislature and vendors. This practice opens up a very wide and broad space for fraud and leads to the arrangement of auction packages that have been conditioned before the stages and processes of selecting vendors are carried out.

The practice of conflict of interest also occurs in the dimension of companies/privates affiliated with the executive, legislative or political parties. Furthermore, fraudulent practices between the government and vendors are implemented in the form of self-estimated price markups, breaking packages in the planning and budgeting stages and processes or in the planning stages of government procurement packages. Collusion is carried out in the electronic procurement system, document manipulation, manipulation of bid winner selection, manipulation of work handover documents and internal conspiracies in agencies with vendors that lead to more massive fraud. Corrupt behavior in public procurement is closely related to the study of organizational behavior, which in practice is often subject to structural pressures that are external to individuals and groups in the organizational structure of implementing public procurement. Another factor of external pressure on individuals and groups in the organizational structure is individual intervention with a pattern of giving “lures” or promises to give a gift or something in return for services on the basis of carrying out certain corrupt behavior by technically misusing the authority of the position in the form of bribery. The practice of implementing the e-Purchasing method with an e-Catalogue mechanism without negotiation, presents data from the audit results of the Financial Audit Agency which explains in detail that the risk of corruption in the procurement of goods/services is almost non-existent. The implementation of the e-Purchasing method with the e-Catalogue mechanism is currently considered as the best prevention effort in limiting opportunities for corrupt behavior in the procurement of goods/services.

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## CONFLICTS OF INTEREST

The author declares no conflict of interest.

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