



## Fraud Triangle Perspective on Corruption in State Owned Enterprises: Evidence from the PT Timah, Tbk Case

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### ABSTRACT

*Corruption within state-owned enterprises (SOEs) remains a critical challenge in emerging economies, undermining public trust, financial integrity, and investor confidence. This study examines the corruption case of PT Timah Tbk in Indonesia through the lens of Fraud Triangle Theory, focusing on the interaction of pressure, opportunity, and rationalization. Employing a normative juridical approach complemented by literature and documentary analysis, the research analyzes legal frameworks, organizational governance, and empirical evidence related to the case. Findings indicate that financial pressures from market expectations and declining profits created strong motivational drivers (pressure), while weaknesses in corporate governance, procurement procedures, and oversight mechanisms enabled illicit practices (opportunity). Executives rationalized these actions as necessary for achieving corporate targets and preserving organizational interests (rationalization). Legal analysis confirms that these actions violated Law No. 20/2001 on Corruption and Law No. 19/2003 on SOEs, demonstrating gaps between statutory provisions and effective enforcement. The study highlights that addressing SOE corruption requires an integrated strategy combining strengthened internal controls, transparency, ethical leadership, whistleblower protection, and robust legal enforcement. By systematically linking theoretical, legal, and empirical perspectives, this research provides both explanatory insights into corporate fraud mechanisms and practical guidance for enhancing governance and accountability in state-owned enterprises, particularly in resource-based sectors of emerging markets.*

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## 1. Introduction

Corruption remains one of the most pervasive governance challenges in Indonesia,<sup>1</sup> particularly within corporate entities closely intertwined with public authority. Over the past decade, the growing number of corruption prosecutions reflects the continued vulnerability of institutional governance structures, many of which involve substantial state financial losses.<sup>2</sup> Indonesian anti-corruption law, particularly Law No. 31 of 1999 in conjunction with Law No. 20 of 2001, places state financial loss as a central determinant of criminal liability.<sup>3</sup> However, persistent theoretical and legal ambiguity remains regarding how state financial losses are attributed when corruption occurs within complex corporate structures, including state-owned enterprises (SOEs). This uncertainty underscores the need for deeper criminological and legal inquiry into corporate-based corruption.

PT Timah Tbk, one of Indonesia's most prominent state-owned tin mining corporations and a publicly listed company, has recently become the center of national and international scrutiny following allegations of large-scale corruption and corporate misconduct.<sup>4</sup> This case unfolds against the backdrop of earlier scandals involving PT Jiwasraya, PT Garuda Indonesia, and PT Waskita Karya, reflecting the structural susceptibility of SOEs to corruption and fraudulent practices.<sup>5</sup> As institutions mandated to support national economic development, corruption within SOEs not only undermines corporate integrity and investor confidence but also erodes public trust and produces profound economic and social consequences.<sup>6</sup>

Understanding why corruption persists in corporate environments requires strong theoretical grounding. Donald Cressey's Fraud Triangle Theory posits that fraud arises when three key elements coexist: pressure, opportunity, and rationalization.<sup>7</sup> Pressure relates to internal or external demands that incentivize manipulation; opportunity emerges from weak governance and inadequate controls; and rationalization reflects moral justifications

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<sup>1</sup> Yaris Adhial Fajrin et al., "ANALYSIS OF THE APPLICATION OF PLEA BERGAINING IN SETTLEMENT OF CURRUPTION CASES IN INDONESIA," *Journal of Law and Sustainable Development* 11, no. 4 (2023): 1–12, <https://doi.org/10.55908/sdgs.v11i4.608>.

<sup>2</sup> Zararah Azhim Syah, "Laporan Hasil Pemantauan Tren Korupsi Tahun 2024" (Jakarta Selatan, 2025).

<sup>3</sup> Ade Mahmud, "URGENSI PENEGAKAN HUKUM PROGRESIF UNTUK MENGEMBALIKAN KERUGIAN NEGARA DALAM TINDAK PIDANA KORUPSI," *Masalah-Masalah Hukum* 49, no. 3 (2020): 256–71, <https://doi.org/https://doi.org/10.14710/mmh.49.3.2020.256-271>; Ciprian Caesar et al., "Reconstructing the Meaning of State Losses in Corruption Crimes: A Progressive Legal Perspective," *Architecture Image Studies* 6, no. 3 (2025): 1823–34, <https://doi.org/10.62754/ais.v6i3.524>.

<sup>4</sup> Syah, "Laporan Hasil Pemantauan Tren Korupsi Tahun 2024."

<sup>5</sup> Susana Rita Kumalasanti et al., "Dua Dekade Korupsi BUMN Membebani Negara, Celah Kian Terbuka di Era UU Baru (1)," *Kompas.id*, 2025, [https://www.kompas.id/artikel/korupsi-bumn-terus-bebani-negara?open\\_from=Baca\\_Juga\\_Card](https://www.kompas.id/artikel/korupsi-bumn-terus-bebani-negara?open_from=Baca_Juga_Card); Nawir Arsyad Akbar, "212 Kasus Korupsi di Tubuh BUMN pada 2016-2023, Negara Rugi Rp 64 T," *Kompas.com*, 2025, [https://www.kompas.id/artikel/korupsi-bumn-terus-bebani-negara?open\\_from=Baca\\_Juga\\_Card](https://www.kompas.id/artikel/korupsi-bumn-terus-bebani-negara?open_from=Baca_Juga_Card).

<sup>6</sup> Irfan Amir, "Constitutionality of Wiretapping by KPK in Optimization of Red-Handed Catch Operations," *Al-Bayyinah* 6, no. 1 (2022): 34–52, <https://doi.org/10.35673/al-bayyinah.v6i1.2625>.

<sup>7</sup> Donald R Cressey, *Other people's money; a study of the social psychology of embezzlement.*, *Other people's money; a study of the social psychology of embezzlement.* (New York, NY, US: Free Press, 1953).

constructed to legitimize misconduct. This framework has become foundational in explaining corporate fraud across institutional settings.<sup>8</sup>

However, despite its prominence, the Fraud Triangle framework is not without limitations. Existing scholarship suggests that it has been predominantly applied within private sector contexts and Western corporate environments, often neglecting broader socio-political, regulatory, and institutional dynamics that shape fraud in state-owned settings.<sup>9</sup> Scholars further argue that corruption in emerging economies frequently involves institutional capture, political interference, and governance failures that transcend individual moral reasoning.<sup>10</sup> Consequently, there remains limited understanding of how the Fraud Triangle operates within SOEs and whether it sufficiently explains corruption dynamics in state-owned corporate environments.

Research on SOE corruption remains comparatively scarce, particularly in resource-based industries in developing countries. Although previous studies have examined SOE inefficiency, governance risks, and political intervention, very few have explicitly integrated criminological fraud theory with legal accountability analysis in corruption cases involving SOEs.<sup>11</sup> In Indonesia, scholarly work remains largely descriptive and policy-oriented, with limited theoretically grounded and legally structured analyses. This reveals a critical scholarly gap that warrants rigorous examination.

The PT Timah case therefore provides an important empirical setting to explore the interaction between fraud mechanisms and legal accountability in an emerging economy context. Examining the case through the lens of the Fraud Triangle, while simultaneously assessing legal responsibility frameworks, allows for a more comprehensive explanation of how fraudulent conditions develop, persist, and are legally constructed within SOEs. It also enables an evaluation of whether the Fraud Triangle remains adequate or requires contextual refinement when applied to state-owned corporations in emerging markets.

Against this backdrop, this study pursues two primary objectives: first, to analyze the legal framework and accountability dimensions governing corruption involving PT Timah Tbk; and second, to critically apply and evaluate the Fraud Triangle Theory in explaining the motivations, mechanisms, and institutional enablers of corruption within the company. In doing so, the study seeks to enrich corporate fraud scholarship and provide meaningful policy insights for strengthening governance, regulatory effectiveness, and anti-corruption enforcement in SOEs, particularly within emerging economies.

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<sup>8</sup> Jack Dorminey et al., "The Evolution of Fraud Theory," *Issues in Accounting Education* 27, no. 2 (1 Mei 2012): 555–79, <https://doi.org/10.2308/iace-50131>; J Morales, Y Gendron, dan H Guénin-Paracini, "The construction of the risky individual and vigilant organization: A genealogy of the fraud triangle," *Accounting, Organizations and Society* 39, no. 3 (2014): 170–94, <https://doi.org/10.1016/j.aos.2014.01.006>.

<sup>9</sup> Pamela R Murphy dan M Tina Dacin, "Psychological Pathways to Fraud: Understanding and Preventing Fraud in Organizations," *Journal of Business Ethics* 101, no. 4 (2011): 601–18, <https://doi.org/10.1007/s10551-011-0741-0>; Mark E Lokanan, "Challenges to the fraud triangle : Questions on its usefulness," *Accounting Forum* 39, no. 3 (2015): 201–24, <https://doi.org/10.1016/j.accfor.2015.05.002>.

<sup>10</sup> Agyenim Boateng et al., "Institutions and corruption relationship : Evidence from African countries," *Journal of International Management* 30, no. 3 (2024): 101136, <https://doi.org/10.1016/j.intman.2024.101136>; François Valérian, "Corruption Perceptions Index 2023," Transparency International, 2023.

<sup>11</sup> Saikhu Saikhu et al., "A systematic review of fraud: an overview of state-owned enterprises," *Cogent Business & Management* 12, no. 1 (2025), <https://doi.org/10.1080/23311975.2025.2518493>.

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## 2. Legal Material and Methods

This study adopts a normative juridical (doctrinal) research approach, complemented by a conceptual analysis grounded in criminological theory. The research is primarily library-based (desk research) and relies on three categories of legal materials. Primary legal sources consist of Indonesian anti-corruption legislation, particularly Law No. 31 of 1999 in conjunction with Law No. 20 of 2001,<sup>12</sup> and other relevant regulatory instruments governing state-owned enterprises. Secondary sources include scholarly books, journal articles, and authoritative commentary on corruption, corporate governance, and fraud. Supporting materials comprise official institutional reports, audited financial statements, and documented corruption cases involving PT Timah Tbk and other state-owned enterprises.

Materials were collected systematically through legal document retrieval and structured literature review, using relevance, recency, and credibility as key selection criteria to ensure robustness of analysis. The study employs doctrinal legal reasoning combined with conceptual application of the Fraud Triangle Theory<sup>13</sup> to examine statutory provisions, judicial interpretations, and organizational governance practices. Through this integration, the analysis explores how pressure, opportunity, and rationalization interact within the legal and institutional architecture of state-owned enterprises. This methodological design enables a theoretically informed and legally grounded understanding of corruption mechanisms in PT Timah Tbk, critically assesses the explanatory capacity of the Fraud Triangle in the SOE context, and derives implications for strengthening legal accountability and governance reform.

## 3. Results and Discussion

### 3.1. Legal Analysis Related to Criminal Acts of Corruption and PT Timah, Tbk Based on the Fraud Triangle Theory

Corruption remains a pervasive challenge in Indonesia, particularly within state-owned enterprises (SOEs), where public accountability intersects with corporate autonomy.<sup>14</sup> PT Timah Tbk, as a major SOE in the tin mining sector, has been implicated in financial irregularities and collusive practices that contravene national anti-corruption regulations. Law No. 31 of 1999 in conjunction with Law No. 20 of 2001 provides the principal legal framework for prosecuting corruption, including acts that result in state financial losses.<sup>15</sup> These provisions are complemented by Law No. 19 of 2003 on State-Owned Enterprises, which regulates the legal responsibilities of SOE management in

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<sup>12</sup> Republik Indonesia, “UNDANG-UNDANG REPUBLIK INDONESIA NOMOR 20 TAHUN 2001 TENTANG PERUBAHAN ATAS UNDANG-UNDANG NOMOR 31 TAHUN 1999 TENTANG PEMBERANTASAN TINDAK PIDANA KORUPSI” (2001).

<sup>13</sup> Cressey, *Other people's money; a study Soc. Psychol. embezzlement*.

<sup>14</sup> Gde Made Swardhana dan Seguito Monteiro, “Legal Policy of State Financial Losses Arrangement In A State-Owned Enterprise,” *Bestuur* 11, no. 1 (2023): 171–90.

<sup>15</sup> Haris Fadhil, “Daftar Vonis Harvey Moeis dkk di Kasus Korupsi Timah Usai Kasasi Ditolak MA,” *detikNews.com*, 2025, <https://news.detik.com/berita/d-7990706/daftar-vonis-harvey-moeis-dkk-di-kasus-korupsi-timah-usai-kasasi-ditolak-ma>.

administering and safeguarding separated state assets responsibilities that are doctrinally understood as fiduciary in nature.<sup>16</sup> Taken together, this legal framework establishes clear standards of accountability, underscoring that the abuse of authority for personal or private gain constitutes a punishable offense.<sup>17</sup>

Empirical data indicates that corruption in Indonesia remains significant, despite enforcement efforts. In 2023, the Corruption Eradication Commission (KPK) handled 161 corruption cases, with bribery as the most frequent offense.<sup>18</sup> Furthermore, the Association of Certified Fraud Examiners (ACFE) reported in 2022 that 89% of companies in Indonesia experienced some form of fraud, with an average financial loss of approximately IDR 2 billion per incident.<sup>19</sup> PT Timah's 2018 financial manipulation, which inflated share prices by 158%, exemplifies how pressure and opportunity can converge to facilitate fraudulent behavior.<sup>20</sup> These data suggest that systemic weaknesses in governance provide fertile ground for the exercise of illicit authority in SOEs.

The failure of PT Timah Tbk to implement Good Corporate Governance (GCG) principles significantly contributed to the occurrence of corruption. GCG, as defined by the Organization for Economic Co-operation and Development (OECD) and reflected in Indonesian regulations, requires transparency, accountability, and risk management mechanisms to protect shareholder interests. In PT Timah's case, the lack of independent oversight allowed company executives to engage in collusive contracts with private smelters, including PT Refined Bangka Tin, PT Sariwiguna Bina Sentosa, PT Stanindo Inti Perkasa, PT Tinindo Inter Nusa, and CV Venus Inti Perkasa.<sup>21</sup> These arrangements were structured to maximize private gain while circumventing proper tender procedures, highlighting legal and operational gaps. The situation illustrates how inadequate governance structures can create opportunities for corporate fraud.

Analysis of PT Timah's corporate transactions demonstrates the element of opportunity within the Fraud Triangle. Company officials, including Alwi Akbar, Emil Erminda, and Mochtar Riza Pahlevi Tabrani, utilized their decision-making authority to manipulate procurement and purchasing processes, often bypassing competitive tender

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<sup>16</sup> F Saputra, B Bahreisy, dan L M Rasyid, "Resolution of the Jiwasraya insurance case: Government perspective on ensuring legal certainty and justice," *Jurnal Hukum Novelty* 16, no. 2 (2025): 346–67, <https://doi.org/10.26555/jhn.v16i2.29448>.

<sup>17</sup> Ferio Ivan Mulyono, "Optimising Bankruptcy Estate Recovery via Piercing the Corporate Veil: The Case of PT Sritex," *Media Iuris* 8, no. 3 (2025): 417–38, <https://doi.org/https://doi.org/10.20473/mi.v8i3.75505>.

<sup>18</sup> "Laporan Tahunan KPK 2023," 2023.

<sup>19</sup> Riwayat Artikel, Business Ethics, dan Business Ethics, "Analisis pentingnya peran etika bisnis dalam mencegah fraud keuangan di indonesia," *JEMBA: Journal Of Economics, Management, Business, And Accounting* 4, no. 2 (2024): 258–78.

<sup>20</sup> Budi Harsono, Jolin Floren Elvinis, dan Khellyn Vaustine, "ANALISIS PENGARUH FRAUD TRIANGLE PADA KECURANGAN LAPORAN KEUANGAN PT TIMAH TBK TAHUN 2018," *JURNAL AKUNTANSI BARELANG* 7, no. 1 (2022): 16–22.

<sup>21</sup> Fadhil, "Daftar Vonis Harvey Moeis dkk di Kasus Korupsi Timah Usai Kasasi Ditolak MA."

regulations.<sup>22</sup> Cash-based payments and “jemput bola” procurement practices allowed executives to control the pricing and sourcing of tin ore, creating conditions for personal enrichment. Legal provisions under the Criminal Code (Articles 209–218, 220, 423, 425, 435) and anti-corruption legislation explicitly prohibit such misuse of authority. The PT Timah case thus exemplifies how formal authority without effective oversight constitutes a structural enabler for corruption.

Pressure, the first element of the Fraud Triangle, manifested in PT Timah through both internal and external demands for financial performance. The need to meet shareholder expectations and maintain favorable stock prices created intense incentives for executives to manipulate financial reporting. In 2018, PT Timah reported a net profit decline of 73%, from previous figures, reflecting the mismatch between actual performance and market expectations.<sup>23</sup> This financial pressure, when coupled with weak regulatory enforcement, generated motivation for executives to rationalize fraudulent activities. Legal accountability under anti-corruption laws recognizes that such pressures do not excuse violations, but they provide context for understanding the decision-making environment.

Rationalization played a critical role in PT Timah’s corruption cases, allowing executives to justify actions that violated legal and ethical standards. According to Wells (2017), rationalization involves framing illegal actions as acceptable under certain conditions to maintain personal or organizational reputation.<sup>24</sup> Executives involved in PT Timah’s procurement and financial manipulation reportedly considered the practices necessary to achieve corporate targets and preserve employment. This aligns with international observations where rationalization often legitimizes unethical behavior in the absence of transparent governance.<sup>25</sup> Understanding rationalization is essential to design interventions that address both legal compliance and organizational culture.

Legal analysis indicates that PT Timah’s actions contravened multiple regulations, including Articles 2, 3, and 12 of Law No. 20/2001 on Corruption, Articles 3 and 4 of Law No. 8/2010 on Corruption Prevention, and Supreme Court Regulation No. 13/2016 regarding corporate criminal liability.<sup>26</sup> Violations also intersected with fiduciary responsibilities under Law No. 19/2003 concerning SOEs. The legal framework emphasizes that corporate officials may be held criminally liable for collusive actions that result in state financial loss, even if the enterprise itself benefits strategically. This highlights the dual importance of doctrinal legal analysis and practical enforcement mechanisms.

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<sup>22</sup> Syakirun Ni’am dan Ardito Ramadhan, “Kasasi Ditolak , Eks Dirut PT Timah Tetap Dihukum 20 Tahun Bui,” *Kompas.com*, 2025; Adrial Akbar, “Eks Pejabat Timah Alwin Albar Divonis 10 Tahun Bui di Kasus Korupsi Rp 300 T,” *detikNews.com*, 2025.

<sup>23</sup> Yuwoo Triatmodjo, “Timah ( TINS ) Merevisi Laporan Keuangan Tahun 2018 , Ada Apa ?,” *kontan.co.id*, 2020.

<sup>24</sup> Joseph T Wells, *Corporate Fraud Handbook : Prevention and Detection , Fifth □ dition*, John Wiley & Sons Publishing (John Wiley & Sons Publishing, 2017).

<sup>25</sup> Dorminey et al., “The Evolution of Fraud Theory.”

<sup>26</sup> Mahkamah Agung Republik Indonesia, “Peraturan Mahkamah Agung Republik Indonesia Nomor 13 Tahun 2016 Tentang Tata Cara Penanganan Perkara Tindak Pidana oleh Korporasi.” (2016).

Comparative analysis with other SOEs, such as PT Jiwasraya and PT Garuda Indonesia, shows consistent patterns of abuse of authority and weak oversight enabling corruption. In each case, executives exploited structural opportunities within corporate governance systems to manipulate contracts and financial statements. The pattern confirms the Fraud Triangle's applicability to state-owned enterprises in emerging economies, demonstrating that legal compliance alone is insufficient to prevent misconduct. Effective anti-fraud measures require harmonization of statutory law, internal governance, and oversight bodies.

Empirical data from Indonesia Corruption Watch (ICW) demonstrates that corruption-related state losses in Indonesia remain substantial over time. In 2015, ICW recorded state financial losses of approximately Rp 31.07 trillion due to corruption cases,<sup>27</sup> while in 2021 losses escalated to around Rp 62.9 trillion, with only a small fraction successfully recovered by the state.<sup>28</sup> These recurring and significant losses indicate persistent structural vulnerabilities within governance and corporate oversight systems. Such conditions create sustained opportunities for corruption, reinforcing the relevance of the Fraud Triangle's "opportunity" element in explaining corruption within state-owned enterprises. The data provide empirical grounding for the legal analysis and support the need for targeted governance reforms and stronger enforcement mechanisms.

In conclusion, the legal and empirical evidence demonstrates that corruption at PT Timah Tbk resulted from the interplay of pressure, opportunity, and rationalization, within a framework of inadequate corporate governance and regulatory oversight. Legal statutes provide mechanisms for accountability, yet gaps in enforcement and oversight allowed misconduct to persist. The case underscores the importance of integrating criminological theory with legal analysis to understand the dynamics of corporate fraud. By systematically analyzing how executives exploited legal, operational, and procedural weaknesses, the study provides insights for both law reform and enhanced anti-corruption governance in SOEs. This sub-bab lays the foundation for further discussion on how Fraud Triangle Theory can be applied to prevent similar incidents.

### **3.2. Application of the Fraud Triangle Theory in Understanding the Criminal Acts of Corruption at PT Timah, Tbk**

The Fraud Triangle Theory, developed by Donald Cressey, provides a systematic framework to examine why corporate fraud occurs. It identifies three key conditions: pressure, opportunity, and rationalization.<sup>29</sup> In the context of PT Timah Tbk, this theory enables an analytical understanding of how executives manipulated financial transactions and procurement practices. By applying the theory, it becomes possible to dissect the mechanisms that led to corruption, linking individual motivations with organizational

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<sup>27</sup> Dyah Dwi A, "ICW: korupsi 2015 rugikan negara Rp31,077 triliun," ..*antaranews.com*, 2016.

<sup>28</sup> Nursita Sari dan Vitoria Mantalean, "Negara Rugi Rp 62 , 9 Triliun karena Korupsi pada 2021 , yang Kembali Hanya Rp 1 , 4 Triliun," *Kompas.com*, 2025.

<sup>29</sup> Cressey, *Other people's money; a study Soc. Psychol. embezzlement.*; Wells, *Corporate Fraud Handbook : Prevention and Detection , Fifth □ dition.*

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vulnerabilities. This approach complements legal analysis by illustrating not only what is illegal, but why misconduct occurs.

Pressure, the first element, arises from internal and external demands on executives to achieve financial targets and maintain company performance. PT Timah Tbk faced significant shareholder and market expectations in 2018, which coincided with a reported 73% decline in net profit. Such financial stress creates a compelling motive for management to engage in fraudulent activities, including inflating financial statements and manipulating ore procurement. International studies have shown that financial pressure consistently correlates with fraud incidence, particularly in emerging market SOEs where oversight may be weaker.<sup>30</sup> In PT Timah, the pressure element underscores the importance of aligning financial expectations with ethical and legal standards.

The second element, opportunity, was particularly evident in the operations of PT Timah Tbk due to weaknesses in corporate governance and oversight mechanisms. Senior executives, including Alwi Akbar, Emil Erminda, and Mochtar Riza Pahlevi Tabrani, were alleged to have approved and facilitated schemes that enabled the company to purchase tin ore from illegal mining sources and structure such arrangements as formal business cooperation.<sup>31</sup> These practices were made possible by significant gaps in internal control systems, limited transparency, and insufficiently robust external oversight, allowing managerial discretion to be exercised with minimal accountability. International corporate fraud literature consistently highlights that weak governance and ineffective supervision create structural opportunities for fraud, with opportunity frequently identified as the most dominant driver of fraudulent behavior in both public and corporate sectors.<sup>32</sup> Although legal regulations clearly prohibit such abuses, enforcement weaknesses allowed these opportunities to be exploited in the PT Timah case.

Rationalization, the third element, involves justifying fraudulent behavior to maintain personal or organizational self-image. PT Timah executives reportedly viewed procurement manipulations as necessary to achieve corporate targets and safeguard employee interests. This mirrors patterns identified in ACFE studies, where perpetrators rationalize unethical conduct as serving the company or responding to unavoidable pressures.<sup>33</sup> Rationalization often interacts with opportunity and pressure, creating a cognitive framework that normalizes illegal behavior. From a legal perspective, rationalization does not exempt culpability but provides insight into the decision-making processes underlying corporate fraud.

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<sup>30</sup> Jack Dorminey et al., “The Evolution of Fraud Theory □ Member Login □ Email Alerts,” 2012, 11–13.

<sup>31</sup> Norbertus Arya Dwiangga Martiar, “Dua Lagi Tersangka Kasus Timah , Satu Sempat Sembunyi,” *Kompas.id*, 2024.

<sup>32</sup> Dorminey et al., “The Evolution of Fraud Theory □ Member Login □ Email Alerts.”

<sup>33</sup> Association of Certified Fraud Examiners, “Occupational Fraud 2022 : A Report To The Nations,” 2022.

The combination of pressure, opportunity, and rationalization explains the systematic nature of corruption at PT Timah Tbk. Pressure arising from corporate performance expectations created motivation, while structural weaknesses in governance and internal control systems provided the opportunity for misconduct. At the same time, rationalization enabled perpetrators to justify their actions as necessary for achieving organizational goals. This pattern is consistent with findings from global fraud research by the Association of Certified Fraud Examiners (ACFE), which shows that weaknesses in internal controls and governance structures frequently facilitate fraudulent behavior, while perpetrators commonly rationalize misconduct as being in the interest of the organization.<sup>34</sup> Similarly, international corporate fraud surveys indicate that opportunity is often the most influential element within the fraud triangle, as inadequate oversight, insufficient transparency, and discretionary authority create an enabling environment for abuse.<sup>35</sup> Thus, the fraud triangle framework provides a comprehensive analytical lens to understand the PT Timah case and supports the development of more contextually grounded preventive and enforcement strategies.

Empirical evidence emerging from investigative and judicial processes indicates that PT Timah Tbk engaged in tin ore procurement transactions sourced from illegal mining activities within its concession area through cooperation agreements with several smelters and intermediary entities. The structure of these arrangements, which is currently the subject of law enforcement proceedings, demonstrates how weaknesses in corporate governance and oversight mechanisms created conditions that enabled the acquisition and processing of illegally mined ore, ultimately resulting in significant financial losses to the state.<sup>36</sup> Within the framework of the Fraud Triangle, these circumstances reflect the interaction of pressure, opportunity, and rationalization: performance demands generated motivational pressure, institutional and supervisory weaknesses provided the opportunity, while corporate actors justified their conduct as a strategic business necessity. Accordingly, these empirical findings not only substantiate the theoretical relevance of the Fraud Triangle but also reinforce the legal dimension, given that such practices contravene statutory provisions under Law No. 20/2001 and Law No. 19/2003, which impose fiduciary duties and legal accountability on State-Owned Enterprise executives.

Comparing the PT Timah Tbk case with other state-owned enterprises reinforces the relevance of the Fraud Triangle in explaining corporate misconduct. The alleged irregularities in PT Pertamina's LNG business likewise reflected strong elements of opportunity and rationalization arising from governance and oversight weaknesses.<sup>37</sup> Such patterns illustrate structural vulnerabilities within Indonesian SOEs, particularly in high-value sectors where transparency remains limited. Comparative insights from these cases strengthen the argument that "opportunity" frequently becomes the most dominant driver of

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<sup>34</sup> Examiners; Dorminey et al., "The Evolution of Fraud Theory."

<sup>35</sup> PwC, "Global Economic Crime Survey 2024," 2024.

<sup>36</sup> Mulia Budi, "Hakim Tanya Saksi Kasus Timah: Program Jemput Bola Itu Apa Sih," *detikNews.com*, 2024.

<sup>37</sup> Haryanti Puspa Sari dan Ardito Ramadhan, "KPK Sebut Pertamina Rugi 124 Juta Dollar AS dalam Pembelian LNG," *Kompas.com*, 2025.

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corporate fraud, in line with global fraud research and international corporate governance literature.

Quantitative observations further reinforce the relevance of the Fraud Triangle Theory in explaining corruption dynamics within state-owned enterprises. Monitoring reports issued by Indonesia Corruption Watch (ICW) indicate that state losses arising from corruption in Indonesia over the past decade have reached a substantially high aggregate value,<sup>38</sup> exhibiting annual fluctuations that correspond to variations in oversight capacity, transparency, and the effectiveness of law enforcement. When these trends are examined alongside documented governance weaknesses and recorded fraud incidents, it becomes evident that opportunity and pressure consistently serve as critical enabling conditions for corruption. This empirical grounding strengthens the explanatory capacity of the Fraud Triangle by demonstrating its alignment with observable systemic patterns, while simultaneously underscoring the necessity of structural reforms particularly the enhancement of internal control systems, oversight mechanisms, and institutional accountability to effectively mitigate fraud risk within state-owned enterprises.

The Fraud Triangle framework also provides practical guidance for designing preventive measures applicable to PT Timah and comparable state-owned enterprises. Reducing opportunity requires the strengthening of internal control systems, enhancement of independent and risk-based auditing, and ensuring transparency and accountability in procurement processes. Mitigating pressure involves setting realistic corporate performance targets, adopting risk-sharing mechanisms, and promoting ethical leadership that prioritizes compliance over short-term financial gains. Meanwhile, addressing rationalization necessitates continuous ethics training, robust whistleblower protection systems, and the cultivation of an organizational culture that clearly rejects the normalization of misconduct. When implemented alongside effective legal enforcement, these measures form a multilayered preventive architecture that bridges criminological theory with regulatory compliance. International governance scholarship likewise emphasizes the importance of such integrated strategies in reducing corporate fraud risk and strengthening institutional integrity.<sup>39</sup>

In summary, applying the Fraud Triangle to PT Timah Tbk clarifies the interplay of individual motivations, organizational structures, and regulatory gaps in facilitating corruption. The analysis demonstrates that opportunity often serves as the critical trigger, amplified by financial pressure and cognitive rationalization. Integrating empirical data, case evidence, and legal provisions provides a comprehensive understanding of the mechanisms underlying SOE corruption. This approach highlights the need for combined theoretical, legal, and managerial interventions to prevent recurrence. Ultimately, the study reinforces

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<sup>38</sup> Syah, "Laporan Hasil Pemantauan Tren Korupsi Tahun 2024."

<sup>39</sup> Lokanan, "Challenges to the fraud triangle : Questions on its usefulness"; Morales, Gendron, dan Guénin-Paracini, "The construction of the risky individual and vigilant organization: A genealogy of the fraud triangle."

the value of Fraud Triangle Theory as both an explanatory and prescriptive tool in understanding and mitigating corporate fraud in state-owned enterprises.

#### 4. Conclusion

Corruption at PT Timah Tbk was driven by the interaction of pressure, opportunity, and rationalization, as explained by the Fraud Triangle Theory. Pressure stemmed from financial expectations and market performance targets, opportunity arose from weak corporate governance and inadequate oversight, and rationalization allowed executives to justify illicit actions. These factors, combined with systemic vulnerabilities in state-owned enterprise regulations, facilitated fraudulent behavior despite existing legal frameworks, including Law No. 20/2001 on Corruption and Law No. 19/2003 on State-Owned Enterprises.

Addressing such corporate fraud requires an integrated approach that combines legal enforcement, organizational reform, and behavioral interventions. Preventive measures should focus on strengthening internal controls, promoting transparency in procurement, providing ethics training, and protecting whistleblowers, while laws must support compliance and accountability. The PT Timah case highlights that legal statutes alone are insufficient; effective anti-corruption strategies must align regulatory mechanisms with organizational and cultural safeguards to reduce opportunities for misconduct and enhance integrity in state-owned enterprises.

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