

# ANALYSIS OF SOCIO-ECONOMIC CONDITIONS, COMMUNITY UNDERSTANDING, SERVICE QUALITY ON THE PROBABILITY OF BRIBERY THROUGH LICENSING TRANSPARENCY AS INTERVENING VARIABLES

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Article history: received 02 June 2022; revised 06 June 2022; accepted 12 June 2022

DOI: <https://doi.org/10.33751/jhss.v6i2.5443>

**Abstract.** This research was motivated by several bribery cases that occurred in North Sumatra. This indicates that there are problems that occur in the Investment Office, the Integrated Investment and Licensing Service, so that officers have great potential to be bribed by the public. On that basis, the researchers tried to analyze the socio-economic conditions, public understanding and service quality at the Integrated Licensing and Investment Service Office, One Stop, North Sumatra Province, on the probability of bribery with licensing transparency seen as an indirect or intervening variable. The type of research that will be conducted is quantitative research. Quantitative methods are used to see the similarities in the response to the perception of the probability of bribing that occur in the Integrated Investment and Licensing Service. This research is also specifically an Explanatory Survey. The results of this study show that of the eight effects, there are four hypotheses that have a significant effect, namely public understanding of licensing transparency, public understanding of the probability of bribery, service quality on licensing transparency and licensing transparency on the probability of bribery. In addition, there are three hypotheses that have no effect, namely socio-economic on the transparency of licensing, socio-economic on the probability of bribery and service quality on the probability of bribery. Furthermore, on the indirect effect, it can be seen that socioeconomics has no effect on the probability of bribery through licensing transparency as an intermediate or indirect variable, public understanding affects the probability of bribery through licensing transparency as an intermediate variable and service quality affects the probability of bribery through licensing transparency as an intermediate variable.

**Keywords:** probability of bribing; licensing transparency; investment office

## I. INTRODUCTION

The rise of bribery cases in this country will not escape the negative impact on the economy in general. Because in the economic perspective, economic activities are like links that are interrelated with one another, especially in the current era of globalization. So that perspective must be used not only individually but also collectively. If in economic activity there are parties who ignore moral and ethical values, it will automatically spread successive domino effects, such as: Injustice, income inequality, damage to resources and the environment and damage to the economy in general, so that it has the potential to result in various good crimes in the business world. and society which will lead to the decline of human civilization. The accumulation of the high cost economy in the business world, the deteriorating economy and the spread of crime in the business world and in various social strata of society will be felt by all citizens, whether involved in the practice of bribery or not in public services. In other words, studying bribery is part of the search for economics, especially in the public economy.

The investment office has a high potential for non-bribery. Currently, officers are still looking for documents in the case of a hand arrest operation related to extortion against applicants for the construction of underground water permits in North Sumatra (Warsito [1]). Furthermore, in

2018 concerning the North Sumatran police who named the Head of the Padang Lawas Regency Investment and One Stop Service as a suspect, for accepting bribes. Furthermore, in 2020 the Head of the North Sumatra Province Integrated Investment and Licensing Service was named a corruption suspect. The modes are manipulation of the Letter of Accountability (SPJ), fictitious work and volume reduction" (Arfah [2]). Based on bribery cases that have occurred both in North Sumatra and other regions, this indicates that there are problems that occur in the Investment Office so that officers have great potential to be bribed by the public. For that academically, researchers are trying to unravel this by looking at the aspects contained in the community so that they try to bribe officers.

In addition, when talking about unscrupulous bureaucrats in government, it means that the bribery case was carried out by the community to the service officer. It is increasingly interesting that there are other influences that led to the bribery case carried out by these bureaucrats. Therefore, this study wants to analyze some of the influences that can lead to bribery. These influences include socio-economic conditions, public understanding, service quality and licensing transparency. Socio-economic conditions are a condition or position that is socially regulated and is a person in a certain position in the social structure of society, the granting of this position is accompanied by a certain

position in the social structure of society, the granting of this position is accompanied by a set of rights and obligations that must be fulfilled by the carrier status [2]. Socio-economic is the position or position of a person in a community group which is determined by the type of economic activity, education and income (Wayan [3]).

Understanding is the process of how a person maintains, concludes. Interpreting, generalizing, giving examples, rewriting and estimating (Suharsimi [4])[5], while understanding is defined as the process of constructing the meaning of instructional messages, including oral and written communication [6] (Anderson and Krathwol [7]). The above definition shows that someone who understands an information will maintain, interpret and others something he gets.

Quality according to Kotler and Armstrong [8] is: "The ability of a product to perform its functions", which means the ability of a product to provide performance according to its function. Excellent quality will build consumer confidence so that it is a supporter of consumer satisfaction.

Transparency is a principle that guarantees access or freedom for everyone to obtain information about the administration of government, namely information about policies, the process of making and the results achieved by Lalolo [9]. The probability of bribery is the possibility or opportunity for the giving of benefits that are not in accordance with the proper rules in a government, private institution, which is carried out between individuals and individuals, individuals with groups, or groups with groups, directly or indirectly as an inducement or gift to people. or a group that acts or refrains from acting in relation to the performance of the task of that person or group [9].

## II. RESEARCH METHODS

The type of research that will be conducted is quantitative research. Quantitative methods are used to see the similarities in the response to the perception of the probability of bribery that occur in the One Stop Integrated Licensing and Investment Service Office of North Sumatra Province. This research was conducted with the help of quantification of employee perception data. Thus the processing and interpretation of the results can more easily produce scientific information. Translation and analysis of data using statistics with the aim of generalizing the findings based on the sample to the study population.

The method used is a survey method. This research was conducted on a population of visitors openly, but the data studied were samples taken from that population, so that a causal relationship between variables would be found that were appropriate for that population (Sugiyono [10]). Analysis of Variance Based Structural Equation Model (VB-SEM) or commonly called Partial Least Square (PLS) is used to see the relationship and influence between variables using survey data.

## III. RESULTS AND DISCUSSION

Whether or not a hypothesis is accepted in the SmartPLS 3.0 unit can be done with the bootstrapping function. The results of these tests are compared based on the provisions of the significance level and t-value. In this study, the hypothesis is accepted if it has a significance level less than 0.05 or the t-value exceeds t-table. The table value for the number of respondents as many as 100 is 1.96. The results of bootstrapping in this study can be seen as follows:

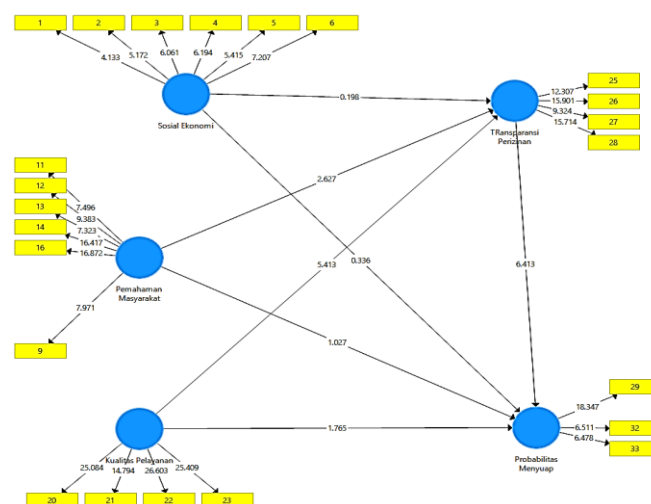


Figure 1. Bootstrapping Path Diagram

Based on the results of the bootstrapping test above, the results of the analysis can be seen from the following table 1.

Table 1. Results of Path Coefficient

	Original Sampel	Sampel Mean	Standart Deviation	TStatistic	PValue	Hipotesis
Socio-economic-Transparency of licensing	0,021	-0,002	0,101	0,206	0,837	Denied
Socio-Economic-Probability of Bribery	0,036	0,040	0,110	0,326	0,744	Denied
Community Understanding-Licensing Transparency	0,242	0,257	0,092	2,619	0,009	accepted
Community Understanding-Probability of Bribery	0,266	0,279	0,114	2,331	0,020	accepted
Quality of Service-Licensing Transparency	0,588	0,574	0,108	5,451	0,000	accepted
Quality of service-Probability of Bribes	0,187	0,172	0,142	1,318	0,188	Denied
Licensing Transparency-Bribery Probability	0,722	0,736	0,107	6,725	0,000	accepted

Source: SmartPLS data processing results

Based on the table 1. above, it can be seen that the dynamics occurred from the direct influence test. In testing

the first hypothesis, the socio-economic influence on Licensing Transparency in the Investment Service and One Stop Integrated Licensing Service in North Sumatra Province. Of the seven direct hypotheses, four hypotheses were accepted (community understanding-permitting transparency, public understanding-bribery probability, service quality-permitting transparency and licensing transparency-bribery probability) and three rejected hypotheses (Socio-economic-permitting transparency, socio-economic- bribery probability, and service quality-bribery probability).

The results of this study are in line with research conducted by Enggarani [11]. He revealed that the quality of public services in BPMP2T measured through IKM reached 81.49% this shows that the quality of service is very good. The results of this study are also not in line with research conducted by Naibaho [12] which states that groups of poor people who have a perception that the quality of service in their area is poor significantly experience an increase in the ratio of opportunities to bribe. The results of this study indicate that the better the level of education, employment and income will make a person understand the importance of avoiding bribery.

The results of this study are not in line with research conducted by Andri Irawati [13]. Where the implementation of public services carried out by the Office of Investment and One Stop Integrated Services (DPMP2TSP) is not transparent enough. This can be seen from the results of the analysis which show that the indicators of transparency, namely the openness of the service process, the ease of access to information, and the complaint mechanism in general have not shown maximum results. Meanwhile, the indirect effect can be seen from the following table:

Table 2 Indirect Effect

	Original Sampel	Sampel Mean	Standart Deviation	T Statistic	P Value	Hipotesis
Socio-economic-Transparency of Licensing-Probability of Bribery	-0,015	-0,002	0,073	0,204	0,838	Ditolak
Community Understanding-Transparency of Licensing-Probability of Bribery	0,175	0,188	0,069	2,515	0,012	Diterima
Quality of Service-Transparency of Licensing-Probability of Bribery	0,424	0,427	0,118	3,606	0,000	Diterima

Source: SmartPLS data processing results

Based on the table above, it can be seen that two hypotheses were accepted (community understanding-transparency of licensing-probability of bribery and service quality-transparency of permits-probability of bribery) and one hypothesis was rejected, namely Socio-economic-transparency of licensing-probability of bribery. Based on the above results, the licensing transparency variable is not able to properly mediate between socio-economic variables and the probability of bribery. This is also due to socio-economic factors which have no direct effect on the

probability of bribery. The existence of the licensing transparency variable that affects the probability of bribery does not have much effect in this study. In other words, whatever happens in relation to bribery at the One Stop Integrated Licensing Service and Investment Office, North Sumatra Province is not affected by socio-economic and licensing transparency.

The different conditions can be seen from the second indirect effect where the licensing transparency variable is able to mediate well between the variables of public understanding of the probability of bribing. This is also due to the understanding of the community which directly affects the bribery probability variable. The existence of the licensing transparency variable that affects the probability of bribery strengthens the influence in this study. In other words, anything that happens related to bribery at the One Stop Integrated Licensing Service and Investment Office of North Sumatra Province is influenced by wrong public understanding and non-transparent licensing.

Furthermore, the licensing transparency variable is able to mediate well between the service quality variables and the probability of bribery. This is not due to the quality of service which directly affects the bribery probability variable. The existence of the licensing transparency variable that affects the probability of bribery ultimately strengthens the influence in this study. In other words, anything that happens related to bribery at the North Sumatra Province One Stop Investment and Licensing Service is influenced by poor service quality and non-transparent licensing.

In Indonesia, bribery in the private sector was initially seen as a normal act as long as it was in the private sector with the private sector so that if there was a violation of this matter, it would be resolved through private law. The act of a private party bribing another private party is seen as an unlawful act in civil law.

Based on public economic theory, bribery in the private sector is part of corruption in the private sector which was born as a reaction to economic growth. There are three factors that make this criminalization necessary. The first is the rapid growth of the private sector and the large number, especially in third world countries, which exceeds the growth in the public sector, secondly the privatization of economic activities and thirdly the birth and development of multinational companies. These three factors encourage corrupt practices that not only involve the public sector but also occur between the private sector. This practice is not only carried out by individuals but also involves corporations.

The development of bribery in the private sector has a similar impact to bribery in the public sector because it not only destroys public confidence in business in the private sector, it also undermines fair business competition and damages the functioning of the market which will ultimately damage the economy of a country. According to Boles, bribery in the private sector is a crime like bribery in the public sector because it violates obligations and trust so that it is dangerous for the interests of both sectors.

Based on the results of hypothesis testing, of the 10 proposed hypotheses, six were accepted and four were rejected. However, what needs to be underlined, although there are four rejected hypotheses, the original sample still shows positive things, in other words, variables that have no effect are still positive. Based on these results, it can be concluded that the probability of bribing at the One Stop Integrated Investment and Licensing Service of North Sumatra Province is quite low or if viewed from the rsquare value of 0.414 or equivalent to 41%. This aspect shows that bribery does not necessarily disappear in work operations, but the existence of the One Stop Integrated Licensing and Investment Service Office of North Sumatra Province in showing transparency in licensing management is an answer.

Several cases of bribery were described in the previous background, such as the North Sumatra POLDA (SUMUT) which searched the Office of the Investment and One Stop Integrated Licensing Service (DPMPTSP) of the North Sumatra Provincial Government in 2017, the North Sumatra POLDA which appointed the Head of the Investment Office. and the Padang Lawas Regency One Stop Service, Arseh Hasibuan, as a suspect, for accepting bribes in 2018 and the Head of the North Sumatra Province One Stop Investment and Licensing Service, HMA Effendi Pohan, who was named a corruption suspect in 2020, basically only a ripple that does not make the conclusion that acts of bribery often occur in the North Sumatra Province One Stop Integrated Investment and Licensing Service. This is evidenced by the socio-economic conditions of the community that do not affect bribery, good public understanding regarding licensing procedures, excellent service quality and transparent licensing. In other words, the results of this study prove that the One Stop Integrated Investment and Licensing Service Office of North Sumatra Province is worthy enough to get appreciation in carrying out its work duties and serving the public interest.

#### IV. CONCLUSION

Based on the results of the research presented in the previous chapter, the conclusions for this study are as follows: There is no socio-economic effect of licensing transparency in the One Stop Integrated Investment and Licensing Service of North Sumatra Province. In other words, the applicant's socioeconomic conditions do not affect the efforts of the North Sumatra Province One Stop Investment and Licensing Service to implement transparent licensing. There is no socio-economic influence on the probability of bribing at the One Stop Integrated Licensing and Investment Service Office of North Sumatra Province. In other words, the applicant's socio-economic condition does not affect his efforts to bribe at the One Stop Integrated Licensing and Investment Service Office of North Sumatra Province. There is an influence of public understanding on the transparency of licensing at the Investment Office and One Stop Integrated Licensing Service of North Sumatra Province. In other words, the public's understanding of licensing does not affect the transparency of the licensing

process. There is an influence of public understanding on the probability of bribing at the One Stop Integrated Licensing and Investment Service Office of North Sumatra Province. In other words, the understanding that the community has regarding licensing affects the perspective on bribery. There is an influence of service quality on the transparency of licensing at the Investment Office and One Stop Integrated Licensing Service of North Sumatra Province. In other words, the quality of service goes hand in hand with the application of transparency related to licensing. There is no influence of service quality on the probability of bribery at the One Stop Integrated Licensing and Investment Service Office of North Sumatra Province. In other words, the quality of service is in line with the lack of bribery. There is an effect of licensing transparency on the probability of bribing at the Investment Service and One Stop Integrated Licensing Service of North Sumatra Province. In other words, licensing transparency affects the perspective on bribery. There is no socio-economic influence on the probability of bribing at the One Stop Integrated Licensing Service and Investment Office of North Sumatra Province through the application of Licensing transparency. In other words, whatever happens related to bribery at the North Sumatra Province Investment and One Stop Integrated Licensing Service is not affected by socio-economic and licensing transparency. There is an influence of public understanding on the probability of bribery at the One Stop Integrated Licensing Service and Investment Office of North Sumatra Province through the application of Licensing transparency. In other words, anything that happens related to bribery at the One Stop Integrated Licensing Service and Investment Office of North Sumatra Province is influenced by wrong public understanding and non-transparent licensing. There is an influence of service quality on the probability of bribery in the One Stop Integrated Licensing and Investment Service Office of North Sumatra Province through the application of Licensing transparency. In other words, anything that happens related to bribery at the North Sumatra Province One Stop Investment and Licensing Service is influenced by poor service quality and non-transparent licensing.

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