

Government Roles in Mitigating the Fraudulence of Hajj and Umrah Travel Industry in Indonesia

Puji Handayati, Ridoni Fardeni Harahap, Aulia Herdiani*
State University of Malang

Keywords: fraudulence, travel industry, government

Abstract: Numerous enthusiasts turn to the travel industry to play an important role in fulfilling the vast demands of hajj and umrah. Travel agents for hajj and umrah have been growing rapidly in number, leading to competitive circumstances. This issue obviously points out that travel agents attempt to improve their business by rolling the investment to other sectors. This study aims to explore whether the investment made by the travel industry is only an immaturity in maintaining the business or an intention to swindle, guising a promotion of a cheap journey. Using a descriptive qualitative approach with content analysis of PT First Travel (FT) case, this study revealed that FT was indicated for having an intention to commit fraud. This has been proven by the existence of biased practices perpetuated by the main owner of FT. In this case, the government has already reacted responsively by renewing the regulations for umrah pilgrimage. Moreover, the government is also expected to firmly hold on to the policy and enhance coordination among departments regularly to control travel agents for umrah, in terms of not to lose any requirement for Hajj and Umrah to both the travel agents and customers. In addition, strengthening the policy of minimal costs as the principal sufficiency standard for travel agents and strengthening requirements of free independent agents is necessary and tends to play an important role as the controlling mechanism.

1 INTRODUCTION

The domination of Muslim residents in Indonesia provides an opportunity to fulfill hajj and umrah travels as one of their requirements of worship to be filled. The hajj quota of Indonesia has increased in the past two years to a number of 221,000, but this number is no more than 10% of the annual total of those interested in going on the hajj and umrah in Indonesia each year. This imbalance between the quota and interested hajj pilgrims causes an overload in the number of Indonesian Muslims that cannot immediately go on the hajj. As a result, people have to wait approximately 17-18 years from when they first register to the time they are to depart on the hajj (Purnamasari, 2017).

This long waiting time to go on the hajj causes many Indonesian Muslims to choose to go on the umrah first, because it does not require a long waiting period, nor the high costs of the hajj. With many people interested in the umrah and hajj, there has been an explosion in the number of Hajj and Umrah pilgrimage agents that compete with each other to obtain as many pilgrims as possible through

various methods from significant discounts on umrah fares to even committing fraud.

This explosion of travel agents for Hajj and Umrah pilgrimages, who wish to capture as many pilgrims as possible, has caused cases of fraud by travel agents for hajj and umrah pilgrimages to become rampant in Indonesia. M. Arfi Hatim, the chief of the Sub-Directorate of Umrah and Hajj Supervision in the Directorate-General for Organization of Hajj and Umrah, in *Tribunjateng* (2017) mentioned that as of the end of August 2017, the Ministry of Religion had revoked permits of 25 travel agents for hajj and umrah pilgrimages. The permits of the companies were revoked because the companies had committed three violations, namely exceeding the applicability period of visas, threatening the security of pilgrims, and failing to send pilgrims on their journey (*Tribunjateng*, 2017).

One of the travel agent companies for umrah and hajj that had its permit revoked and became a focus of attention in Indonesia in 2017 is PT First Anugerah Karya Wisata, commonly referred as First Travel (FT). The permit for FT was officially revoked on August 1, 2017, by the Ministry of

Religion because the company had been proven to violate Article 65 Letter an of Government Regulation Number 79 of the Year 2012 on the Execution of UU 13/2008 on the Organization of Hajj and Umrah pilgrimages. FT had caused losses to pilgrims, approximately 35,000 of them, with nearly half of its total pilgrims unable to go to the Holy Land (Arkhelau, 2017). In addition, FT also caused losses to many of its agents, who were paid on commission, as well as to many of its business partners, both in and out of the country. FT is owned by a married couple who have the concurrent positions of Executive Director and Director. Both of the owners of FT, as well as the younger sister of the owners who concurrently held the positions of Financial Manager and Commissioner of First Travel, have been named as suspects.

Overall, FT is suspected to have used a Ponzi scheme in managing the hajj and umrah travel business, causing the company to fail to send pilgrims. A business that utilizes the Ponzi scheme will collapse if funds from new investors can no longer cover the funds to pay for old investors (Lau, 2005). In the case of FT, funds from new pilgrims could not cover the funds to pay to send previous pilgrims, causing FT to collapse and fail to send umrah pilgrims (Tio, 2017). As such, it becomes interesting to analyze in depth the case of fraudulent investments that companies commit with the promise of cheap pilgrimages, as well as the mechanism of supervision and control conducted by the government on this industry, with the consideration of the eager needs of the people for hajj and umrah pilgrimages.

1.1 Cases of Travel Agents for Hajj and Umrah in Indonesia

PT First Anugerah Karya Wisata (First Travel) is one of the companies that serves as a travel agent for hajj and umrah pilgrimages in Indonesia, which had its permit revoked on August 1, 2017 by the Ministry of Religion, having been proven to violate Article 65 Letter a of Government Regulation Number 79 of Year 2012 on the Execution of UU 13/2008 on the Organization of Hajj and Umrah pilgrimages. The owners of First Travel (FT) are a married couple serving as both Executive Director and Director, who have been named suspects.

The fraud committed by FT is the most-highlighted case in Indonesia in 2017. This is because the case has caused losses to many pilgrims, wherein 35,000 pilgrims failed to depart to the Holy Land. This number is more than half of the total of

all FT pilgrims, numbering to 70,000 people (Arkhelau, 2017). In addition to the many deceived pilgrims, this case is hotly discussed because FT is known as a travel agent for hajj and umrah that offered to send pilgrims for prices cheaper than what other travel agents offer. Their prices were below the established minimum price for umrah pilgrimage by the Ministry of Religions and the Muslim Association for Organization of Hajj and Umrah of the Republic of Indonesia (Amphuri), which is \$ 1,700 or Rp. 22 million (Tio, 2017). This, of course, attracted many pilgrims who wanted to invest their money to FT in the hope of being sent on the Umrah pilgrimage at a cheap price. Another reason that the FT case became a highlight was because the wife of the owner of FT was known as a national fashion designer with international achievements, even being named as one of the "Inspiring Women 2017" by Forbes Indonesia magazine in the field of fashion, on predicate with Sri Mulyani in the field of governance (Indra, 2017). Moreover, the married couple owning FT is also known for their rich lifestyle and showing off photos of this lifestyle on social media (Movanita, 2017).

FT stated that the cheap promotional packages could be implemented through cross-subsidies from other packages (Tio, 2017). Further, Tio (2017) wrote that FT utilized a Ponzi scheme, which could be said to be "robbing Peter to pay Paul". FT sent the first wave of pilgrims using funds from pilgrims in the next wave and progressed similarly onwards up to a point where money from new pilgrims could not cover the fees to send older pilgrims. As such, FT collapsed and failed to send pilgrims. Even in the bank accounts belonging to FT, there was only Rp 1.5 million left at the time the company had its permit revoked on August 2017, which belonged to 35,000 pilgrims (Arkhelau, 2017). Losses of pilgrims are valued at Rp. 848 billion, and when the flow of funds was questioned, neither the management nor the company attorneys could inform (Mustaqim, 2017). Currently, the Center for Reporting and Analysis of Financial Transactions (PPATK) is still tracing where the funds went.

1.2 Fraudulence

Fraud constitutes various kinds of illegal acts, and its discussion is limited to "occupational fraud", which is the fraud that occurs in companies in working relations (Tuanakotta, 2010). Schematically, the Association of Certified Fraud Examiners (ACFE) describes occupational fraud in a "fraud tree"

possessing the three branches of corruption, asset misappropriation, and fraudulent statement.

Corruption is not the same as “*korupsi*” in legal regulations in Indonesia. The term “*korupsi*” in Indonesia covers 30 acts of corruption regulated by Law Number 31 of the Year 1999 and not the four forms included in the branches, which are a conflict of interest, bribery, illegal gratuities, and economic extortion. Asset misappropriation (embezzlement) is conducted by a person given the authority to supervise the assets. The fraudulent statement describes fraud that is well known by auditors conducting a general audit (opinion audit) because it is related to financial reports.

According to Cressey (1953), the hypothesis that explains how fraud occurs today is better known as the fraud triangle (Tuanakotta, 2010). One corner of the fraud triangle is pressure, another corner is perceived opportunity, and the third corner is a rationalization. Fraud usually occurs because of financial pressure due to problems that are faced by someone who commits the fraud. The financial problems are personal and cannot be told to others because of various issues, which leads to the resolution of the problems in a secret and stealthy manner. The second corner is perceived opportunity, which means that when actors of fraud face the pressure that cannot be told, the fraud actor has the perception that there is an opportunity for the actor to commit a crime without being known by others. The third corner is rationalization, which is seeking justification for the crime to be committed, and not afterward. Rationalization is needed so that an actor can accept the committed illegal acts to maintain the image as a trusted person.

1.3 Ponzi Scheme

A Ponzi scheme is a form of fraudulent investment that is believed to have been first committed by an Italian citizen who moved to the United States and changed his name to Charles Ponzi. Charles Ponzi was a person who highly desired to get rich quickly. Over the course of his life, Charles Ponzi had been imprisoned several times for fraud. While Ponzi was in Boston, he often mailed letters to his family to update his condition. In the 1890s, someone in the United States could include a coupon in a mail to save costs on buying stamps, and this coupon could be sold to certain countries. From this, Ponzi conceived the idea that coupons purchased in countries with weak economies could be sold in the United States with a number of benefits. With some of his savings, he attempted to carry out, but he

found that the scheme could not succeed because it turns out a majority of the profits of the postal organization.

Though the idea failed, Ponzi saw that each time he talked about the idea to other people, they appeared interested and continued to query about the investment. From then on, Ponzi began to carry out the scheme by looking for investors. Ponzi claimed that he could create profits of 100% within several months, but because of the lack of capital to exploit the weakness of the international postal system, he did not mind to share profits with investors.

Ponzi succeeded in a presentation by giving the example that a coupon he purchased in Spain at a price of one cent could be exchanged to an equivalent value of six cents in the United States. Below is the outline of a Ponzi scheme:

- a. The program creator uses funds from their own investors to pay the interest in their “investment” while convincing them to maintain their investment.
- b. The program creator seeks new investors and uses their funds to pay off old investors.

With greater promised interest, the need of the program creator to find new participants is also larger. With faster-promised deadlines, the program creator needs to find new investors quickly. The Ponzi scheme cannot last for too long because of the limited number of participants in any geographical area. This scheme could last longer if the program creator could create a source of revenue in another region after the participants in a region have reached the maximum (Lau, 2005).

1.4 Previous Study

Omanyo (2017) on her research found that Ponzi schemes had continued to operate in Kenya. Furthermore, Omayo (2017) identified that there are various challenges faced by the regulator for Ponzi schemes. She concluded that political interference in investigations was the key challenge. Omayo also found that lack of strict legal regulatory environment was dealing with this sustainability of Ponzi schemes. This study had also observed that collaboration between the financial industry and government is the key factor to reduce or even eliminate Ponzi scheme practice. In this case, the government has a very important role in mitigating fraud in some countries as the regulator has more power to give some regulation and punishment to the Ponzi scheme perpetrator. On the other hand, Schain (2011) described that the vulnerability of the victims of the Ponzi scheme is due to information

overload nowadays. People easily accept the information without doing any further investigation. So that, people should be more selective in choosing investment and the government should make any strict regulations on it.

2 METHOD

This research uses a descriptive qualitative approach with content analysis method. The first stage had been done by collecting some literature or study documentation such as articles, video, and reports related to the case of FT. Next, research concept was selected and categorized into some theme or term that would had been described and analyzed. The Fraudulence committed by FT from Fraud Triangle and Ponzi scheme point of view and the role of government regarding FT case is the specific terms that would had been analyzed and described from all the documentation study that conducted before. Of the 25 similar cases of fraud, this research used the FT case as the limitation of the term of the subject that had been analysed and described with the consideration that the case had a significant number of victims as well as the involvement of the government in revealing the case.

Krippendorff (2004) defined content analysis as a research technique to conclude the meaning of text or procedure that is reliable, replicable, and valid. Krippendorff (2004) did not restrict the text as a written text, but it can be other meaningful matter such as painting, picture, sound, video, or symbol. Content analysis is conducted to provide descriptions and analysis from the points of view of the government, law enforcement, the people, and the related actors so that the achieved conclusion is a synthesis of the perspectives of the actors and theoretical-empirical study. This research utilized recorded interviews from television programs and reviews of the FT case in mass media as the data source. The selection of data sources or research subjects was done in accordance with the aim, which was to have informants who possess the scope of knowledge and experience of the scandal committed by FT.

This research used the data collection technique of study of documents. The collected data were analyzed using the qualitative data analysis technique of Miles and Huberman (2009). There are three steps in the qualitative data analysis: data reduction, data display, and drawing conclusions. Data reduction was conducted with the technique of semiotic assertion (thematic analysis), by identifying

statements connected to the fraud committed by FT such that it has a certain frequency, or how often the fraud of FT was mentioned in various media and documents. The results of this research were validated by extended observation, triangulation, audit trail, and expert opinion.

3 RESULTS AND DISCUSSION

3.1 Fraudulence

The fraudulent investment in the form of cheap umrah pilgrimages conducted by First Travel (FT) officials has been tried in court. The married couple who own FT was proven to have conducted the criminal act of fraud collectively as regulated and charged with Article 378 of the Criminal Code juncto Article 55 Paragraph 1 Number 1 of the Criminal Code. The officials of FT were legally and convincingly proven to have conducted the crime of placing, transferring, switching, spending, paying using, giving, storing, carrying internationally, changing the form of, trading the currency of or to negotiable instruments from, or committing other actions to wealth which is known to be or suspected as the result of fraud as regulated in Article 2 Paragraph 1 with the aim hiding or concealing origins of wealth, conducted together and continuing in the second charge of violating Article 3 of Law Number 8 of Year 2010 on the Prevention and Eradication of the Criminal Act of Money Laundering juncto Article 55 Paragraph 1 Number 1 of the Criminal Code (Irawan, 2018). At the time this article was composed, the officials of FT had filed an appeal to the State Court of Depok. From the results of sentencing in court, it can then be perceived that the FT case is a form of fraud committed by the officials of FT. However, there needs to be an examination or review of how this case occurred, whether the fraud that occurred with FT was intentional or simply mismanagement within the company.

According to the Indonesian Criminal Code, the fraud committed by FT is an act of fraud as regulated in Article 378 with the aim of benefiting oneself or other people illegally, by a fake name or reputation, tricks, a series of lies, having other people transfer goods, or providing loans or removing debts. Using the ACFE Fraud Tree as a reference, the fraud of FT is classified as an act of Corruption as well as Asset Misappropriation. FT is a form of a family firm that possesses a unique organizational structure, wherein a majority is

possessed and controlled by parties with family relationships, as the married couple who is concurrent as Executive Director, Director, and Commissioner. In other words, there is an indication of CEO Duality in FT. Concurrent positions among owners and board of directors in family firms is a common occurrence. This is in line with research by Stewart (1991) who found that CEO Duality can accelerate the process of making decisions in a firm because of more directed focus on company goals and implementation of many decisions that are operational in nature (Rahman and Haniffa, 2005). On the other hand, as is the case with FT, CEO Duality can also result in a lack of independence because of a more dominant party in management (Cadbury Report, 1992), and it becomes difficult to supervise management, causing asymmetry of information and lack of transparency in the flow of funds of FT pilgrims, leading to embezzlement and money laundering by those in concurrent positions.

3.2 Fraud Triangle

The scheme that causes the fraud committed by owners of FT may be explained using the fraud triangle (Cressey, 1953; Tuanakotta, 2010). The fraud committed by FT occurred because of pressure or financial problems faced by FT officials, in particular, the married couple owning FT. These financial problems are privy to the married couple owning FT and cannot be told to other people (non-sharable problems) because of certain issues, which are forced to be resolved in secret. In his research, Cressey (1953) outlined six situations of non-sharable problems faced by fraud actors, which are 1) Violation of Ascribed Obligation, 2) Problems Resulting from Personal Failure, 3) Business Reversals, 4) Physical Isolation, 5) Status Gaining, and 6) Employer-Employee Relations. In the FT case, the married couple and owners of FT experienced the situations of Problems Resulting from Personal Failure, Business Reversals, and Status Gaining.

Referring to their history, the owning couple of FT possesses non-sharable problems, where they faced a situation of Status Gaining starting from 2016. In this situation, the married couple attempted to obtain a higher status and to maintain the status they possessed at the time as rich entrepreneurs with all the luxurious facilities that they often show off on social media. The problems were realized from the start, that the funds in their treasury could not send the next wave of pilgrims because they had to pay vendors and employee salaries (Putri, 2018). Even

so, the couple owning FT did not want to talk about their problems because they were caught up in the glamorous life they possessed and wished to continue enjoying it by making promotions on all online media, using celebrities for endorsement opening new franchises, and recruiting new FT agents. Because of their zeal to maintain their social status, the money of thousands of pilgrims interested by FT promotions was not invested well and instead secretly stolen to finance the luxurious lifestyle of the FT owners. Their background of early economic difficulties in creating various kinds of small businesses that eventually closed and almost committing suicide because of losses after having been deceived in business made them even more determined not to get caught in poverty once again.

In addition to Status Gaining, the owners of FT also experienced the situation of Problems Resulting from Personal Failure that they did not tell other people, causing them to secretly commit fraud. This situation is the personal failure experienced by the owners of FT who have the position of Executive Director of FT who are well-respected and trusted by thousands of pilgrims to invest their money to go on the Umrah pilgrimage. In this situation, the owner of FT continues to talk to his wife, and in the end, they commit the fraud together by continuously obtaining additional funds from the cheap umrah promotion, although they understood that the collected funds could not send all pilgrims on time. The married couple owning FT is afraid of losing their status as trusted people in the field of finances, reinforced by a statement in mass media:

“...our business grew quickly because of the trust of the people in us”,

As such, they are afraid to admit their failure in investing the money from pilgrims. Yet, if they had actually informed about the problems from the start and fixed their existing promotions, the problems might not have grown larger and could be resolved in a better way. However, they continued to swindle money from pilgrims in order to maintain their self-dignity.

The married couple also experienced the situation of Business Reversals. In contrast to the situation of Problems Resulting from Personal Failure, the couple owning FT felt that the condition was not a personal failure but was due to external conditions beyond them, which are inflation and the exchange rate of the rupiah to other currencies, which had continued to rise. The business of umrah travel is very much influenced by the exchange rates

of foreign currencies toward the rupiah because it involves transactions between countries. In facing the situation, FT officials chose not to inform pilgrims and the greater public, yet continued to maintain the unreasonable promotional packages while continuing to hope that the situation would improve and that each passing day would bring new hope. This faith was also indicated with the statement made by Andika while arrested by the police; he wanted to be freed to seek new investment to send off pilgrims and pay off vendors. When asked how he was going to do so, he responded by collecting more money from pilgrims using the existing promotional packages. This is quite unreasonable that instead of being able to obtain funds by investing in other businesses, the owner of FT only keeps and manages funds collected from new pilgrims to send off pilgrims that had earlier registered. The cheap umrah fee is incomparable in value to the fee needed to even send one pilgrim. This faith was also strengthened by the FT legal team, who wanted the owner to be freed to be able to seek new investment to send off pilgrims and pay off vendors. This was merely done to give the impression to other people that he was still successful though he in actuality had failed.

The situations faced by the FT owners pushed them to solve their problems in secret. The existence of non-sharable financial problems means that the pressure to FT owners did not directly cause them to commit the fraudulent acts. In reference to the fraud triangle, non-sharable financial problems, concerning Problems Resulting from Personal Failure, Business Reversals, and Gaining Status, is the motive of the occurrence of the fraud, constituting the first corner of the fraud triangle, which is pressure. In the second corner of the fraud triangle, actors of fraud must possess the perception that there is an opportunity or chance to commit fraud without being known by other people, as the perceived opportunity. According to Cressey, there are two components of the perception of opportunity, which are General Information and Technical Skill. General Information constitutes information that is known by FT owners that they have seen or heard experiences with similar cases, but these were not punished or given sanctions; even if there were punishments or sanctions, they were neither heavy nor discouraging. In this case, the owners of FT saw that there were several other cases of travel agent frauds that resulted in only two years of jail theme (Rosi, 2017); it may even be possible to pay for a good cell the same way Indonesian corruptors get theirs. With respect to Technical Skill,

the owner of FT was convinced that he possessed good abilities in the field of umrah travel that he was in for more or less six years, and he felt that he possessed a great ability in seeking investment funds and send off umrah pilgrims.

The third corner of the fraud triangle is a rationalization or seeking justification before committing an act of fraud. This rationalization is needed as part of the motivation to commit fraud. The rationalization is also needed for the actor to be able to digest and accept the illegal act, to be able to maintain the image as a person possessing a high social status and trusted by many people to handle finances. In their fraud, FT owners rationalized the actions they conducted with the justification that they could, later on, pay off the vendors and send off the rest of the pilgrims by collecting funds from new pilgrims. In the defense that was read during the trial, the owner of FT objected the accusations of the public prosecutor, being too heavy because it exaggerated the losses of the pilgrims, which is incomparable to the number of pilgrims which have been sent previously by FT. In the defense, he also blamed the Ministry of Religion for revoking the permit of PT FT, causing the FT owners to no longer be able to seek new investment to pay off debts to vendors and send off pilgrims. In addition, vendors who trusted the couple owning FT because of their appearance and luxurious lifestyle also became their rationalization as justification that FT could always borrow and incur debt in order to continue to send off pilgrims. The owners of FT felt that this was always successful, leading them to irrationally and unjustifiably take money to cover expenses, causing FT to fail and losses to many pilgrims. Next, it was always believed that the fraud committed could always be covered up with new investment from obscure sources. Thus, the three corners of the fraud triangle are complete, with the owners of FT doubling up management and having family relationships with one another, causing fraud within the operations of FT.

3.3 Ponzi Scheme

PT First Travel managed its overall business using a Ponzi scheme, causing the company to fail to send people on pilgrimages. A Ponzi scheme in simple terms is a fake method of investment that provides benefits for prior investors with funds from later investors. This business will collapse if funds from new investors can no longer cover the funds to pay off old investors because of population limits of a region (Lau, 2005). FT offered very cheap umrah

promotional packages. The price of the cheap umrah promotional packages, being Rp. 14.3 million and could be paid in installments, was far below the established minimal umrah fee by the Ministry of Religion, being \$ 1,700 or Rp. 21-22 million. To be able to run their enterprise with such low fees, First Travel implemented a “robbing Peter to pay Paul” schematic by covering up the lack of funds for sending off the first wave of pilgrims using funds from the next wave of pilgrims, which must be greater than the first wave of pilgrims, and so on and so forth.

The many pilgrims of PT FT were obtained through thousands of freelance agents from all over Indonesia, who were called “Smart Agents” and rewarded by the commission based on the number of pilgrims that signed up and stored money. Eventually, the number of funds from new pilgrims could not equal the funds needed to send older pilgrims, causing FT to collapse and fail to send off umrah pilgrims (Tio, 2017). Next, there were delays of payments to vendors as well as in sending off pilgrims from 2016 to 2017 (Rosi, 2017). At that time, there were often delays in sending off pilgrims due to various reasons, as well as delays of payments to vendors because existing funds were insufficient. Eventually, the owners of FT tried to lobby vendors to give loans and made various excuses to pilgrims who were late to depart, even requesting additional money for pilgrims for immediate departure. Many believed them and paid additional money, but were never able to depart. Eventually, from November 2016 to June 2017, the number of Umrah pilgrims sent by First Travel was only 29,985 people. The rest, 63,310 people, who had already fully paid with departures scheduled for November 2016 - May 2017, was not sent off, and their money was not returned (Putri, 2018).

In fact, a Ponzi scheme could last longer if there were other real investment activities by the owners of PT FT to cover up the lack of funds from the cheap promotional umrah packages. This could be from profit sharing from a restaurant where Andika is a part owner as well as from the fashion business and boutique of Anniesa. However, the Ponzi scheme conducted by PT FT did not last long, only for six years after the cheap umrah promotional program priced at Rp. 11- 12 million in 2012, then increased to Rp. 14.3 million in 2015, and collapsing in 2017. This is because pilgrims who first registered was paid by funds from new pilgrims, which had to be greater than the previous batch of pilgrims. In addition, their umrah funds were spent by the owners of FT to go on vacations abroad with VIP

facilities, use expensive branded items, and create an image of luxury to bolster the success of PT FT to keep vendors and pilgrims believing that FT did not have financial difficulties, and could pay off vendors and send off new pilgrims. This proved to be successful because the partners of Andika in Saudi Arabia and several victims of PT FT claimed to be interested in and trusting of FT because they thought that the owners of FT are very rich people and possessed other businesses to support the travel business (Rosi, 2017).

3.4 Role of The Government in The FT Case

3.4.1 Ministry of Religion

On August 1, 2017, the Ministry of Religion revoked the operational permit of First Travel (FT) due to violation of Ministry regulations (Article 65 Letter a Government Regulation Number 79 of Year 2012 on the Execution of Law No. 13 of Year 2008 on the Organization of Hajj Pilgrimage) because of not being able to send off pilgrims. According to Mastuki (Chief of Public Relations of the Ministry of Religion), in an interview with CNN Indonesia (2017), the Ministry under Commission VIII conducts supervision and control of hajj and umrah bureaus based on regulations. According to Law No. 13 of the Year 2018 on the Organization of Hajj (Articles 45 and 46) as well as Government Regulation Number 79 of the Year 2012 (Articles 50, 60, and 65-69), Organizers of Umrah Pilgrimage (PPIU) could be private or from the government. FT is a private umrah bureau and not of the government, and thus its organization must fulfill certain requirements, including guidance and other similar requirements in Article 65. Article 65 Letter a states that private umrah bureaus are forbidden not to send off pilgrims. If Article 65 Letter a is violated, the Ministry of Religion by Law No. 13 of the Year 2008 46, has the right to:

1. Mediate with a warning letter (Summoning and mediation had been done 3-4 times, in March, April, May, and June, and a report was requested on the number of pilgrims to be sent off during November 2017, but FT did not respond)
2. Suspension of organization permit (FT was summoned again in July, but FT did not have the good intent to show up)
3. Termination of organization permit (On August 1 FT was summoned but did not come, and the Ministry revoked the permit of FT).

The Ministry of Religion conducts investigations with the Financial Services Authority (OJK) and the Agency of Detectives through the Investment Alert Task Force. The OJK and the Task Force are involved because the case is not only related to pilgrimages but also the collection of funds from thousands of pilgrims in relation to fake investment with a Ponzi scheme.

By regulation, the Ministry of Religion had performed its role well in connection to internal control and supervision (through the Directorate-General for Organization of Hajj and Umrah) and externally with the OJK, Agency of Detectives, and Investment Alert Task Force. Additionally, the Ministry issues permit for umrah pilgrimage services, and the Ministry had issued an accreditation of B¹ to FT, and thus FT had no problems with permits. However, the Ministry and OJK only acted toward FT after having received many reports from FT pilgrims, not because it was detected early that FT offered umrah promotions that were unreasonable, with operations that are abnormal and not well planned.

Even so, the Ministry is considered responsive to the deficiencies of existing regulations by quickly revising the regulations on umrah. The Ministry of Religion had issued new regulations on the organization of umrah pilgrimages, as Ministry of Religion Regulation Number 8 of the Year 2018 on the Organization of Umrah Pilgrimages, replacing the previous Regulation Number 18 of the Year 2015 on the Organization of Umrah Pilgrimages. In the new umrah regulations, there are a number of changes. Regarding the business model, there is a requirement for organizers to manage umrah based on sharia or halal practices; this is because the organization of umrah pilgrimages is not “business”, but worship. Packages of umrah pilgrimage may no longer be sold using Ponzi schemes, fake investments, tiered systems, or any other method that may potentially cause losses to pilgrims. As such, permits for the organization of umrah will be more strictly regulated. In addition, permits to become organizers will only be given to tourist agencies that have healthy management and finances, have never been involved in legal cases regarding umrah, follow tax regulations, and are certified. Organizers will be regularly accredited by an agency appointed by the Ministry. The most

important change is a standard Price for Umrah Pilgrimage (BPIU) or a reference price, accompanied by a Minimum Service Standard (SPM) that the people can refer to in consideration of Umrah packages from organizers. Another issue that is managed is the mechanism of pilgrim registration. Previously, pilgrim recruitment was conducted freely without reporting to the Ministry as a regulator, but now registrations must be done through an electronic reporting system with a departure limit of no later than six months after registration and no later than three months after full payment. Through this centralized system, the Ministry is expected to be more effective in supervising the organization of umrah pilgrimages.

The Ministry has implemented many revisions of the previous regulation issued in 2015, which had many shortcomings. This is a reflection that the Ministry has accommodated all feedback. As it should be, the Ministry must conduct control and supervision in a realistic manner. The central Ministry of Religion should also empower and coordinate with the provincial, regency, and city branches of the Ministry to conduct supervision of regional umrah pilgrimage bureaus, and to regularly supervise and control them to immediately detect fraud of umrah pilgrimage, which may cause losses to pilgrims. In addition, the provincial, regency, and city branches of the Ministry could maximize supervision and control umrah pilgrimage agents. Further, these agents must also be detected and registered in the integrated system of the Ministry in order to make supervision of the umrah pilgrimage agents easier.

3.4.2 OJK through the Investment Alert Task Force

According to results of interviews with the OJK, based on Law Number 21 of the Year 2011 on the Financial Services Authority (OJK), specifically Articles 4, 28, 29, 30, and 31, there is a mandate for the OJK to provide protection to consumers and people in the financial services sector. These articles clearly indicate the necessity of the aspects of consumer education and protection as inseparable parts of regulation and supervision, which previously had not been regulated in other laws of the financial services sector. As such, to increase consumer protection in the financial services sector as well as to increase the trust of the people in the finance industry, the OJK needs to conduct good preventive, curative, or repressive actions through the formation of the Task Force for Handling of

¹ In accordance with Ministry of Religion regulations, KBIH (Hajj Counseling Groups) will evaluate travel agents for hajj and umrah pilgrimages through accreditation with grades A, B, C, and D. If a PPIU or travel agent obtains an accreditation of D, its permit will be revoked.

Suspected Illegal Acts in Collection of Funds from People and Investment Management (the Investment Alert Task Force) which was formed since 2007 according to the Decree of the Chief of the Supervisory Agency for Financial Markets and Institutions Number Kep-208/BL/2007 dated June 20, 2007 and is renewed each year, the last according to the Decree of The OJK Board of Commissioners Number 01/KDK.01/2016 on the Formation of the Task Force for Handling of Suspected Illegal Acts in Collection of Funds from People and Investment Management, established on January 1, 2016. On this basis, the Investment Alert Task Force, currently composed of the OJK, the National Police of Indonesia, the Attorney General of Indonesia, the Ministry of Trade of Indonesia, the Ministry of Cooperatives and Small and Medium Scale Enterprises of Indonesia, the Ministry of Communication and Informatics of Indonesia, and the Coordinating Agency for Capital Investment, conducts prevention and management of suspected illegal acts through formulation of recommendations for case handling to associated Ministers and/or Agencies, or conducting investigations together.

Though permits for umrah pilgrimage services are not within the scope of the OJK – but with the Ministry of Religion – this issue, however, is related to one of the duties of the OJK, which is to protect the interests of consumers and the public by preventing and handling of suspected illegal acts in the field of collection of funds from the people and management of investment, through the Investment Alert Task Force. Thus, the OJK ordered PT First Travel to terminate the sales of promotional cheap umrah packages on July 21, 2017, because FT was judged to have collected funds from the people through illegal investment. The Investment Alert Task Force had actually suspected fake investment in the management of FT since 2015, but there were not many reports until 2017 when there were many reports of abandoned umrah pilgrims who were not sent off. In this case, the OJK had already performed its duties well because of having conducted supervision and detection of fraud in the collection of funds from people using promotional packages for cheap umrah. However, it would be better for the OJK, through the Investment Alert Task Force in cooperation with the Ministry of Religion, to conduct stricter supervision of umrah pilgrimage bureaus through annual audits of financial reports. This is to avoid manipulation of financial reports and to encourage umrah pilgrimage bureaus, especially those that are incorporated, to manage

organization and finances better and in a more orderly manner.

4 CONCLUSION

The initial intent and aim of establishing PT First Travel by the married couple Andika Surachman and Anniesa Hasibuan, as mentioned previously, is to improve their economic status after having failed in several small enterprises and having been deceived. Their efforts were based on the intent to achieve success for financially supporting their siblings and their children. Along with the success of FT, a change in behavior occurred in the married couple, who lived more luxuriously. By promoting promotional umrah packages, FT was able to attract many pilgrims, even tens of thousands of them, into a Ponzi scheme that would collapse when the funds from new pilgrims could not cover the lack of funds to send off older pilgrims. This great number of pilgrims should have given greater cash flow and profits for FT, but in reality, FT failed to send off its tens of thousands of pilgrims. Considering the fraud triangle, the owners of FT were pressured to maintain their social status, having been elevated as wealthy entrepreneurs, as well as to maintain a good image of their business although their finances had worsened. This pressure could not be told to anyone else. After the pressure, the owners of FT saw that there was a chance to commit fraud, with many pilgrims who eagerly signed up and perpetrators of similar fraud on average not given heavy sentences; as owners who doubled as managers in FT, they possessed the capability to commit fraud with money from pilgrims. After seeing the opportunity, the owners of FT then rationalized the fraud committed by believing that they would surely be able to cover up all deficiencies in the investment of pilgrims in order to support their siblings and their children.

Due to this fraud, many pilgrims failed to go on umrah pilgrimages, with a total loss of almost Rp. 1 trillion. Considering this massive loss by pilgrims, the government should have stepped in. The government here refers to the Ministry of Religion as the regulator of hajj and Umrah pilgrimages, and the OJK as the regulator in the field of protection of consumers from fake investments. The Ministry of Religion has been responsive in revising the 2015 regulations of hajj and Umrah pilgrimages and replaced them in 2018. All aspects of supervision and control have been strictly regulated and the branches of the Ministry in provinces, cities, and

regencies are involved in supervision as well. However, the regulation and documentation of freelance agents of umrah pilgrimage bureaus have not been carried out, and yet FT could obtain so many pilgrims due to thousands of these agents. In addition, there should be enforcement on the field of existing regulations, through sufficient supervision and control regarding the minimal fee for umrah promotions as well as other regulations. OJK had also carried out its function of supervision through the Investment Alert Task Force. However, the supervision of umrah pilgrimage bureaus is expected and required to be a cooperation between the Ministry of Religion and the OJK in a harmonious, regular, and consistent manner, so that malicious umrah travel bureaus can be immediately detected and regulated. In addition, hajj and Umrah pilgrims are expected to be more cautious in selecting a provider of umrah pilgrimages by not only looking at the image of the relevant bureaus, but also the management of their business, regarding its wellness and reasonableness of the fares stated for umrah pilgrimage. In this case, the management of hajj and umrah pilgrimage agents should be considered in concluding the truth from the scandal that involves FT.

REFERENCES

- Arkhelaus, W. (2017). *Saldo first travel Rp 1,5 juta padahal punya 35 ribu jemaah umrah [Only Rp. 1.5 million left for First Travel to send off 35 thousand pilgrims]*. March 7, 2018. <https://nasional.tempo.co/read/899115/saldo-first-travel-rp-15-juta-padahal-punya-35-ribu-jemaah-umrah>.
- Cadbury Report. (1992). *The financial aspects of corporate governance*, Gee and Co., London.
- CNNIndonesia. 2017. *Siapa "Cuci Piring" Pesta First Travel? [Who "Cleans Up" After First Travel's Party?]* August 10, 2018. <https://www.youtube.com/watch?v=R8Fw1yBzrJs>.
- Cressey, D. R. (1953). *Other people's money; a study of the social psychology of embezzlement*.
- Ferdinan. 2018. *63.310 Calon Jemaah Umrah Tertipu First Travel, Kerugian Rp 905 M [Umrah Pilgrim Candidates Swindled by First Travel, Losses Amount to Rp. 905 M]*. October 13, 2018. <https://news.detik.com/berita/3873906/63310-calon-jemaah-umrah-tertipu-first-travel-kerugian-rp-905-m>.
- Indra, R. (2017). *Anniesa Hasibuan First Travel inspiring women 2017*. March 7, 2018. <https://www.cnnindonesia.com/nasional/20170824145340-20-237007/anniesa-hasibuan-first-travel-inspiring-women-2017>.
- Irawan, Gita. 2018. *Pasangan Bos First Travel tolak utusan hakim [Boss couple of First Travel rejects decision of judges]*. October 12, 2018. <http://www.tribunnews.com/metropolitan/2018/05/30/pasangan-bos-first-travel-tolak-putusan-hakim>.
- Krippendorff, K. (2004). *Content Analysis: an Introduction to Its Methodology*. SAGE Publications. London
- Kontri. 2018. *Benahi "Industri" Umrah, Kemenag Terbitkan Regulasi Baru [Fixing the Umrah "Industry", Ministry of Religion Issues New Regulations]*. October 16, 2018. <https://kemenag.go.id/berita/read/507294/benahi-industri-umrah-kemenag-terbitkan-regulasi-baru>.
- Lau, Alwie. (2005). *Berbohong and menjadi kaya [Lying and becoming rich]*. Pustaka Pohon Bodhi.
- Miles, M. B. (2000). and A. Michael Huberman. 2009. *Analysis of Qualitative Data*.
- Movanita, A.N.K. (2017). *First Travel ingin berangkatkan jemaah dengan modus penipuan baru [First Travel wishes to send off pilgrims with a new fraud]*. March 8, 2018. <https://nasional.kompas.com/read/2017/08/25/10263231/first-travel-ingin-berangkatkan-jemaah-dengan-modus-penipuan-baru>.
- Mustaqim. (2017). *Polisi total sementara kerugian jemaah First Travel Rp. 848 miliar [Police currently totals losses of First Travel pilgrims at Rp. 848 billion]*. March 8, 2018. <https://news.detik.com/berita/d-3609271/polisi-total-sementara-kerugian-jemaah-first-travel-rp-848-miliar>.
- Omanyoo, Rosemary. (2017). *An assessment of ponzi schemes in kenya among the financial market players. United States International University Africa*. November 20, 2018. <http://erepo.usiu.ac.ke/bitstream/handle/11732/3259/ROSEMARY%20OMANYOO%20GEMBA%202017.pdf?sequence=1&disAllowed=y>.
- Purnamasari, Desi. (2017). *Menunggu pergi hajj hingga 33 tahun [Waiting to go on the hajj for 33 years]*. March 8, 2018. https://tirto.id/menunggu-pergi-hajj-hingga-33-tahun-cvGU?utm_source=Aggregator&utm_campaign=5463&utm_medium=Article.
- Putri, Z. A. 2017. *Bos First Travel Andika Divonis 20 Tahun, Anniesa 18 Tahun Penjara [First Travel Boss Andika Sentenced to 20 Years, Anniesa 18 Years of Jail Time]*. October 12, 2018. <https://news.detik.com/berita/4044819/bos-first-travel-andika-divonis-20-tahun-anniesa-18-tahun-penjara>.
- Rahman, R. A., and Haniffa, R.M. (2005). *The effect of role duality on corporate performance in Malaysia. Corporate Ownership and Control*, 2 (2).
- Rosi. (2017). *First Travel, bisnis mewah dari uang Jemaah [First Travel, a luxurious business from pilgrims' money]*. KompasTV. March 12, 2018. <https://www.youtube.com/watch?v=fVaqXqTLWfK>.
- Jacobs, P. and Schain, L. (2011). *The never ending attraction of the Ponzi scheme. Journal of Comprehensive Research*, 9, 40-46.

- Tio. (2017). *Skema ponzi, model penipuan baheula yang jadi andalan First Travel [Ponzi scheme, the ancient fraud model which First Travel relies on]*. March 7, 2018. <https://kumparan.com/@kumparannews/skema-ponzi-model-penipuan-baheula-yang-jadi-andalan-first-travel>.
- Tribunjateng. (2017). *Inilah daftar 25 biro umrah bermasalah yang ditutup, simak datanya [List of 25 closed problematic umrah bureaus with their data]*. March 7, 2018. <http://jateng.tribunnews.com/2017/08/28/inilah-daftar-25-biro-umrah-bermasalah-yang-ditutup-simak-datanya>.
- Tuanakotta, T.M. (2010). *Akuntansi forensik dan audit investigative [Forensic accounting and investigative audit]*, Edisi 2. Jakarta: Salemba Empat.
- Tuanakotta, T. M. (2013). *Audit berbasis ISA (International Standards on Auditing) [ISA-based audit]*. Jakarta: Salemba Empat.
- Wirawan, J. W. (2017). *Realistiskah paket umrah di bawah Rp20 juta? [Is an umrah package under Rp. 20 million realistic?]*. October 13, 2018. <https://www.bbc.com/indonesia/majalah-42048673>.
- Yin, R. K. (1984). *Case study research: Design and methods*. Sage Publication, CA, 11-15.