

# Preventing Corrupt Practices in Business and Investment through Effective Law Enforcement

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## ABSTRACT

Corruption in business and investment is a global problem that undermines market integrity and creates injustice. Effective enforcement of laws to prevent corrupt practices is essential, but is often hampered by issues such as lack of resources, poor coordination between agencies, and low transparency. Strict law enforcement and transparent oversight systems are key steps to creating a clean business climate. Legal reforms that are responsive to the digital world and business globalization are also needed to address new challenges. Business ethics education and increased anti-corruption training can motivate the private sector to be more transparent and accountable. Safe reporting for whistleblowers and strengthening cooperation between countries in the international legal framework also play a role in preventing corruption. Better law enforcement requires cooperation between the government, private sector and society to create a corruption-free and fairer business climate.

## INTRODUCTION

Corrupt practices can be a major obstacle to healthy and sustainable economic growth in the world of business and investment. Many countries in the world suffer huge losses due to abuse of authority by businessmen, public officials, or related parties who engage in corruption in business and investment. Corruption can undermine public trust in the legal system and government, reduce market efficiency, and discourage both domestic and foreign investment. It is important for the law to play an active role in creating a transparent and fair business climate, ensuring that corrupt practices are minimized or even eliminated. For example, strict laws and transparent oversight of tender processes and public contracts are measures that can reduce the potential for corrupt practices in business.

Laws have been made to prevent corruption, but there are still inevitably loopholes that allow corrupt practices to take place, especially in business and investment involving links between the public and private sectors. Many companies use legal loopholes and weaknesses in the oversight system to commit unlawful acts, such as bribery or extortion, in order to gain more profit. The lack of reporting and non-transparency in investment transactions makes it more difficult to detect corrupt practices at an early stage.

Regulations, in many cases, often overlap and are difficult to implement consistently, allowing corruption to go undetected. This shows that while the law is expected to be a preventive tool, there are still many challenges in implementing rules that are effective in preventing corruption in the business and investment world (Sullivan, 2019).

One of the main problems in preventing corrupt practices in business and investment is the weak enforcement and monitoring of existing laws. Although many countries have strict laws on corruption, there are still many loopholes that are exploited by certain parties to break the rules without being punished. For example, corruption in government contracting or business licensing often goes undetected due to the lack of effective oversight (Hassan, 2017). Companies involved in corrupt practices often have the resources to influence the legal process, such as through political lobbying or bribery of authorized officials. Even when laws are in place, weak oversight and lack of transparency allow corruption to flourish in business and investment.

Another issue faced is the difficulty in enforcing international laws related to corrupt practices. Business and investment often involve multiple countries with different legal systems, which complicates global coordination and enforcement.

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Multinational corporations, for example, can take advantage of legal differences across countries to avoid sanctions or even engage in tax evasion through complex and non-transparent business structures. While regulations exist at both national and international levels, their inconsistent application makes it difficult to completely eradicate corruption in the business and investment sectors.

It is important to look at this issue because corruption in business and investment can undermine economic structures, destroy public trust, and hinder the potential for sustainable economic growth. When corrupt practices are rife, even honest businesses can feel unfairly treated, and may be reluctant to invest or do business in a transparent manner. This ultimately harms the entire society, including future generations who will feel the impact of such injustice. Understanding how laws can be applied more effectively to prevent corruption is critical to creating a healthier, fairer and more sustainable business ecosystem.

The purpose of this study is to explore and analyze how the application of existing laws can be more effective in preventing corrupt practices in the world of business and investment. This study aims to explore the gaps in the legal system that allow corrupt practices to occur and how improvements can be made so that the law can be maximized in creating a fair and transparent business climate.

## RESEARCH METHOD

The literature study approach is an appropriate method to explore and analyze various aspects related to the role of law in preventing corrupt practices in business and investment. This method relies on the review of various relevant sources of information, such as books, scientific articles, reports of international organizations, as well as laws related to corruption and supervision issues in business. Literature studies can help in understanding existing theories, policies implemented in various countries, and analyzing the advantages and disadvantages of existing regulations. For example, research by Scherer et al. (2018) shows that desk research can provide an understanding of the interaction between the legal system and business practices, as well as highlighting the challenges in law enforcement to combat corruption.

Through the literature study approach, researchers can identify weaknesses in the implementation of existing laws in many countries, as well as look at various models and policies that have been piloted in other countries.

The literature used can be case studies that illustrate how corruption develops in the business sector, as well as the role of law in tackling it. Other sources include annual reports published by organizations such as Transparency International that assess the level of corruption in business and investment (Bjørnskov, 2019). This approach is useful to map out the problem, and to offer an overview of remedial measures that can be implemented based on the experience of other countries.

## RESULT AND DISCUSSION

Transparency in business and investment is a fundamental principle that plays an important role in creating a healthy and sustainable environment. Transparency in business refers to the disclosure of information about operational, financial and decision-making practices. Companies that embrace transparency can build trust with stakeholders, including employees, customers, and investors. When information is clearly and accurately available, stakeholders can understand how the company operates, which further reduces the risk of abuse of power.

One of the key benefits of transparency is its ability to reduce corruption, collusion and nepotism. When companies are open about their decision-making processes, financial management, and business relationships, they are less likely to be corrupt. For example, in a procurement process, transparency can ensure that all potential providers of a service or product have equal opportunities, reducing the potential for collusion between certain parties. Transparency thus acts as a monitoring mechanism that promotes integrity in business practices.

Transparency contributes to increased accountability. Companies set higher standards for themselves when openly disclose information. Stakeholders can hold management accountable in case of discrepancies between reports and reality. Transparency is crucial in the investment process, allowing investors to assess the risks and potential returns of their investments. Investors can make better decisions and place their funds in ethical and responsible projects by reliable information.

Transparency also plays an important role in building a positive reputation for the company. Company reputation can influence consumer and investor decisions in an increasingly connected business world. Companies known for transparent practices tend to attract more customers and investors, as they are perceived as more trustworthy, but companies that engage in corrupt or non-transparent practices can face serious consequences, including loss of public trust and a decrease in share value.



Transparency in business and investment at the systemic level can contribute to better economic growth. Countries that have a transparent business environment tend to be more attractive to foreign investment, as investors feel safer to invest their capital. Transparency can create a more stable and sustainable investment climate, which can further encourage innovation and economic growth by reducing corruption and collusive practices.

The importance of transparency in business and investment cannot be separated from the principles of ethics and social responsibility. Companies that commit to transparency demonstrate that they value their stakeholders and strive to operate in an ethical manner. It creates a culture where employees and management feel engaged and accountable for their actions. Transparency is about disclosure, and about creating an environment that supports integrity, accountability and fairness in all aspects of business operations.

Effective enforcement of laws to prevent corrupt practices in business and investment requires a holistic and integrated approach. Corrupt practices in this sector often take the form of bribery, collusion and abuse of power that undermine market integrity and create injustice. Strict law enforcement and transparent oversight systems are two key factors in creating a clean and fair business climate. Strict laws suppress the intentions and opportunities of corrupt actors, while transparent oversight systems help detect and address such practices early (Kaufmann, 2019).

One important aspect of the application of the law is the need for a deeper understanding of the nature and form of corrupt practices in business and investment. Corruption often involves interactions between the public and private sectors, which leads to difficulties in detection and enforcement. Companies and individuals involved in corruption often have access to various channels to influence legal decisions, such as political lobbying or even bribery of public officials. The implemented law should be able to address this issue with a more transparent and accountable system, and reduce the space for corrupt practices to flourish (De Zwart, 2020).

It is also important to see that the application of the law in preventing corruption is limited to reactive legal action, and should include a proactive approach. For example, one way is to build a culture of integrity in the business world through training and legal education programs for businesses. Businessmen are expected to be more careful in their actions and avoid detrimental behavior after being given a better understanding of the legal consequences of corrupt practices. A strong understanding of the legal consequences can act as an effective deterrent (Tanzi, 2017).

While existing laws can serve as a deterrent, their implementation is often met with obstacles. One of the main obstacles is the low level of oversight and enforcement that exists in many countries, especially in developing countries. Law enforcement officials may not have enough resources or authority to effectively combat corrupt practices. This leads to an inability to properly identify and punish perpetrators of corruption, further undermining prevention efforts (Mungiu-Pippidi, 2018).

The complexity and lack of coordination between the various authorized agencies can also make it difficult to implement effective laws. Many countries have a number of agencies dealing with corruption cases, but not all of these agencies coordinate optimally. When there is no understanding or cooperation between these agencies, this can delay or even derail the legal process against corruption offenders. Therefore, a better coordination system between law enforcement agencies is needed so that prevention efforts can be carried out more efficiently and effectively (Rothstein, 2016).

It is also important to develop a safe and transparent reporting system for individuals who wish to report corrupt practices. In many cases, whistleblowers who report corrupt activities often face threats or intimidation, which discourages them from reporting such crimes. Providing protection to whistleblowers and ensuring their safety in reporting corruption cases can help strengthen prevention efforts. For example, some countries have successfully implemented effective whistleblowing systems by incentivizing whistleblowers and protecting their identity from retaliation (Bardhan, 2019).

More effective law enforcement also requires the active involvement of the public. Public participation in monitoring business practices can help identify potential corruption that may go undetected by law enforcement officials. Transparency in business and investment processes, such as openness in the procurement of goods and services, can reduce the likelihood of corrupt practices. Strengthening public engagement in business and investment oversight is crucial to creating a corruption-free environment (Rose-Ackerman, 2017).

Sustainability education on anti-corruption for the private sector is equally important. Companies and business owners should adopt clear anti-corruption codes of conduct and involve independent third parties to ensure compliance with regulations. This will help companies to avoid being caught up in corrupt practices, and will improve their image in the eyes of the public and investors. The success of corruption prevention also relies heavily on the commitment of the private sector to conduct business with fair and transparent principles (Kaufmann, 2019).



It is important to note the role of international law in preventing corruption, particularly in cross-border business transactions. For example, international organizations such as the OECD and UNODC have developed various international conventions and guidelines aimed at reducing corruption in the business and investment sectors. International cooperation to establish uniform anti-corruption rules and enforce strict sanctions can foster a fairer, more transparent global business environment. This coordination between countries is key to preventing corrupt practices involving different countries and regions (OECD, 2020).

It is important to recognize that corruption occurs in the form of physical transactions, and in the digital world. Cyberspace facilitates corrupt practices, such as money laundering via cryptocurrencies and illegal transactions on digital platforms. The law must be able to adapt to technological developments to face these new challenges in technology-based corruption prevention (Kovacevic, 2020).

Evaluation and updating of the legal system a key to maintaining the effectiveness of the law in preventing corrupt practices. Past laws may no longer be relevant to the evolving complexity of business and investment. The legal system must be updated to address contemporary needs and new challenges in the global business world. Sustainability legal and regulatory reforms will increase the responsiveness of the law to market dynamics and prevent corrupt practices more effectively (Harrison, 2019).

## CONCLUSION

Effective enforcement of the law in preventing corrupt practices in business and investment requires a comprehensive and coordinated approach between legal institutions, the private sector and society. Strict law enforcement, transparency in business processes, and an optimized oversight system are essential to prevent corruption in business. The main challenge in combating corruption is uneven enforcement and lack of resources and coordination, despite strict regulations. There is a need to increase the capacity of law enforcement officials and reform the legal system to be more responsive to the increasingly complex dynamics of the business world.

One important step to improve the effective enforcement of the law is to increase anti-corruption awareness and training in the business sector. Educating businesses on business ethics and the legal consequences of corrupt practices can encourage them to behave more transparently and ethically. Periodic updates to the law with technological advancements and business globalization can address new investment challenges.

The government and private sector should also work together to establish a secure reporting system and protect whistleblowers to accelerate the detection and prosecution of corrupt practices.

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