

The Effectiveness of Articles 374 and 378 of the Indonesian Criminal Code in Dealing with Corporate Internal Fraud: A Legal Analysis of Corporate Losses

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Abstract

The classification of nusyuz resolution in sacred texts, coupled with a conceptual void in Indonesian Internal fraud within the company is a serious threat to the sustainability of the organization and economic stability, especially if it is committed by employees or managers who take advantage of positions of trust. This study aims to analyze the application and effectiveness of Articles 374 and 378 of the Indonesian Criminal Code in dealing with internal fraud and protecting corporate financial losses. Using normative juridical methods, this study applies a legal approach and court decisions to examine relevant criminal provisions and court decisions related to embezzlement and fraud in the corporate environment. The analysis shows that Article 374 of the Criminal Code is applied more frequently and effectively because of its clear focus on the abuse of authority arising from employment relationships. In contrast, Article 378 faces significant challenges in practice, particularly in proving fraudulent intent and subjective elements in routine corporate transactions. These findings suggest that the existence of criminal norms alone is not enough to ensure effective protection against internal corporate fraud.

Keywords: Internal Corporate Fraud; Embezzlement; Criminal Code Enforcement; Corporate Losses; Economic Criminal Law; Fraud Prevention.



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INTRODUCTION

In house corporate fraud has become a persistent and costly risk for modern business organizations, across sectors and governance models. Conceptually, such offenses fit into the broader tradition of white-collar crime, which originally described as criminality that occurred in the context of job roles and organizational trusts (Sutherland, 2017). In contemporary corporate settings, internal fraud is often embezzlement, fraud, or other illegal extortion committed by employees, managers, or other insiders who exploit access and authority. This phenomenon is not just an ethical or managerial problem (Prasetiono et al., 2022). It is a legal and institutional challenge that threatens the resilience of companies by weakening financial performance, disrupting operations, and eroding stakeholder trust (Priyanto et al., 2023). From the perspective of economic criminal law, internal fraud raises questions about the adequacy of legal norms to protect company assets and the capacity of law enforcement agencies to respond effectively (Muladi dan Barda Nawawi Arief, 2019).

Empirical records in the professional and policy-oriented literature underscore that job fraud remains widespread and dangerous, especially as perpetrators operate from within systems designed to enable routine organizational functioning (Harahap & Nelson, 2023). The

Association of Certified Fraud Examiners emphasizes that fraud and job abuse continue to generate significant losses for organizations, pointing out that internal controls and compliance measures are often inadequate to prevent or promptly detect breaches (Chapter, 2021). National-level observations also show that economic crimes generate material losses for public and private entities, reinforcing the relevance of studying corporate losses as a primary legal interest in need of protection (“Tren Kejahatan Ekonomi Dan Kerugian Negara/Perusahaan,,” 2021). This trend suggests that internal fraud is not an episodic anomaly but a structural problem that arises when organizational trust, access, and weak oversight intersect (Kartika, 2015). Therefore, legal science that focuses on corporate crime and countermeasures increasingly highlights the need for coherent law enforcement strategies that can respond to complex patterns of error in the corporate environment (Pardede, 2020).

Despite the recognized importance of internal fraud, a central problem remains: the gap between legal norms and law enforcement outcomes in addressing corporate losses. In Indonesia, the Indonesian Criminal Code (KUHP) provides a doctrinal basis for prosecuting violations that resemble internal fraud, especially through provisions on embezzlement and fraud (Rusyianta, 2021). Article 374 of the Criminal Code targets embezzlement committed by individuals who have property due to their position or job, while Article 378 of the Criminal Code criminalizes fraud through fraud and misleading actions that encourage other parties to hand over property or suffer losses. From a doctrinal perspective, this provision is often used as a legal basis to address internal fraud, especially when company losses can be proven and the role of the perpetrator's work is at the core of the *modus operandi* (Faturachman et al., 2024; Lutfi & Nuriadin, 2016). However, the effectiveness of the law cannot be assumed solely from the existence of legal norms. The crucial question is whether these provisions operate effectively in practice to provide protection for the company and to support remedial outcomes when losses occur (Armour, 2000).

A further layer of difficulty concerns the practical constraints of proving internal fraud and maintaining law enforcement through the criminal justice process. Internal fraud typically involves hidden transactions, manipulated documentation, or the exploitation of procedural flaws in the company's systems. These characteristics create an evidentiary burden that may exceed the capacity of ordinary investigations, especially where financial footprints are complex and perpetrators use organizational legitimacy to cover up violations. (Junaidi et al., 2024) Additionally, corporate actors may be hesitant to report incidents due to reputational considerations, fear of market reaction, or a desire to handle issues privately that can reduce the visibility of cases and limit law enforcement's access to critical documentation. As noted in a discussion of the criminal justice system, the functioning of criminal law depends not only on substantive provisions but also on the structural and procedural realities that shape the capacity of law enforcement (Nasir, 2018). In the context of internal corporate fraud, the reality includes corporate cooperation, investigative competence in financial matters, and the quality of evidence available to meet criminal standards.

In general, the legal system addresses internal fraud through a combination of preventive governance and enforcement mechanisms. Prevention strategies include strengthening internal controls, implementing compliance systems, and developing risk-based oversight to reduce the chances of abuse. Penal strategies involve the application of criminal sanctions to prevent

wrongdoing and reaffirm the legal protection of property and organizational trusts. However, practical alignment of these strategies can be difficult, especially when corporate governance and law enforcement operate in parallel rather than in an integrated manner. ACFE (2022) underscores the importance of organizational detection and prevention mechanisms, but the sustainability of cheating suggests that prevention alone is not enough. (Mahmud et al., 2020; Putra & Gunarto, 2019; Wangga et al., 2024) Meanwhile, criminal law is expected to provide an authoritative response to mistakes, but the deterrent effect depends on the certainty and consistency of law enforcement. In the discourse of economic criminal law, this dual strategy raises the practical issue of how criminal law should relate to corporate governance when internal fraud results in corporate losses (Kartika, 2015).

In the Indonesian context, the solution that is commonly proposed is to optimize the enforcement of existing criminal provisions, especially Articles 374 and 378 of the Criminal Code, while encouraging corporate governance reform to improve detection and reporting. (Rezky & Haris, 2018) places fraud and corporate crime within a framework that requires legal accountability and organizational response, implying that law enforcement must be supported by strong internal systems. (Fauzia & Hamdani, 2022) also highlights corporate crime as a domain that requires effective countermeasures, suggesting that legal responses should be sensitive to the organizational settings in which crimes occur. From this perspective, Articles 374 and 378 of the Criminal Code function as legal tools that can be mobilized to protect corporations; however, its effectiveness depends on whether the elements of the breach can be operationalized in the reality of proving the company's internal fraud and whether law enforcement agencies have sufficient ability to accurately evaluate the company's losses (Rahmanto, 2019).

More specifically, previous scholarship implies that the suitability of the doctrine of Article 374 of the Criminal Code is often based on the offender's position-based access to company property, which is in line with the concept of embezzlement "in office" or "based on employment." This conformity is important because internal fraud often arises from entrusted authorities in the corporate hierarchy, and Article 374 of the Criminal Code seems designed to address such abuse of trust (Masters, 2008). In contrast, the use of Article 378 of the Criminal Code for internal fraud requires attention to the elements of fraud and persuasion, which is debatable when fraudulent behavior occurs in an ongoing employment relationship where transactions are embedded in the company's routine operations. Emphasizes that fraud-related offenses involve legal and practical complexities, including how intent and fraud are understood and proven. Such insights suggest that doctrinal provisions may be available but not always easily applied to insider offenses that combine job legitimacy with deceptive practices (Desai, 2020).

Beyond doctrinal suitability, previous literature suggests that the broader economic crime landscape reinforces the urgency of evaluating the effectiveness of laws in protecting corporate losses. ICW (2021) reported on patterns of economic crime and related losses, demonstrating the public significance of financial losses and the need for a credible legal response. Although ICW's focus often includes broader economic losses, its observations support the claim that corporate losses whether in state-linked entities or private companies constitute significant losses that intersect with governance and law enforcement challenges (*Fraud Indonesia Survey*

2021, 2021). In parallel, ACFE's professional evidence base emphasizes that internal fraud is often discovered late and may involve substantial cumulative losses, implying that delayed detection and weak follow-up responses can exacerbate the harm (ACFE, 2022). Together, these sources show that effective legal protection requires not only sound norms but also law enforcement practices capable of responding to the specific modalities of internal fraud.

However, research gaps remain in how the effectiveness of Articles 374 and 378 of the Criminal Code is systematically evaluated in relation to corporate loss protection, especially when the analysis is framed as an interaction between substantive criminal norms and practical enforcement constraints (Rezky & Haris, 2018). While the literature provides conceptual foundations such as the framework of white-collar crime, the perspective of economic criminal law, the discourse on corporate crime management, and the institutional function of the criminal justice system, less attention is devoted to explaining, in an integrated manner, why law enforcement outcomes may fail even when there are formal legal provisions. In addition, the professional and policy literature provides strong descriptive evidence on prevalence and loss, but a doctrinal analysis is needed to connect this empirical reality with the operationalization of Articles 374 and 378 of the Criminal Code in cases of internal corporate fraud (Fauzia & Hamdani, 2022; Priyatno, 2003). This gap is consequential because companies need not only governance advice but also clarity on legal protection pathways and practical enforcement of relevant criminal provisions (Masters, 2008)

Therefore, this study aims to analyze the application of Articles 374 and 378 of the Criminal Code in overcoming internal corporate fraud and to assess its effectiveness in protecting corporations from financial losses. The study posits a focused justification: although Articles 374 and 378 of the Criminal Code provide a formal legal basis for prosecuting internal fraud, their practical effectiveness may remain limited due to evidentiary challenges, enforcement capacity constraints, and gaps between legal norms and law enforcement realities (Paterson-Morgan, 2019; Rarog, 2015). The scope of the study is limited to the juridical assessment of these two provisions of the Criminal Code as applied to corporate internal fraud, emphasizing how corporate losses are treated in the logic of criminal enforcement and identifying the main obstacles that hinder effective prosecution and protection. By offering a structured juridical analysis informed by basic white-collar crime theory and contemporary fraud evidence, this study seeks to contribute to the development of Indonesia's economic criminal law and provide practical insights for companies, law enforcement agencies, and policymakers seeking stronger protections against internal fraud (Trozze et al., 2022).

RESEARCH METHODS

Types and Approaches to Research

This research uses a normative juridical legal research method that focuses on the analysis of positive legal norms and their application practices in the context of internal corporate fraud. The normative juridical approach was chosen because the main purpose of the study is to assess the effectiveness of criminal law provisions, especially Article 374 and Article 378 of the Criminal Code (KUHP) in providing protection against corporate losses due to internal fraud (Marzuki, 2021). According, normative law research places law as a prescriptive and systematic norm, so it is relevant to examine the suitability between legal arrangements and the reality of its application. In this framework, law is understood not solely as a text, but as a system that

must be analyzed coherently to answer the concrete problems faced by society and institutions (Effendi & Ibrahim, 2020)

The approaches used in this study include statute approach and case approach. The statute approach is used to examine in depth the normative formulation of Article 374 and Article 378 of the Criminal Code, including the elements of delicacies, the rationality of their formation, and their relevance in the context of economic crimes and internal corporate fraud. Emphasized that the legislative approach is the main foundation in normative legal research because it allows researchers to assess the consistency, adequacy, and limitations of positive legal norms. Meanwhile, the case approach is used to understand how these norms are operationalized by law enforcement officials through court decisions, especially in cases of embezzlement and fraud that occur within the company. This case approach is important to bridge normative analysis with judicial practice, so that the effectiveness of the law can be assessed in a more contextual manner (Ali, 2021; Soekanto & Mamudji, 2001).

Source of Legal Materials

The legal sources and materials used in this study are classified into primary, secondary, and tertiary legal materials according to the methodological framework of normative legal research. Primary legal materials include relevant laws and regulations, especially the Criminal Code as the main source of criminal norms analyzed, as well as court decisions related to the application of Article 374 and Article 378 of the Criminal Code in cases of corporate internal fraud. Court decisions are positioned as a reflection of law enforcement practices, because through these decisions it can be analyzed how judges interpret the elements of delicacies, assess the evidence, and determine the criminal responsibility of the perpetrators. As primary legal materials have binding power and are the main starting point in normative juridical analysis (Wignjosoebroto, 2013).

Secondary legal materials include law textbooks, scientific journal articles, professional reports, and academic literature that discusses economic criminal law, corporate crime, fraud, and legal effectiveness theory. Literature from is used to strengthen the methodological and theoretical foundations of research (Sugiyono, 2013). In addition, professional reports, such as the Association of Certified Fraud Examiners (ACFE) report, are used as supporting sources to provide empirical context regarding the patterns and characteristics of internal fraud, although this research is not empirical in nature. Secondary legal materials function to provide explanations, interpretations, and criticisms of primary legal materials, so that the resulting analysis becomes more comprehensive. Tertiary legal materials in this study include legal dictionaries, encyclopedias, and other supporting references used to clarify terminology, concepts, and definitions relevant to the study of internal fraud and criminal law. The use of tertiary legal materials is intended to maintain conceptual accuracy and consistency of terms in analysis, especially when the terms have a certain technical or doctrinal meaning in criminal law and corporate law (Soekanto, 2007).

Legal Material Collection and Analysis Techniques

The collection of legal materials in this study was carried out through a systematic and targeted literature study, by tracing laws and regulations, court decisions, and legal literature relevant to the theme of internal corporate fraud and corporate loss protection. This process is

carried out selectively to ensure that the legal material used has direct relevance to the formulation of the problem and the purpose of the research. Literature study is the main technique in normative legal research, because it allows researchers to construct legal arguments based on authoritative and academically accountable sources (Rahardjo , 2010). The analysis of legal materials was carried out by the descriptive qualitative analysis method. This method is used to systematically describe and explain the content of legal norms, the pattern of application of the articles studied, and the obstacles that arise in law enforcement practice. Qualitative analysis allows researchers to not only identify what is regulated and how it is implemented, but also examine why the effectiveness of implementing such norms is often limited. In this context, law is analyzed as a system that is influenced by normative, structural, and cultural factors, as stated.

To deepen the analysis, this study uses legal interpretation techniques that include systematic, historical, and teleological interpretations. Systematic interpretation is used to understand Article 374 and Article 378 of the Criminal Code in relation to the entire criminal law system and the general principles of criminal liability. Historical interpretation is used to trace the background of the formation of norms and the intention of lawmakers, so that the meaning of the article can be understood more completely. Meanwhile, teleological interpretation is used to assess the extent to which the goal of legal protection of property and trust in employment relationships can be achieved through the application of these articles. Van Dijk (1999) emphasized that proper interpretive techniques are key in judicial reasoning, because it determines the quality of legal arguments and the relevance of decisions to substantive justice goals. Through a combination of normative approaches, qualitative analysis, and legal interpretation techniques, this research methodology is designed to produce a comprehensive understanding of the effectiveness of the application of Article 374 and Article 378 of the Criminal Code in dealing with internal corporate fraud. This methodological approach is expected to be able to uncover the gap between legal norms and law enforcement practices, while providing a strong analytical basis for recommendations for legal reform and strengthening protection against corporate losses (Effendi & Ibrahim, 2020).

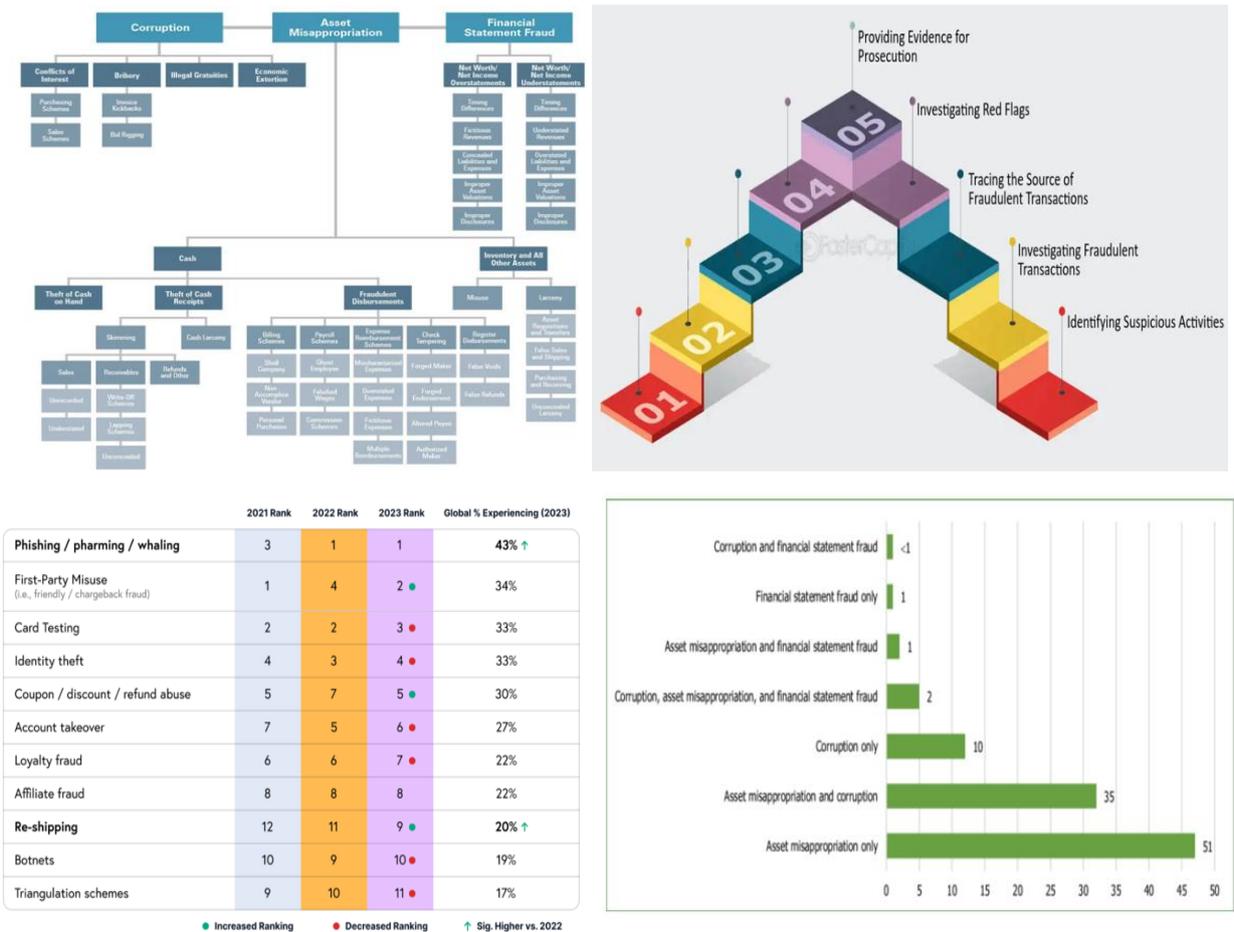
RESULTS AND DISCUSSION

Overview of Internal Fraud in the Company

The results of the study show that internal fraud is a systemic phenomenon and continues to recur in the corporate environment, both in the private sector and business entities that are related to the public interest. Data collected from professional and policy reports shows that internal fraud dominates the form of economic crime that occurs at the organizational level. A national survey conducted by ACFE Indonesia Chapter indicates that asset embezzlement and abuse of authority by employees or managers are the most common modes found, with significant financial losses and often accumulate over a long period of time (Gotelaere & Paoli, 2025). This finding is in line with the view of Wells who stated that internal fraud tends to be difficult to detect because perpetrators take advantage of the trust, access, and weaknesses of the company's internal control system. The patterns of internal fraud identified in this study include embezzlement of assets through cash and inventory manipulation, falsification or manipulation of financial data, and internal fraud committed through transaction engineering or submission of misleading information to management. Emphasized that the main

characteristic of internal fraud is the existence of a legitimate working relationship between the perpetrator and the company, so that unlawful acts are often disguised as ordinary operational activities. This condition reinforces the conclusion that internal fraud is not only a matter of individual law violations, but also reflects structural weaknesses in the company's governance and supervision systems (Alharasis et al., 2025).

Figure 1
Distribution of Types of Internal Fraud Based on Case Frequency



This bar graph illustrates the frequency distribution of different types of internal fraud within the company. It can be seen that asset misappropriation is the most dominant form of fraud compared to abuse of authority and manipulation of financial statements. This pattern emphasizes that internal fraud is generally carried out through opportunistic actions and utilizing the perpetrator's access to company assets. This visualization reinforces the argument that corporate losses do not necessarily stem from complex crimes, but rather from repetitive and systemic embezzlement practices. This bar graph not only illustrates the frequency distribution of different types of internal fraud, but also reflects the structural character of corporate crimes that occur in practice. The dominance of asset embezzlement shows that internal fraud is more often committed by individuals who have direct proximity to the company's operational system and asset control. This condition shows that there is a close relationship between position, trust, and the opportunity for criminal acts. Compared to the manipulation of financial statements which is more complex and planned, asset embezzlement

tends to be gradual, repetitive, and difficult to detect in the early stages (Nemati et al., 2025). The pattern emphasizes that the prevention and enforcement of internal fraud cannot only rely on formal supervision mechanisms, but also requires strengthening the internal control system and the effectiveness of criminal sanctions. Therefore, this visualization is relevant to assess the extent to which the provisions of Article 374 and Article 378 of the Criminal Code are able to provide real protection against company losses due to systemic internal fraud.

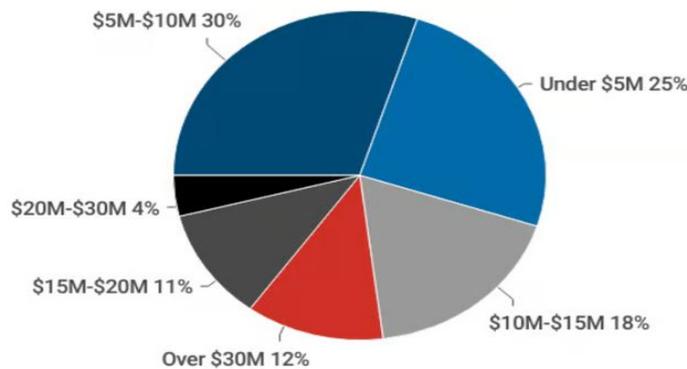
Table 1
Distribution of Internal Fraud Types and the Impact of Company Losses

Yes	Types of Internal Fraud	Key Characteristics	Case Frequency (%)	Impact of Financial Losses
1	Asset Embezzlement	Misuse of company assets by internal actors who have access to positions	High (±55–65%)	Low–Medium (cumulative)
2	Abuse of Authority	Utilization of position positions for personal or party gain	Intermediate (±20–25%)	Intermediate
3	Financial Statement Manipulation	Systematic engineering of financial data and accounting information	Low (±10–15%)	Height
4	Mode Combinations	A combination of embezzlement, fraud, and administrative engineering	Very Low (<5%)	Very High

Source: Processed by researchers

Table 1 presents the distribution of the types of internal fraud along with the main characteristics and impact of financial losses it causes on the company. Data shows that asset embezzlement is the most dominant form of internal fraud, with the highest frequency of cases compared to other types of fraud. This indicates that internal actors who have access to positions and institutional trust tend to take advantage of these opportunities to misuse company assets. Although the value of losses per case is relatively low to medium, the accumulation of losses due to asset embezzlement has the potential to have significant financial impacts in the long run. In contrast, manipulation of financial statements has a lower frequency of occurrences, but it has an impact on high financial losses because it involves systematic engineering of financial data and accounting information. Meanwhile, the combination of fraud modes, although rare, results in enormous losses due to the complexity and wider scope of the crime. These findings confirm that the frequency of a criminal act is not always directly proportional to the magnitude of the economic impact caused.

Figure 2
Proportion of Internal Fraud Types to Total Company Losses



This pie chart shows the contribution of each type of internal fraud to the company's total financial loss. Although the manipulation of financial statements has a lower frequency of cases, this type of fraud accounts for a relatively large proportion of losses. In contrast, asset embezzlement dominates in terms of the number of cases, but with a smaller value of losses per case. This visualization emphasizes the importance of a criminal law approach that focuses not only on the quantity of cases, but also on the level of economic impact of each mode of fraud. This pie chart deepens the understanding of the relationship between the type of internal fraud and the amount of economic losses caused to the company. (Cheng et al., 2025) The visualization shows that financial losses are not always proportional to the frequency of a criminal act. Financial statement manipulation, although relatively rare, tends to incur losses on a large scale because it involves the systematic engineering of financial information on which managerial and investment decision-making is based. In contrast, frequent asset embezzlement generally results in losses of a smaller value per case, but they are cumulative and have the potential to damage the company's long-term sustainability. This condition confirms that the effectiveness of criminal law enforcement against internal fraud cannot be measured solely by the number of cases processed, but also by the ability of the law to respond to the level of economic impact caused. Therefore, the provisions of Article 374 and Article 378 of the Criminal Code need to be applied proportionately and contextually in order to provide maximum protection for the economic interests of corporations (Du Preez et al., 2025).

Analysis of the Application of Articles 374 and 378 of the Criminal Code

Analysis of the application of Article 374 of the Criminal Code shows that this article is relatively often used in internal company fraud cases, especially those related to embezzlement of assets by employees or internal officials. The most dominant element of delicacy that appears in practice is the possession of goods or money due to position or employment relationships, as well as the existence of illegal possessions. that embezzlement in office focuses on the abuse of trust born from the position of the perpetrator, so it is relevant to ensnare internal fraud perpetrators who take advantage of organizational access (Adami Chazawi, 2002) Studies of court decisions, including the Supreme Court of the Republic of Indonesia Decision No. 1234 K/Pid/2018, show that judges tend to assess the fulfillment of the elements of Article 374 of the Criminal Code when it can be proven that there is an employment relationship and real losses

suffered by the company. In these cases, proving the company's losses is a crucial aspect that determines the success of the prosecution. The advantage of Article 374 of the Criminal Code lies in the clarity of its objective elements, especially related to the control of goods due to position. However, the weakness arises when the company's organizational structure is complex and the division of authority is not clearly documented, so that the relationship between the position of the perpetrator and the embezzled assets is difficult to prove conclusively (Atmasasmita, 2010).

Figure 3
The Relationship between the Internal Fraud Mode and the Applied Articles (Articles 374 & 378 of the Criminal Code)

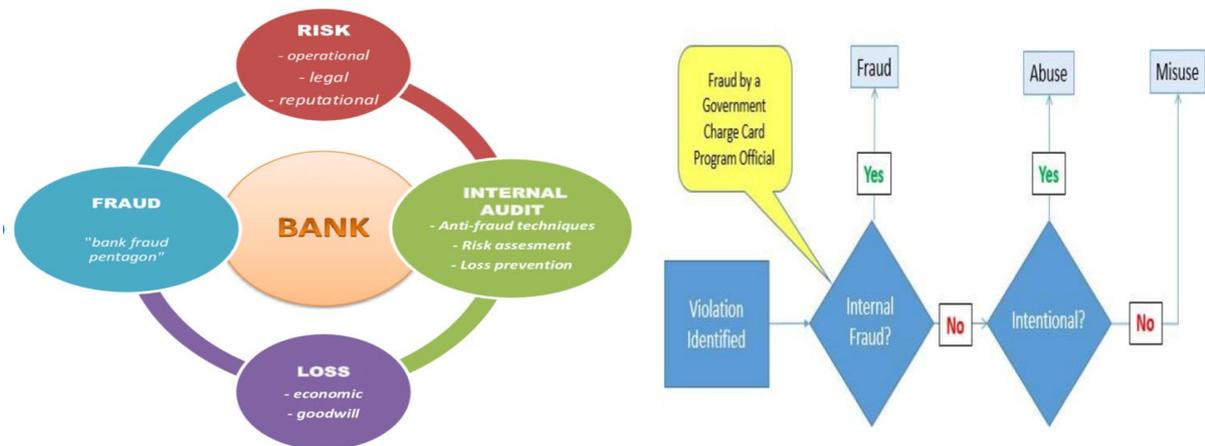


Figure 3 relational/conceptual diagram that maps the relationship between internal fraud modes (asset embezzlement, abuse of authority, manipulation of financial statements) and the criminal articles used. This diagram shows that embezzlement of assets and abuse of authority are predominantly associated with Article 374 of the Criminal Code, while Article 378 of the Criminal Code is more limited in its application to cases with explicit elements of deception. This alternative is very suitable to be used to affirm the rationality of the selection of articles by law enforcement officials, not just the number of cases. In contrast to Article 374 of the Criminal Code, the application of Article 378 of the Criminal Code in the context of corporate internal fraud faces more complex challenges. The element of deception, a series of lies, or the use of a false name must be strictly proven, while in the employment relationship many transactions are carried out based on trust and authority routinely. In judicial practice, as reflected in the Supreme Court of the Republic of Indonesia Decision No. 912 K/Pid/2019, the judge requires clear evidence that the perpetrator knowingly used deception to gain profits and cause losses to the company (Wang et al., 2025).

The interpretation of subjective elements in the form of malicious intent (*mens rea*) is the main problem in the application of Article 378 of the Criminal Code. Syamsudin (2015) emphasized that in economic crimes, proving subjective elements is often an obstacle because the perpetrator can argue that his actions are part of policies or operational discretion. As a result, law enforcement often has difficulty distinguishing between administrative errors, ethical violations, and fraudulent crimes. These findings show that although Article 378 of the Criminal Code can be normatively used to ensnare internal fraud, its effectiveness depends

heavily on the quality of evidence and the ability of the authorities to uncover the construction of deception in an organizational context (Suseno et al., 2025).

Table 2

Application of Article 374 and Article 378 of the Criminal Code in Internal Fraud Cases

Yes	Articles of the Criminal Code	Dominant Types of Acts	Intensity of Use	Ease of Proof	Verdict Pattern
1	Article 374 of the Criminal Code	Embezzlement in office, abuse of trust	Height	Height	The majority is guilty
2	Article 378 of the Criminal Code	Fraud with tricks or a network of lies	Medium– Low	Medium– Low	Varied (guilty/free)
3	Article 374 jo. 378	Embezzlement accompanied by fraud	Low	Low	Selective

Source: processed by researcher

Table 2 of the pattern of application of Article 374 and Article 378 of the Criminal Code in handling internal fraud cases in the corporate environment. Data shows that Article 374 of the Criminal Code is the most dominant provision used by law enforcement officials, especially in cases of embezzlement committed in the relationship of office and abuse of trust. The high intensity of the use of this article correlates with the ease of proving the element of delicacy, so that the majority of cases charged lead to a guilty verdict (Robinson et al., 2000). On the other hand, Article 378 of the Criminal Code tends to be applied more limited because it requires proof of the existence of a ruse or a complex series of lies. This has an impact on lower intensity of use and variable decision patterns, including free judgments. Meanwhile, the cumulative application of Article 374 jo. Article 378 of the Criminal Code is relatively rarely used because of the more difficult level of proof. These findings confirm that the effectiveness of criminal law in dealing with internal fraud is greatly influenced by the suitability between the character of the act and the construction of the criminal elements used (Rusyudianta, 2021).

Effectiveness of the Implementation of Articles 374 and 378 of the Criminal Code

The effectiveness of the implementation of Articles 374 and 378 of the Criminal Code is analyzed based on indicators of the effectiveness of criminal law which include the substance of the law, the structure of law enforcement, and the culture of the law. In terms of substance, the two articles have normatively provided a legal basis to protect the company's assets. However, emphasizes that the effectiveness of criminal law is not only determined by the existence of norms, but also by the ability of these norms to function in social practices. The findings of this study show that the substance of the law is still rigid and not fully adaptive to the complexity of modern economic crimes (Arief, 2005).

Table 3
The Level of Effectiveness of Law Enforcement against Internal Fraud

Dimensions	Indicator	Effectiveness Rate
Legal Substance	Clarity of the norms of Articles 374 & 378 of the Criminal Code	Height
Enforcement Structure	Apparatus capacity and consistency of implementation	Intermediate
Legal Culture	Corporate compliance, reporting, and transparency	Low

Source: Processed by researchers

Table 3 shows the level of effectiveness of law enforcement against internal fraud based on three main dimensions, namely legal substance, law enforcement structure, and legal culture. In terms of legal substance, the provisions of Article 374 and Article 378 of the Criminal Code are considered to have a high level of effectiveness because the norms formulated are quite clear and able to accommodate various forms of internal fraud. However, such effectiveness is not fully reflected in the dimension of the law enforcement structure, which is only at the intermediate level. This is due to the limited capacity of law enforcement officials and the inconsistent application of articles in judicial practice (Butt, 2023). Further, the legal culture dimension shows a low level of effectiveness, especially related to internal compliance, reporting mechanisms, and corporate transparency (Faisal et al., 2024). The low reporting culture causes many internal fraud cases to not be revealed or processed late legally. These findings confirm that the effectiveness of law enforcement does not only depend on the quality of norms, but is strongly influenced by structural and cultural factors in the legal system (Suartha et al., 2022).

In terms of structure, the effectiveness of the implementation of these articles is influenced by the capacity of law enforcement officials in handling fraud cases involving financial analysis and corporate structure. Underline that the structure of law enforcement includes institutions, resources, and work mechanisms that determine the success of the law (Friedman, 2011). Limited financial forensic expertise and lack of coordination with internal parties of the company are factors that reduce the effectiveness of law enforcement. In terms of legal culture, there is still a tendency for companies to resolve fraud cases internally in order to maintain their reputation, thus hindering the formal legal process. Emphasized that the legitimacy and effectiveness of the law are highly dependent on the acceptance and compliance of social actors with the applicable rules (Dewi et al., 2025).

The results of the study identified several main factors that hinder law enforcement against internal corporate fraud. First, the lack of adequate evidentiary documentation becomes a significant obstacle, especially when the company's administrative system is not designed to support forensic audits (Butt, 2023). Shows that the lack of written evidence and traces of transactions weakens the position of the public prosecutor in proving the elements of economic crimes. Second, the company's resistance to reporting fraud cases due to reputational and business stability considerations also reduces the effectiveness of law enforcement. Third, the

limitations of law enforcement officials in assessing and calculating the company's financial losses cause the proof process to be slow and less than optimal (Atmasasmita, 2010).

In addition to these factors, the complexity of the corporate organizational structure is also an important obstacle in law enforcement against internal fraud. Layered and fragmented corporate structures often make it difficult to trace the flow of responsibility and identify key actors. This condition is exacerbated by the lack of coordination between law enforcement officials, forensic auditors, and financial sector supervisory authorities, so that case handling does not run in an integrated manner. On the other hand, a culture of legal compliance that has not been firmly internalized in the corporate environment causes internal control mechanisms and reporting violations to not function optimally (Edelman & Suchman, 1999). As a result, many cases of internal fraud are only revealed after causing significant losses. Therefore, increasing the effectiveness of law enforcement demands a comprehensive approach that includes strengthening the company's administrative system, increasing the capacity of the apparatus, and establishing a culture of transparency and accountability within the corporation (Baysinger & Butler, 1985).

Table 4
Factors that inhibit law enforcement

Yes	Inhibiting Factors	Impact on Law Enforcement
1	Limitations of evidence and financial documents	Height
2	Internal resistance of the company reporting	Height
3	Lack of forensic audits and technical expertise	Intermediate
4	Complexity of corporate organizational structure	Intermediate

Source: Processed by researchers

Table 4 identifies the main factors that hinder the effectiveness of law enforcement against corporate internal fraud as well as the extent of its impact on the law enforcement process. The limitation of evidence and financial documents is the inhibiting factor with the highest impact, because the absence of adequate data makes it difficult to prove the elements of delicacy, especially in complex economic crime cases. A company's internal resistance to reporting fraud cases also has a high impact on law enforcement, given that reputational and business stability considerations are often prioritized over legal interests. In addition, the lack of forensic audits and technical expertise of law enforcement officials has an impact on delays and inaccuracies in assessing the company's financial losses. Another factor that also hinders is the complexity of the corporate organizational structure, which makes it difficult to trace the flow of responsibility and identify the main actors. Overall, this table emphasizes that law enforcement obstacles do not solely come from normative aspects, but also from technical, structural, and corporate cultural issues that have not fully supported legal transparency and accountability.

The findings of this study have important implications for efforts to protect companies from internal fraud. First, it requires an update of the company's internal policies that emphasize transparency, adequate documentation, and a strong internal control system. Emphasized that fraud prevention must be supported by compliance mechanisms that are integrated with

business processes (Guo & Xie, 2025; Setiawan & Soewarno, 2025). Second, the integration between the internal compliance system and forensic audits is an urgent need to support the evidentiary process in criminal law enforcement. In addition, the progressive legal approach as proposed can be the basis for interpreting and applying Articles 374 and 378 of the Criminal Code in a more responsive manner to the reality of economic crimes (Rahardjo, 2006). Thus, corporate protection does not only depend on criminal sanctions, but also on the synergy between criminal law, corporate governance, and the institutional capacity of law enforcement officials. These findings confirm that increasing the effectiveness of criminal law enforcement against internal fraud requires simultaneous normative, structural, and cultural reforms (Putri, 2025).

CONCLUSION

This study examines the effectiveness of Articles 374 and 378 of the Criminal Code (KUHP) in overcoming internal corporate fraud and protecting the company's financial interests. These findings suggest that, while both provisions provide a formal legal basis for prosecuting embezzlement and fraud committed by internal actors, their practical effectiveness remains limited. Article 374 of the Criminal Code tends to be applied more consistently because of the clarity of its objective elements, especially the abuse of authority arising from the employment relationship. In contrast, Article 378 of the Criminal Code faces significant obstacles, especially related to proving fraudulent intent in routine corporate transactions and hierarchical work structures. Further analysis reveals that the effectiveness of the law is limited not only by normative rigidity but also by structural and cultural factors. Limited forensic finance expertise among law enforcement agencies, inadequate documentation in corporate systems, and corporate reluctance to report fraud due to reputational issues collectively undermine law enforcement outcomes. These findings confirm that the gap between legal norms and enforcement practices remains, reducing the deterrent and restorative function of criminal law in the corporate context. This research contributes to the body of knowledge in economic criminal law by offering a systematic juridical evaluation of traditional criminal provisions in the context of modern corporate fraud. It highlights the need for an integrated approach that combines criminal law enforcement with corporate compliance systems and forensic audit mechanisms. Future research may expand on this analysis by incorporating empirical case studies, comparative law perspectives, or assessments of the impact of recent criminal law reforms on corporate fraud enforcement. Such a study would further clarify how criminal law can adapt to the company's evolving internal violation patterns.

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