

The Effect of Corruption in the Mining Sector on State and Environmental Losses (Case Study of PT Timah Tbk)

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Abstract

The purpose of this research is to determine the problem of the influence of PT Timah corruption on state and environmental losses. The research method used in this research is the literature method, by obtaining research from various sources, with steps such as determining a problem or describing subtopics, looking for sources from previous research, and rearranged it so that it becomes new research. The results of this research show corruption cases involving PT. Timah (Tbk) has shown how illegal and unethical practices in natural resource management can cause huge losses to the country and society. Corruption that occurred at PT. Timah (Tbk) not only resulted in financial losses of 271 trillion rupiah, but also caused significant damage to the environment. This highlights the urgent need for stricter governance, transparency, and accountability in the management of natural resources to prevent further harm to the environment and economic stability.

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1. Introduction

Currently, mineral and coal mining is developing very rapidly, so miners can profit from the results (Carvalho, 2017). However, mining without permission from authorized officials or agencies is considered illegal mining and can have a negative impact on humans and the environment. To overcome this, the government made regulations to limit this. Natural resources need to be managed and utilized wisely because they play a very important role in ensuring the welfare of society now and in the future (Siregar, 2020).

According to Article 33 paragraph (3) in the 1945 Constitution, the state has full control over land and natural resources within its territory for the benefit and prosperity of the people. Therefore, the government has rights to land, water and natural resources within the country's territory. Therefore, if there is a person who wants to carry out mining activities, then that person must first ask permission from an authorized official, if the person does not have a permit to carry out mining activities then he will be qualified as an illegal miner (Salim, 2006).

Mining is the process of removing precious and valuable materials from the soil layers by mechanical or manual means, both above and below the surface of the land and under water. This activity produces a variety of ores, including coal, iron sand, tin ore, nickel, bauxite, copper, gold, silver, and manganese ore. Investigation and exploration, mine preparation and construction, utilization and processing are the stages of mining. Mining activities carried out by the state, such as community mining, must provide sustainable welfare for the community and the surrounding environment. Tin is one of the most valuable natural resources on Earth. Because tin is included in the precious metal category, in Indonesia to get it is by mining it. Tin is also an important industrial commodity that is used for various purposes such as in electronics for soldering, food packaging, equipment, corrosive coatings, and so on. Based on the regulations stipulated in Law no. 4 of 2009 concerning Mineral and Coal Mining and explained

further in PP No. 75 of 2000 concerning the Implementation of Mineral and Coal Mining, as well as Article 1 paragraph 2 of Law no. 32 of 2009 concerning Mineral and Coal Mining, mining activities can strengthen sustainable development without damaging the environment.

In Indonesia, there is an example of a case regarding corruption committed by PT Waskita where the attorney general named a suspect with the initials DES in a corruption case involving misuse of funds from PT Waskita Beton Precast in 2016-2020. Corruption is an illegal activity in the form of bribery, fraud, embezzlement, misuse, forgery, nepotism, manipulation, etc (Rusdianti et al., 2022). carried out due to abuse of authority or power by public (government) or private (company) office holders. In the context of international business, corruption has three important characteristics. The first is that the person/company is carrying out some form of illegal activity. The second is that a person/company abuses power or authority in violation of existing laws and regulations or acts outside the limits of the law. The third characteristic is that people/companies use positions of power to gain personal gain (financial or other) instead of benefiting the state or shareholders.

PT TIMAH was founded on August 2 1976 and operates in the tin mining sector. This PT has also been listed on the Indonesian Stock Exchange since 1995. PT TIMAH produces and exports tin metal in various aspects of mining, including exploration, mining, processing and marketing. PT TIMAH Tbk has a Mining Business License (IUP) for the onshore and offshore areas of Bangka Belitung, as well as Kundur Island covering an area of 473,310 hectares. In this situation, DES, who served as the main director of PT Waskita, was suspected of being involved in directing and approving the disbursement of supply funds chains financing (SCF) by using fake documents to pay company debts as a result of paying for fake work projects. In this case, the state is estimated to suffer a loss of IDR 2.54 trillion. From the explanation above, the research I conducted focused on the impact of corruption in the mining sector on state and environmental losses (Case Study of PT Timah Tbk), which made me interested in researching the impact of corruption caused by acts of corruption at the PT on state losses and environment.

Literature Review

a. Corruption

Corruption is an illegal activity in the form of bribery, fraud, embezzlement, misuse, forgery, nepotism, manipulation, etc (Basabose, 2019). Carried out due to abuse of authority or power by public (government) or private (company) office holders. In the context of international business, corruption has three important characteristics. The first is that the person/company is carrying out some form of illegal activity. The second is that a person/company abuses power or authority in violation of existing laws and regulations or acts outside the limits of the law. The third characteristic is that people/companies use positions of power to gain personal gain (financial or other) instead of benefiting the state or shareholders.

b. Mining

Mining is the process of removing precious and valuable materials from the soil layers by mechanical or manual means, both above and below the surface of the land and under water (Worlanyo & Jiangfeng, 2021). This activity produces a variety of ores, including coal, iron sand, tin ore, nickel, bauxite, copper, gold, silver, and manganese ore. Investigation and exploration, mine preparation and construction, utilization and processing are the stages of mining (Aravinda, 2022).

c. Tin

Tin is one of the most valuable natural resources on Earth. Because tin is included in the precious metal category, in Indonesia to get it is by mining it (Waller, 2023). Tin is also an important industrial commodity that is used for various purposes such as in electronics for soldering, food packaging, equipment, corrosive coatings, and so on.

d. Money Laundering

Money laundering is a method for hiding, diverting and utilizing the proceeds of criminal acts, organizational criminal activities, economic crimes, corruption, narcotics trafficking and other criminal activities (Dhar, 2016). In general, money laundering occurs when a suspicious transaction is detected. Such as involving receipts, deposits, withdrawals, transfers, payments, gifts, contributions, custody, and other money-related activities.

e. PT. Timah

PT TIMAH was founded on August 2 1976 and operates in the tin mining sector. This PT has also been listed on the Indonesian Stock Exchange since 1995. PT TIMAH produces and exports tin metal in various aspects of mining, including exploration, mining, processing and marketing. PT TIMAH Tbk has a Mining Business License (IUP) for the onshore and offshore areas of Bangka Belitung, as well as Kundur Island covering an area of 473,310 hectares

2. Methods

The method used in this research is the Literature Method. According to Zed (2008) the Literary Method, it is a way to collect, analyze and record information that will be used in new research. The literary method is also a way to obtain research results from various sources, with steps such as determining a problem or you can also describe subtopics , looking for sources from previous research, and rearranging them so that it becomes new research. The data sources for this research come from previous research and from various other references such as books, journals and reports regarding the Effect of Corruption in the Mining Sector on State and Environmental Losses.

3. Results and Discussion

Chronology of Corruption from the Company PT Timah (tbk)

When PT Timah released its financial report performance in 2023. In its financial report it experienced bad results and caused losses, this gave rise to bad feelings in the midst of a corruption case related to the trading system of tin commodities in the Mining Business License (IUP) area of PT Timah Tbk (TINS) 2015–2022. Then in 2024, five suspects were named by the Attorney General's Office in the tin trade corruption case in the PT Timah Tbk IUP area from 2015 to 2022. One of them was the MRPT suspect, who previously served as main director at PT Timah Tbk.

The chronology of PT Timah began when the Attorney General's Office began investigating TN alias AN and AA who had previously been suspects. So the results of the investigation found that there was another suspect. Namely Suspect SG alias AW and Suspect MBG, they both own companies that were used to make a cooperation agreement with PT Timah in 2018 regarding the rental of equipment for processing tin. This agreement was approved by PT Timah, namely MRPT alias RZ as main director and EE alias EML as Finance Director. Apart from that, AW asked MBG to sign a cooperation contract to provide tin ore. At that time, the puppet companies CV Bangka Jaya Abadi and CV Rajawali Total Persada were founded. These two companies were used to illegally store tin ore from the IUP PT Timah tbk , which is controlled by MBG. Then, the tin ore produced by the puppet company was sold to PT Timah tbk.

Therefore, from 2019 to 2022, PT Timah spent a total of around 975 billion for metal mining and 1.7 trillion for purchasing tin ore. Apart from that, the PT Timah company issued a contract work order for the transportation of Remaining Processing Products (SHP), then the profits from the tin ore purchase transaction would be received by the two suspects, namely MBG and SG alias AW. The abuse of authority carried out by the President Director of Pt Timah Tbk and the Director of Finance of PT Timah Tbk resulted in state losses reaching trillions of rupiah.

State Losses Caused by Corruption in the PT Timah Company

It was reported that corruption cases in the management of tin in the PT Timah Tbk mining business permit area during the 2015-2022 period had caused state losses of IDR 271 trillion. The loss value comes from losses that must be borne, including economic and environmental losses as well as recovery costs. There were allegations of corruption in the regulation of tin trading at PT Timah Tbk's mining business permit (IUP) in Bangka Belitung, which caused financial losses of IDR 271 trillion. From 2015 to 2022, the amount of these losses increased. There is a belief that the PT Timah corruption case is a continuation of a poor management system in the extractive sector. Indonesian Corruption Watch (ICW) stated that from 2004 to 2015 Indonesia experienced losses of IDR 5.714 trillion, most of these losses were due to illegal tin smuggling which failed to pay royalties and corporate income tax. If in the 12 year average, the country has experienced tin losses of 32,473 tons per year (Primayogha et al., 2024).

Indonesia occupies the second position as the largest tin producer in the world after China (Eko & Surti, 2024). Apart from that, tin also has a role in various aspects such as manufacturing, including in the automotive, electronics and construction sectors. Tin has a high market value due to its benefits and limited availability in Indonesia. With tin production of 71,000 tons in 2021, Indonesia has a great opportunity to increase expertise in the tin industry.

Illegal mining practices not only harm the country's natural wealth, but also have a negative impact on the ecological environment, resulting in large losses. According to Prof. Bambang Hero Saharjo, an environmental valuation expert and also a professor of forestry at IPB University, said that in this case the size of the entire mine excavation area was considered to be the cause of the country's economic losses. This mining area covers a total area of 170,363,064 hectares and is spread across seven districts in the Bangka Belitung Islands. In calculating losses, these losses are divided into two, namely the area of damage in forest areas of around 75,345,751 hectares, with total environmental losses reaching 223.37 trillion rupiah. And outside the forest area, the damage area was around 95,017,313 hectares, and the total environmental losses reached 47.7 trillion rupiah. This information shows that illegal mining in the PT Timah Tbk area is destroying the environment and affecting the country's economy and society. The Minister of Environment Regulation Number 7 of 2014 discusses the Calculation of State Losses due to Corruption caused by Environmental Pollution and/or Damage. According to Article 1 number 2, environmental losses refer to losses caused by pollution or environmental damage that are not caused by individuals. Calculating ecological losses consists of five elements, namely:

- a. Losses arising from violations of environmental quality standards occur when wastewater treatment, emissions and/or hazardous waste management measures are not implemented fully or partially;
- b. Losses caused by reimbursement of costs related to the environmental dispute resolution process, including field verification, laboratory analysis, experts and supervision of the implementation of payments for environmental losses;
- c. Losses from compensation to cover the costs of handling environmental pollution, damage and restoration;
- d. Loss to the ecosystem; And
- e. Community losses resulting from environmental pollution and/or damage.

Damage to rivers due to mining is one of the biggest ecological impacts felt by communities in the surrounding area. Ultimately, damage to the river and the environment will cause ecological disasters such as floods and landslides, putting thousands of residents in the surrounding area in danger.

Returning state losses is needed to restore the country's economy after corruption occurs. However, within the legal framework for Eradicating Corruption, convicts have the option to choose between serving the sentence imposed by the judge or paying a compensation fine (Hartono & Hasan, 2021). To prosecute environmental damage, law enforcement agencies must also utilize other legal instruments, such as civil lawsuits. The hope of this progress is that it can become an example for other corruption cases related to natural resources and the environment. Exploitation of natural resources is an irresponsible act in an effort to achieve short-term business goals. Crimes committed in the environment and natural resources have serious impacts and have a high level of complexity.

One of the reasons why environmental crimes occur so easily is because of a corrupt government. This corruption occurs from the field operational level to the policy formulation level. There are several ways in which authorities can be involved, including protecting or supporting criminals, committing omissions, publishing documents that violate the law, making policies that benefit perpetrators, committing illegal levies, accepting money and bribes from the perpetrators' proceeds, holding the proceeds of crime, or being a perpetrator. main.

There are several calculations of losses due to environmental damage. The basic reference for calculating losses can be caused by ecological and cultural damage, economic losses, and environmental restoration (Prabowo, 2021). Calculation of ecological losses is carried out in accordance with Minister of the Environment Regulation No. 7 of 2014 concerning Environmental Losses Due to Environmental Pollution or Damage. Tin mining activities have caused environmental damage of IDR 223.36 trillion, which is divided into ecological losses of IDR 157.83 trillion, environmental economic losses of IDR 60.27 trillion, and environmental recovery losses of IDR 6.26 trillion. In contrast, the negative impact on the environment from tin mines located outside forests or other use areas (APL), costs 25.87 trillion in environmental losses, 15.2 trillion in environmental economic losses, and 6.26 trillion in recovery losses. environment. If all losses from outside the forest are added up, the total loss reaches 47.70 trillion.

The calculation of these losses is carried out in accordance with the Minister of Environment and Forestry Regulation Number 7 of 2014 concerning Environmental Losses due to Environmental Pollution and/or Damage. This means that the costs required to restore the function of water sources, regulate water sources, control erosion and runoff, form soil, recycle nutrients, run waste decomposers, manage biodiversity, genetic resources and reduce carbon are included in state losses. According to regulations , environmental damage at tin mining sites must be considered in calculating losses. Results of laboratory sample analysis during field verification in Bangka Belitung show damage to the mine site, which can be used to calculate losses. This is the environmental impact produced by illegal tin mining today.

Impact of Corrupt Practices PT. Timah

Many researchers have theoretically confirmed the negative impact of corruption on economic growth, emphasizing the dangers of such influence (Ivanyna et al., 2016). Blackburn et al. (2006) discusses how corruption can negatively impact a country's productivity. Each country has different levels of productivity, which can explain the differences in the impact of corruption on their economies. Mauro (1995) shows the results of data analysis from 67 countries and finds a negative relationship between the level of corruption and average annual economic growth. He utilized the Business International (BI) index, created by the Economist Intelligence Unit, as a substitute for the level of corruption. (Tanzi & Davoodi, 1998) also investigates the impact of corruption on the size of a country's economy. They find that by substituting productive capital for the economy, corruption prefers to prioritize public investment over private investment. They use corruption data from BI and the International Country Risk index Guide (ICRG) created by Political Risk Services , Inc. (PRS).

Corruption and money laundering in the mining sector not only create losses in the economy but also have the potential to have negative impacts on the environment. Corruption can facilitate the process of granting mining permits without taking into account the negative consequences for the environment.

One of the regulations that regulates how the mining business environment is managed is Law of the Republic of Indonesia Number 32 of 2009 concerning Environmental Protection and Management. In this law, business actors are required to take various actions to protect the environment, for example carrying out an environmental impact study Williams and Dupuy (2017) as a requirement for obtaining a mining business permit. However, acts of corruption can cause this process to be ignored, resulting in permits being granted without carrying out an adequate evaluation of the potential for environmental damage.

Ineffective control over the implementation of environmental regulations, caused by acts of corruption, resulting in violations of environmental standards. So this can threaten the sustainability of local ecosystems and communities around mining. Uncontrolled mining that

violates environmental regulations can also result in deforestation, erosion and pollution of water sources.

The fact that corruption has an impact on the environmental management and supervision of mining activities shows how important clean and transparent mining sector governance is. Failure to implement environmental management regulations leads to uncontrolled environmental damage as well as significant social and economic losses.

4. Conclusion

Corruption case involving PT. Timah (Tbk) has shown how illegal and unethical practices in natural resource management can cause huge losses to the country and society. Corruption that occurred at PT. Timah (Tbk) not only resulted in financial losses of 271 trillion rupiah, but also caused significant damage to the environment. The total value of losses caused by tin mining activities is 271, which comes from ecological losses of 157.83 trillion, environmental economic losses of 60.27 trillion, environmental recovery losses of 6.26 trillion. and negative impacts on the environment outside the forest or other use areas (APL) amounting to 47.70 trillion. Comprehensive recovery measures are needed to deal with the losses caused by this corruption. Calculations of environmental and economic losses have been carried out based on Minister of Environment Regulation Number 7 of 2014, including environmental restoration costs and compensation for affected communities. In short, the corruption case at PT. Timah (Tbk) can be used as a clear example that weaknesses in governance and supervision can result in huge losses for the country and the environment. So, the solution to dealing with corruption that occurs in mining is to increase transparency and accountability, such as ensuring that all procedures and activities related to mining permits and supervision are carried out openly and responsibly. Another solution is to establish an anti-corruption unit within the mining company to monitor activities and report on activity practices within the company.

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