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Manipulated Stocks and Corruption: Lessons from Three Indonesian Verdicts

Henry Chevalier [a] ✉, Benny Sumardiana [b], Waspiah Waspiah [b]

[a] Henry Chevalier and Partners Law Firm, Indonesia
[b] Faculty of Law, Universitas Negeri Semarang, Indonesia

✉ corresponding email: chevalierhenry29@gmail.com

Abstract

The Jiwasraya, Asabri, and DP4 cases are major financial scandals in Indonesia involving stock price manipulation and corruption. These crimes stemmed from weaknesses in capital market regulations, weak oversight, and conflicts of interest in the management of investment funds in state financial institutions. The perpetrators exploited regulatory loopholes to divert funds into low-quality stocks whose prices were manipulated through fraudulent transactions and misleading information. The state losses, reaching hundreds of trillions of rupiah, underscore the need for financial governance reform and regulatory strengthening. The legal verdicts in these cases have a deterrent effect, with severe penalties for perpetrators, including life imprisonment and the confiscation of assets. Furthermore, capital market regulations have been tightened, a risk-based oversight system has been implemented, and transparency in the management of public funds has been increased. To prevent similar crimes, stricter oversight of investments by state-owned insurance companies and pension funds, increased transparency in financial reporting, and synergy between institutions in financial law enforcement are needed. Stronger regulatory measures can curb stock price manipulation linked to corruption, thereby restoring trust in the capital market and the national financial system.

Keywords
Stock Manipulation, Financial Corruption, Jiwasraya, Asabri, Capital Market Regulation.

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Introduction

The phenomenon of stock price manipulation in the context of corruption is a form of financial crime that has evolved in tandem with the rapid growth of capital market activity in Indonesia. Stock price manipulation involves the manipulation of prices through pseudo-transactions, artificially skewing the balance of supply and demand, and the dissemination of misleading information to create the illusion of stable or rising stock prices[1]. In the context of corruption, stock price manipulation is often used as a tool to secure personal or group profits by siphoning investment funds from state-owned financial institutions, such as state-owned insurance companies and pension funds. This type of corruption not only directly harms state finances but also undermines public trust in capital market mechanisms and the governance of financial institutions, which should be transparent and accountable[2]. Major scandals, such as those involving Jiwasraya, ASABRI, and DP4, illustrate how stock price manipulation is frequently linked to systemic corruption involving policymakers, investment managers, and stock market participants.

The emergence of stock price manipulation cases in corruption crimes is closely tied to regulatory loopholes, weak oversight, and conflicts of interest within companies and capital market supervisory agencies[3]. Corruptors exploit weaknesses in the investment management of state-owned enterprises (SOEs) and pension funds, which often prioritize short-term profits over prudential principles. Under the guise of pursuing high-yield targets, investment funds are diverted to underperforming or "fried" stocks, whose values are deliberately manipulated through manipulative transactions. In many cases, perpetrators also form collusive networks between internal company parties, investment managers, and securities firms to create window-dressing schemes to make investment performance appear positive on paper. This type of malicious collaboration is challenging to detect early,

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1 Ali, Mahrus (2022) Menolak Tindak Pidana Pasar Modal Dalam Perkara PT. Asuransi Jiwasraya Sebagai Korupsi, *Jurnal Ius Constituendum Vol 7 No 1*

2 Barli, H., (2018): Pengaruh Leverage Dan Firm Size Terhadap Penghindaran Pajak, *Jurnal Ilmiah Akuntansi,*

3 Binekasri, Romys (2023) Aksi goreng saham terbesar yang merugikan Rp. 39 T. diakses dari www.cnbcindonesia.com

especially if financial authority oversight is ineffective or compromised by specific political and economic interests.

In addition to internal factors and regulatory weaknesses, external conditions and economic structures also fuel the proliferation of stock price manipulation as a mode of corruption[4]. When economic pressures increase, for example, due to a global crisis or political uncertainty, many state-owned financial institutions are encouraged to seek shortcuts to demonstrate positive performance. This opens up opportunities for individuals, both internally and externally, to offer high-risk investment schemes that are rife with manipulation[5]. Furthermore, low financial and investment literacy among public fund managers, including pension funds and insurance companies, makes them vulnerable to being deceived by promises of high returns without understanding the systemic risks that lurk[6]. This phenomenon demonstrates that stock price manipulation in the context of corruption is not simply a common financial crime, but rather part of a governance pathology that reflects the fragility of the state's financial management system and the weak resilience of the capital market to the infiltration of manipulative practices that harm the broader public interest.

The phenomenon, often referred to as "stock manipulation," refers to the practice of manipulating stock prices in the capital market by certain parties to create the impression that the shares have bright prospects, high demand, and good liquidity, when in reality the shares lack sound fundamentals. This manipulation is typically carried out by syndicates comprising shareholders, investment managers, securities firms, and other entities with access to substantial investment funds. They orchestrate artificial transaction patterns (wash trading), disseminate misleading information, and utilize influencers or the media to create a sense of euphoria among retail investors. The artificially inflated stock price attracts other investors, creating a price bubble far

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4 Binekasri, Romys (2023) Modus goreng saham terbesar di RI berasal dari duo Bentjok dan Heru Hidayat, diakses dari www.cnbcindonesia.com

5 BPKN RI (2023) Waspadai penggorengan saham sebagai kejahatan pasar modal yang berpotensi rugikan masyarakat Indonesia, diakses dari www.bpkn.go.id

6 Cressey, Donald R. (1953). Detecting and Predicting Financial Statement Fraud: The Effectiveness of The Fraud Triangle and SAS No. 99, *Journal of Corporate Governance and Firm Performance.*

beyond the fair value of the shares. In the context of the Indonesian capital market, the phenomenon of stock manipulation is not new, but what distinguishes it from major cases like Jiwasraya and ASABRI is the involvement of state institutions and public funds as the driving force behind the manipulation.

The relationship between stock price manipulation and stock manipulation is closely tied, with stock price manipulation being one of the most commonly used techniques for influencing stock prices[7]. Stock price manipulation encompasses all schemes that involve price manipulation, whether through pseudo-transactions, creating false demand, or influencing market sentiment that deviates from the company's fundamental reality[8]. Stock price manipulation becomes part of a manipulation strategy when the perpetrator aims to inflate the price of a particular stock to profit from the difference between the buying and selling prices[9]. In the context of corruption[10], stock price manipulation is not simply an ordinary act of speculation, but rather a tool to launder corrupt proceeds, secure personal gain, and cover previous investment losses. In other words, stock price manipulation is a mechanism that creates the illusion of investment success, even though it ultimately results in significant losses when the stock price plummets after the scheme is uncovered.

The causal relationship in stock price manipulation cases based on stock manipulation is clearly evident in the Jiwasraya, ASABRI, and DP4 scandals. Initially, investment fund managers at these institutions were encouraged to pursue high returns to cover deficits or demonstrate positive investment performance. Internal actors then colluded with external parties, such as investment managers and securities firms, to invest large sums in low-quality stocks that were deliberately manipulated to make them appear attractive. The persistent rise in stock

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7 Creswell, J. W. (2011). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches.* California: SAGE Publications.

8 Idris, Muhammad (2020) Senasib Asabri dan Jiwasraya : Kelimbungan yang disebabkan karena saham gorengan, diakses dari www.kompas.com

9 IDX Channel (2023) Kisah Bentjok dan berbagai skanadal goreng saham terbesar di Indonesia, diakses dari www.idxchannel.com

10 Ika, Aprilia (2023) Berbagai strategi BEI untuk melindungi investor dari saham-saham gorengan, diakses dari www.kompas.com

prices made the investment portfolio appear profitable, even though all price movements were artificially controlled[11]. Once public funds were siphoned off and the scheme could no longer be sustained, stock prices plummeted, resulting in massive, unrecoverable losses and the subsequent disclosure of corruption cases[12]. Thus, stock manipulation was not simply an act of price manipulation but also a gateway to financial scandals involving collusion, conflicts of interest, and failures in oversight of the capital markets and public fund management.

The stock price manipulation phenomenon involving PT Asuransi Jiwasraya (Persero), PT Asabri (Persero), and the Port and Dredging Company Pension Fund (DP4) did not occur suddenly; instead, it resulted from the accumulation of systemic weaknesses in the investment governance of state financial institutions and pension funds. These three institutions manage large amounts of public funds, which should be invested with the principles of prudence, transparency, and high accountability[13]. However, in practice, the management within these institutions is actively involved in stock price manipulation schemes to pursue instant profits, cover old losses, or embellish financial reports. This phenomenon arises from a systemic drive to generate high returns amidst performance pressures, weak investment manager competency, and minimal investment literacy among management and internal supervisors, which makes them vulnerable to collusion by capital market players, including investment and securities managers.

The stock price manipulation schemes in the Jiwasraya, Asabri, and DP4 cases generally began with the placement of unhealthy investment funds in underperforming or "fried" stocks[14]. The perpetrators, both internal and external to the institution, deliberately

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[11] Kurnia, Erika (2024) Waspadai perilaku goreng saham menjelang pemilu di Indonesia, diakses dari www.kompas.com

[12] Litbang Kompas (2020) Kasus dan permasalahan Jiwasraya dan Asabri; sebuah fenomena penggorangan saham yang dijadikan sebagai alat cuci uang, diakses dari www.kompas.com

[13] Miles, B.M. & Huberman, M.A. (1992) *Analisis Data Kualitatif,* Jakarta: Universitas Indonesia Press

[14] Monica, Nancy (2023) Analisis Kecurangan Laporan Keuangan PT Asuransi Jiwasraya dengan Analisis Fraud Pentagon. *Jurnal Sanskara Akuntansi dan Keuangan Vol. 1, No. 02.*

manipulated the prices of these stocks through pseudo-transactions, fabricated positive media reports, and manipulated supply and demand to create the illusion of continued price increases. Large amounts of public funds were injected into these stocks to reinforce the price manipulation, creating the illusion of profitable investment performance. With steadily rising stock prices, the companies' financial statements appeared healthy, even though, in reality, the investments were hazardous. When this manipulation could no longer be sustained due to a lack of liquidity or exposure by authorities, stock prices plummeted, causing significant investment losses. These losses led to pension fund bankruptcies, policy defaults, and the loss of investment funds derived from state and participant funds.

In addition to internal factors and market collusion, regulations and oversight in the capital market sector, as well as state-owned investment institutions, also play a role in enabling this stock price manipulation scheme. Supervision by the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX) has proven ineffective in detecting and preventing suspicious transactions in stocks targeted for manipulation[15]. Regulations regarding investment management by state-owned insurance companies and pension funds are also lax, allowing management to invest in high-risk instruments without strict adherence to prudential principles. The lack of an integrated oversight system between capital market supervisory institutions and public fund management supervisors further widens the scope for manipulation[16]. In the context of Jiwasraya, Asabri, and DP4, this oversight failure highlights that capital market law and investment governance in Indonesia have been ineffective in preventing systemic investment irregularities involving both internal and external actors.

The legal impact of this stock price manipulation phenomenon is profound and multi-layered. From a law enforcement perspective, these three cases have forced law enforcement officials—from the Attorney General's Office to the Corruption Eradication Commission (KPK)—to

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15 Posner, Richard A. (1973). *Economics Analysis of Law,* New York: Wolters Kluwer Law & Business Publisher.

16 Rahayu, Isna Rifka Sri (2023) Belajar dari skandal goreng saham di Indonesia, pengawasan di sektor jasa keuangan perlu di perkuat, diakses dari www.kompas.com

develop new approaches to investigating capital market-based financial crimes. Stock price manipulation linked to corruption creates a complex hybrid crime, involving violations of the Capital Market Law, the Corruption Law, and the Money Laundering Law. This complexity demands a more cross-sectoral, collaborative law enforcement approach based on in-depth forensic audits. The Jiwasraya and Asabri cases even forced the state to take extraordinary measures in the form of large-scale asset seizures, indicating that stock price manipulation has evolved from a common capital market crime to a large-scale economic corruption crime that directly harms the state's finances.

In the long term, this phenomenon has prompted the urgency of legal reform in the areas of public fund investment management and capital market law enforcement. Legal protection for public funds invested in the capital market must be strengthened through regulatory reforms and strict oversight of the management of state-owned insurance and pension fund companies. Furthermore, coordination between the Financial Services Authority (OJK), the Corruption Eradication Commission (KPK), the Attorney General's Office (AGO), and the Financial Transaction Reports and Analysis Center (PPATK) is needed to establish an early warning system for indications of stock price manipulation involving public funds. The Jiwasraya, Asabri, and DP4 cases are a wake-up call that stock price manipulation is no longer merely a game of speculators in the capital market, but has become a form of structured corruption involving large-scale public funds, threatening the stability of the national financial system and undermining public trust in the law and capital markets in Indonesia.[17]

This research will use the descriptive analysis method as described by Creswell (2011). This method aims to systematically describe the phenomenon of stock price manipulation that occurs in corruption crimes and analyze it based on relevant court decisions. With this approach, the research will not only present empirical facts from the Jiwasraya, ASABRI, and DP4 cases but also connect these findings to

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[17] Rantetandung, Nathan Christy Noah (2021) Penegakan hukum dalam tindak pidana pasar modal, pencucian uang dan korupsi: studi kasus jiwasraya, , *Jurnal Kertha Negara Vol. 9 No. 10.*

legal theory, financial governance, and sound investment principles.[18] According to Creswell, the descriptive analysis approach enables this research to explore the patterns that emerge in these cases, including how stock price manipulation is used as a modus operandi for corruption, the actors involved, and the resulting legal and economic impacts.[19]

The descriptive analytical method in this study will focus on analyzing court decisions as the primary source of data. Court decisions are legal documents containing legal considerations, verified facts, and legal arguments used in sentencing perpetrators. By examining the decisions in the Jiwasraya, ASABRI, and DP4 cases, this study will identify how courts assess elements of stock price manipulation in the context of corruption, as well as how judges interpret and apply existing regulations, including the Capital Market Law (Law No. 8 of 1995), the Corruption Law (Law No. 31 of 1999 in conjunction with Law No. 20 of 2001), and the Money Laundering Law (Law No. 8 of 2010). Analysis of these decisions will also help identify regulatory gaps or weaknesses that perpetrators might exploit in carrying out stock manipulation schemes.

In addition to using data from court decisions, this study will also utilize secondary data sources, such as investigative reports from state institutions, academic journals, and studies by experts in capital market law and corruption. By combining data from various sources, this study will provide a more comprehensive analysis of how the phenomenon of stock price manipulation in the context of corruption can occur, the factors that facilitate this practice, and its impact on state financial governance and capital market stability. Furthermore, this study will also examine the effectiveness of oversight and law enforcement mechanisms in addressing similar practices in the future.[20]

Using this descriptive-analytical method, this research is expected to make academic and practical contributions to understanding the

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18 Riyanti, Febi Pertiwi dan Alifiah Humairoh, (2024) Analisis pelanggaran etika akuntansi: manipulasi saham investasi oleh PT Asabri, *Jurnal Perubahan Ekonomi (JPE) Vol 8 No 5.*

19 Safitri, Kiki (2020) Ahli dan Analis : Jiwasraya sengaja membeli saham BUMN "Gorengan" untuk mengelabuhi para Auditor, diakses dari www.kompas.com

20 Christian, Natalis dan Jeslyn Fedelia, (2023) Analisis Kasus PT. Asabri (Persero) dengan teori dasar fraud, *Jurnal Multilingual Vol. 3, No. 3.*

relationship between stock price manipulation and corruption. Academically, this research will add to the literature on forms of financial crime involving the capital market and the investment management of state-owned enterprises (SOEs) and pension funds.[21] Practically, this research can provide input for regulators, supervisory agencies, and law enforcement officials in strengthening regulations and oversight systems to prevent similar cases from occurring in the future. Therefore, this research not only describes past cases but also provides recommendations based on legal and economic analysis regarding how stock price manipulation in corruption can be prevented and prosecuted more effectively.

A. Stock price manipulation in corruption cases in the Jiwasraya, Asabri, and DP4 cases.

The stock price manipulation cases in corruption cases at PT Asuransi Jiwasraya (Persero), PT Asabri (Persero), and the Port and Dredging Company Pension Fund (DP4) share a similar chronological pattern, starting with deviant investment decisions, followed by stock price manipulation by certain groups, ultimately resulting in significant losses for the state and investment fund participants. The Jiwasraya case began with management's decision to invest funds in low-quality or "fried" stocks, hoping to gain quick profits to cover the financial deficit resulting from previous mismanagement. Using a nearly identical scheme, Asabri, which manages the pension funds of Indonesian National Armed Forces (TNI), Indonesian National Police (Polri), and Ministry of Defense civil servants, also suffered significant losses from investments in stocks whose prices were manipulated. Meanwhile, DP4, which should have managed pension funds with prudent principles, instead invested in stocks whose values were manipulated without clear risk considerations. These three cases were finally uncovered after investigations by financial authorities and law enforcement officials

[21] Indah Sri Utari, Ridwan Arifin, Ahmad Zaharuddin Sani Ahmad Sabri, "Why Did a Five-Year-Old Toddler Become a Victim of Murder? A Criminological and Legal Perspective," *Indonesian Journal of Criminal Law Studies 8*, no 2 (2023): 237-260, https://doi.org/10.15294/ijcls.v8i2.48591.

found that the investment schemes not only harmed the companies but also involved systemic corruption.

The primary cause of stock price manipulation in these three cases was weak governance and oversight in the management of investment funds in state financial institutions. Company management failed to adhere to prudent investment principles, instead colluding with external parties, including investment managers, securities firms, and shareholders, to manipulate certain stocks. Through wash trading and market demand manipulation, initially low-value stock prices were artificially inflated, thus appearing profitable in financial reports. Furthermore, an intense conflict of interest existed between investment decision-makers and a network of speculators in the capital market, where company management allegedly accepted bribes, gratuities, and other personal benefits to divert investment funds to specific stocks controlled by a syndicate of market participants. This scheme was further facilitated by the ineffective oversight of regulators, such as the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX), in detecting unusual transaction patterns early on.

The stock price manipulation in these three cases occurred through a structured stock manipulation strategy, where certain stocks were designated as primary investment objects to accommodate funds from Jiwasraya, Asabri, and DP4. With the influx of large sums of money from these state financial institutions, the prices of these previously illiquid stocks began to rise sharply, creating the impression that they had good prospects. This price increase then attracted other investors, including retail investors, to join in, further strengthening the upward price trend. However, when the perpetrators decided to sell their shares and make substantial profits, the stock prices plummeted, resulting in significant losses for state financial institutions. Ultimately, this scheme not only caused financial losses for the state but also destroyed trust in public financial institutions, with Jiwasraya insurers and retirees from Asabri and DP4 losing their funds due to this manipulation.[22]

[22] Diandra Preludio Ramada, "Reality of protection for sexual violence victims: Comprehensive protection analysis for sexual violence victims," *IJCLS (Indonesian Journal of Criminal Law Studies)* 2, no. 2 (2017): 168-183.

The Jiwasraya, Asabri, and DP4 cases demonstrate that stock price manipulation in corruption cases occurs not only due to internal management errors but also due to the financial ecosystem that supports these illegal practices. Weaknesses in the capital market regulatory system, weak law enforcement against insider trading and price manipulation, and the absence of a strict risk-based investment oversight system allowed these schemes to persist for a long time before they were finally uncovered. The impact of these cases not only resulted in financial losses reaching hundreds of trillions of rupiah but also had far-reaching legal repercussions, with the main perpetrators, including directors and high-ranking officials at the companies involved, ultimately being sentenced to severe criminal penalties. In the future, these cases serve as important lessons for Indonesia in strengthening state financial governance, developing a stricter oversight system in the capital market, and increasing transparency in public investment management to prevent a recurrence of similar scandals.

From the perspective of Richard Posner's Critical Legal Theory (CLT) (1973), law cannot be separated from the economic context and the interests surrounding it. Posner, using his Law and Economics approach, highlighted how market dynamics, elite economic interests, and power imbalances within them often influence law. In the cases of stock price manipulation in corruption cases at Jiwasraya, Asabri, and DP4, this theory can be used to analyze how capital market law and economic criminal law failed to prevent corruption schemes that had been running for years. Posner emphasized that law should regulate economic behavior efficiently, but in reality, laws are often created or implemented with the interests of certain groups in mind. In this case, capital market regulations, which are intended to protect the public interest, were ineffective due to conflicts of interest among actors within the financial system and inadequate oversight.

Posner also criticized how the law is often used as a tool to maintain the status quo and protect the economic interests of groups with access to political and financial power. In the Jiwasraya and Asabri cases, the stock price manipulation scheme involved a network of financial elites who created market distortions for personal gain. In this scheme, perpetrators—including directors, investment managers, and shareholders—exploited regulatory loopholes to conduct fraudulent transactions and artificially inflate stock prices. Posner's Law and Economics theory suggests that the significant losses suffered by the state and society are not merely the result of chance but rather the consequence of a legal system that fails to regulate market behavior optimally. In this regard, capital market law should be more responsive in monitoring the movement of stocks that lack strong fundamentals but experience abnormal price increases.

Furthermore, from a CLT perspective, the law is not a neutral instrument but is often subject to specific economic interests. Posner highlights how regulatory policies are often biased in favor of actors with significant influence in the financial system. In the Jiwasraya and Asabri cases, the perpetrators successfully exploited regulatory and supervisory weaknesses within the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX) to carry out a long-term stock price manipulation scheme without detection. This demonstrates that existing capital market regulations are insufficient to prevent the abuse of power by economic actors with access to significant amounts of information and capital. Thus, the law not only fails to protect the interests of small investors and pension fund participants but also contributes to creating an environment that allows corruption in the financial sector.

Posner also highlighted how the effectiveness of the law is often determined by the economic incentives received by actors within the legal system itself. In this case, the weak enforcement of the law against stock price manipulation before the case was uncovered indicates a failure to provide incentives for regulators to act quickly. If the law were working effectively, there should be a stricter oversight mechanism capable of detecting these schemes before large-scale losses occur. However, because the existing legal system is more reactive than preventive, stock price manipulation can continue until the scandal is finally uncovered by law enforcement. In other words, the law fails to act as an efficient control mechanism in preventing economic crime, but only works after the losses have already occurred.

From a Law and Economics perspective, the Jiwasraya, Asabri, and DP4 cases also reveal how the law often fails to deter perpetrators of financial crimes. Although many of the perpetrators have been sentenced to severe criminal penalties, the economic impact of their crimes remains unrecoverable. The hundreds of trillions of rupiah in losses suffered by the state and pension fund participants demonstrate that the existing sanctions system is insufficient to reduce the incentives for perpetrators of financial crimes. In Posner's perspective, harsher penalties may be necessary to increase the economic cost of such crimes. Furthermore, improved capital market regulations and a more proactive oversight system are essential to prevent similar manipulation schemes from being repeated in the future.

From these various descriptions, it can be concluded that Richard Posner's Critical Legal Theory helps explain how the law in the Jiwasraya, Asabri, and DP4 cases failed to function as an efficient control mechanism in preventing stock price manipulation in corruption crimes. Existing regulations are insufficiently stringent in overseeing capital market movements, regulatory oversight is suboptimal, and the legal system only acts after a crime has already occurred. This legal failure demonstrates that capital market regulation in Indonesia remains more subject to the dynamics of economic interests than to protecting the public and the state's finances as a whole. To prevent a recurrence of similar schemes, legal reform in the capital market sector, strengthening oversight of state-owned enterprise (SOE) investments and pension funds, and imposing harsher penalties for perpetrators of financial crimes are imperative. If the law is not immediately reformed, the Indonesian capital market will continue to be a playing field for economic actors with access to power and the ability to manipulate the system for personal gain.

B. Regulatory gaps and oversight weaknesses allow these crimes to occur.

The stock price manipulation cases involving PT Asuransi Jiwasraya (Persero), PT Asabri (Persero), and the Port and Dredging Company Pension Fund (DP4) share a nearly identical chronology, with the manipulation beginning with management's decision to invest funds in low-quality or "fried" stocks. At Jiwasraya, the scheme began around 2008 when the company faced liquidity difficulties due to investment mismanagement. To cover the deficit and maintain good financial performance, Jiwasraya management collaborated with several parties to divert investment funds into stocks with weak fundamentals but whose prices could be manipulated. At Asabri, a similar modus operandi occurred, but on a larger scale, as the funds were sourced from contributions from members of the Indonesian National Armed Forces (TNI), the Indonesian National Police (Polri), and civil servants from the Ministry of Defense. Funds that should have been managed prudently were instead diverted to stocks controlled by a specific syndicate, resulting in significant state losses. Meanwhile, DP4, which was supposed to manage pension funds conservatively, instead invested in high-risk instruments using the same pattern, resulting in asset declines and significant losses for pension participants.

The primary cause of this manipulation scheme was systemic weaknesses in the investment governance of state financial institutions, combined with inadequate regulatory oversight. These three institutions should have implemented prudential investment principles, but in practice, they chose high-risk instruments in pursuit of large, short-term profits. The management of Jiwasraya, Asabri, and DP4 deliberately invested funds in stocks controlled by a network of market manipulation perpetrators, comprising majority shareholders, investment managers, and securities firms collaborating to create the appearance of significantly inflated stock prices. Under normal circumstances, such schemes should have been detected by the oversight mechanisms of the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX). However, weak early detection systems and a lack of decisive action against suspicious transactions allowed this practice to continue unabated for years. Furthermore, conflicts of interest between regulators and market participants also contributed to the slow response to this illegal practice.

Regulatory loopholes are a key factor allowing this stock price manipulation crime to persist undetected for so long. While regulations prohibiting wash trading, price manipulation, and conflicts of interest in investment fund management exist in the Indonesian capital market system, their implementation remains far from optimal. The Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX) lack robust oversight mechanisms to detect irregular transaction patterns in certain stocks, allowing the prices of these stocks to rise significantly without intervention. Furthermore, the lack of strict transparency in the management of investment funds in state-owned insurance companies and pension funds allows management to easily divert funds into risky instruments without adequate oversight. The lack of strict reporting requirements for stock transactions conducted by these institutions also makes manipulation schemes more challenging to detect early, allowing investment-based corruption to persist in the country's financial system.

Weak oversight by state institutions also exacerbated the situation, allowing the case to proceed unhindered for years. The Financial Services Authority (OJK), as the financial market regulator, should have played an active role in overseeing the investment schemes carried out by Jiwasraya, Asabri, and DP4; however, weak detection systems and a lack of coordination with other authorities made it challenging to uncover irregularities before the scandal erupted. The Indonesia Stock Exchange (IDX) also failed to identify unusual transaction patterns in the stocks involved in the manipulation scheme, allowing the manipulated stock prices to continue to rise drastically without intervention. Meanwhile, institutions such as the Supreme Audit Agency (BPK) and the Financial Transaction Reports and Analysis Center (PPATK) were also not proactive enough in monitoring suspicious investment fund flows. As a result, the practice persisted until the scheme finally collapsed when the manipulated stock prices plummeted, revealing the extent of the state losses incurred. This weak regulation and oversight created an environment conducive to corruption-based stock price manipulation in Indonesia.

From the perspective of Agency Theory, according to Barli (2018), the relationship between capital owners (principals) and investment managers (agents) often faces conflicts of interest, especially when agents have superior information to the principals. In the cases of Jiwasraya, Asabri, and DP4, this conflict was a primary factor that enabled large-scale manipulation of stock prices. The principals in these cases were the government and pension fund participants who entrusted their funds to the company management, which acted as agents to manage the investments. However, due to the resulting information asymmetry, agents had the flexibility to divert investment funds into unhealthy instruments without the principals' knowledge or sufficient understanding. In this context, regulatory gaps and weak oversight provided room for agents to abuse their authority and make investment decisions that were not based on prudent principles, but rather for the benefit of specific individuals or groups.

In this theory, Barli (2018) emphasized that agents tend to act in their own interests if oversight and incentive mechanisms are not optimally designed. In the cases of Jiwasraya, Asabri, and DP4, company management collaborated with a network of capital market players to invest funds in low-quality stocks they previously controlled. Because there was no strict and transparent control system, agents had complete freedom in determining investment strategies, even when their decisions conflicted with the interests of their principals. Weak regulations regarding the investment governance of state-owned enterprises and pension funds enabled agents to easily exploit legal loopholes, allowing them to manipulate shares without risk of early detection. On the other hand, because there were insufficient incentives for regulators to act proactively, oversight became more reactive, only acting after losses had occurred.

Agency Theory also explains how a lack of transparency and information disclosure exacerbates this problem. In a healthy investment system, principals should have full access to information regarding how their funds are managed and invested. However, in the cases of Jiwasraya and Asabri, investment decisions were made behind closed doors without any involvement of principals, either in decision-making or regular oversight. Regulations that should ensure transparency in investment reporting were not strictly enforced, allowing agents to conceal or manipulate financial reports to avoid further scrutiny. This weakness allowed for long-term stock price manipulation, as there was no mechanism for pension fund participants or other stakeholders to audit or challenge the investment strategies.

Furthermore, according to Barli (2018), Agency Theory also highlights the weakness of external oversight mechanisms that should control the actions of agents to ensure they continue to act in the interests of the principal—in the cases of Jiwasraya, Asabri, and DP4, regulators such as the Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX) failed to fulfill their role in monitoring suspicious stock transactions. The absence of a risk-based oversight system and an early warning system led capital market authorities to be slow in detecting fundamentally unreasonable stock price anomalies. Furthermore, the lack of coordination between capital market regulators and other financial supervisory agencies, such as the Supreme Audit Agency (BPK) and the Financial Transaction Reports and Analysis Center (PPATK), allowed these schemes to continue undetected for extended periods.

From an agency theory perspective, weak law enforcement mechanisms also exacerbate the situation. According to this theory, one way to mitigate conflicts of interest between agents and principals is to ensure an effective system of sanctions and disincentives for misconduct. However, in the Jiwasraya and Asabri cases, law enforcement against perpetrators of stock price manipulation crimes was often delayed and lacked a strong deterrent effect. Many actors involved in these scandals were only exposed after their schemes collapsed, even though existing regulations should have allowed for earlier intervention. Weaknesses in regulations regarding insider trading and pseudo-transactions in the capital market make it challenging to criminalize these practices before their negative impacts become fully realized. As long as the legal system fails to impose sufficiently severe sanctions and oversight mechanisms remain weak, cases of corruption-based stock price manipulation will continue to recur.

Based on these descriptions, it can be concluded that regulatory gaps and weak oversight created an environment that allowed stock price manipulation to occur in the Jiwasraya, Asabri, and DP4 cases. The conflict of interest between agents (company management) and principals (the government and pension fund participants) was exacerbated by a weak transparency system, a lack of regulatory oversight, and the absence of sufficiently strong sanctions to prevent abuse of authority. The information imbalance in the management of state-owned enterprise investment funds and pension funds further strengthened the position of agents to carry out manipulative actions without being directly accountable to their principals. To prevent similar cases from occurring in the future, reforming the supervisory system, increasing transparency, and enforcing stricter law enforcement must be top priorities for improving investment governance in Indonesia.

C. The legal decisions in the Jiwasraya, Asabri, and DP4 cases have been able to provide a deterrent effect and contribute to improving the capital market regulatory system and strengthening public fund governance in Indonesia.

The legal decisions in the Jiwasraya, Asabri, and DP4 cases have become essential milestones in efforts to deter perpetrators of financial crimes, encourage improvements to the capital market regulatory system, and strengthen public fund governance in Indonesia. The verdicts against the defendants, which include life imprisonment and financial penalties in the form of fines and the restitution of state assets, demonstrate that law enforcement is taking serious action in addressing large-scale financial scandals. The Jiwasraya case, for example, resulted in convictions against several key company executives and external parties involved in the stock price manipulation scheme, with sentences far harsher than those imposed in previous financial cases. Meanwhile, the Asabri case also implicated various parties engaged in illegal transactions, including securities owners who colluded with the company's investment fund managers. The strength of these verdicts lies in the application of multiple articles, including the Corruption and Money Laundering Law (TPPU), which allows for the seizure of large amounts of assets to recoup a portion of state losses. The court's courage in imposing the maximum sentence is expected to send a strong signal that crimes in the financial sector will not be tolerated and that the law can serve as a control tool for irregularities in the governance of public funds.

The deterrent effect of this ruling was further strengthened by its far-reaching impact on the country's capital markets and financial sector, prompting a swift response from regulators and the government to implement systemic reforms. The Jiwasraya and Asabri cases opened the government's eyes to the fact that existing regulations were insufficient to prevent stock price manipulation and corrupt practices in state-owned financial institutions' investments. Following the revelations, the Financial Services Authority (OJK) began tightening regulations related to investment management by state-owned insurance companies and pension funds, including the implementation of a risk-based monitoring system and increased transparency in investment transaction reporting. Furthermore, the Indonesia Stock Exchange (IDX) has also begun tightening regulations regarding the trading of "fried" stocks, with additional interventions to address suspicious stock movements and the imposition of harsher sanctions on securities found to be involved in manipulative schemes. With these regulatory improvements, the rulings in the Jiwasraya, Asabri, and DP4 cases contribute to increased investor protection and ensure more transparent and accountable management of public funds.

One of the key factors that triggered this case's reforms was the sheer magnitude of the state losses incurred, reaching hundreds of trillions of rupiah. This figure garnered national and international attention because a financial scandal of this magnitude not only impacted the country's financial stability but also undermined public trust in the country's capital market and financial institutions. When the government intervened by injecting bailout funds to rescue Jiwasraya, the impact was felt immediately on state finances, forcing a significant review of public fund governance. Furthermore, the fact that this scandal involved numerous actors from various sectors, including investment managers, securities owners, internal officials, and capital market regulators, demonstrates that corruption in public fund investments is not simply an individual's fault, but a systemic failure that requires comprehensive regulatory reform. Awareness of this significant impact was a key factor in why the verdict in this case went beyond simply punishing the perpetrators and led to regulatory reform.

Overall, the legal decisions in the Jiwasraya, Asabri, and DP4 cases set essential precedents in efforts to enforce the law against financial crimes and strengthen capital market regulations and public fund governance in Indonesia. In addition to providing a deterrent effect through severe penalties and asset confiscation, these decisions also encourage stricter regulatory changes to prevent similar cases in the future. The fact that these scandals had a significant impact on the country's financial stability and involved various actors in the financial system makes them a turning point for reform in the capital market sector. With increased transparency, stricter oversight, and firmer law enforcement, it is hoped that stock price manipulation in state financial institutions' investments will no longer be a loophole for future corruption.

From the perspective of the Fraud Triangle Theory developed by Donald R. Cressey (1953), financial crimes such as stock price manipulation in the Jiwasraya, Asabri, and DP4 cases can be explained through three main elements: pressure, opportunity, and rationalization. The legal verdicts handed down against the perpetrators in these cases marked a turning point in efforts to break the cycle of fraud in public fund management and capital market regulation in Indonesia. According to this theory, the pressure experienced by company management often stems from demands to demonstrate good financial performance, whether due to financial deficits or unrealistic targets set by shareholders or the government. In the Jiwasraya case, for example, the company experienced significant pressure due to an imbalance in assets and liabilities from the insurance products it sold. To address this gap, management opted for a shortcut by investing funds in undervalued stocks, which ultimately resulted in significant losses. The severe penalties imposed by the courts aim to remove incentives for financial agents facing similar pressures to refrain from committing illegal acts to maintain the company's image.

The second element of the Fraud Triangle Theory is opportunity, which allows individuals within organizations to commit financial crimes due to the lack of an effective oversight system. In the cases of Jiwasraya, Asabri, and DP4, the opportunity arose due to weaknesses in capital market regulations and public fund management, allowing company management to exploit legal loopholes to allocate funds to high-risk investments without strict controls. The Financial Services Authority (OJK) and the Indonesia Stock Exchange (IDX) lacked an effective early warning system to detect suspicious transactions and unusual stock movement patterns. Furthermore, the lack of transparency in investment transaction reporting prevented stakeholders, including the government and pension fund participants, from conducting independent audits. The court rulings in these cases provide momentum to close the opportunity for future manipulation, emphasizing the need for stricter regulatory reforms and a more transparent oversight system.

The third element of the Fraud Triangle Theory is rationalization, where perpetrators of financial crimes justify their actions as legitimate or not directly detrimental to others. In the Jiwasraya and Asabri cases, the perpetrators often argued that they were simply following standard investment practices in the capital market or that they were merely "helping the company make a profit" without any corrupt intentions. Some even argued that their actions would not have any detrimental impact because the company had sufficient financial reserves to mitigate the risks. The legal verdicts in these cases signal that such rationalizations are unacceptable in a healthy legal system. The severe penalties and confiscation of substantial assets underscore that any manipulative actions harming state and public finances will have serious legal consequences.

Furthermore, the verdicts in the Jiwasraya, Asabri, and DP4 cases not only serve as a deterrent for convicted perpetrators but also reduce opportunities for potential perpetrators in the future by tightening regulations and oversight in the financial sector. With regulatory changes related to the investment management of state-owned insurance companies and pension funds, including restrictions on high-risk stocks and mandatory transparency in all investment transactions, the opportunities within the Fraud Triangle have been further narrowed. Furthermore, reforms to the internal audit system and stricter reporting mechanisms are expected to reduce the risk of pressure on management to find shortcuts to address financial deficits. In other words, these legal decisions not only punish individuals but also influence the redesign of the financial system to be more accountable and resilient to fraud.

In addition to regulatory reform, the verdict in this case also underscored the need to strengthen the capacity of regulators and law enforcement in addressing capital market-based financial crimes. The Attorney General's Office, the Financial Services Authority (OJK), and other supervisory agencies began to be more active in monitoring suspicious transactions and implementing risk-based supervisory policies. This is a crucial step in preventing similar cases from recurring, ensuring that regulators can act more proactively in detecting financial crimes before they reach a scale that harms the state and society as a whole. From the perspective of the Fraud Triangle Theory, this step is crucial to minimizing opportunities for potential perpetrators seeking to exploit system weaknesses. Thus, the deterrent effect of this legal verdict is reinforced by stricter prevention mechanisms, making the Indonesian financial system more transparent and resilient to financial crime.

Based on these descriptions, it can be concluded that the legal decisions in the Jiwasraya, Asabri, and DP4 cases played a significant role in breaking the cycle of fraud in the Indonesian financial system, as explained in the Fraud Triangle Theory by Donald R. Cressey (1953). By eliminating incentives for perpetrators through severe penalties, narrowing the gap in opportunities through regulatory reform, and emphasizing that rationalization of crime is unacceptable in the legal system, these cases not only resolved the crimes that had occurred but also established a more transparent and accountable public fund management system for the future. The deterrent effect resulting from criminal penalties, asset confiscation, and regulatory reform created a more conducive environment for a healthy capital market free from corruption-based stock price manipulation. Therefore, these cases establish a crucial precedent for the Indonesian legal system in addressing financial crimes in the capital market and public fund management sectors.

Conclusion

The legal rulings in the Jiwasraya, Asabri, and DP4 cases represent a significant milestone in the eradication of corruption-based stock price manipulation, with severe penalties for perpetrators and substantial asset confiscation aimed at providing a deterrent effect and recovering some of the state's losses. These cases exposed weak oversight and regulatory loopholes in the investment management of state-owned insurance companies and pension funds, where fraudulent stock transactions could persist for years without intervention from capital market authorities. As a result of these rulings, capital market regulations were tightened, transaction oversight systems were improved, and transparency in the management of public funds was strengthened to prevent similar practices in the future. These reforms are crucial steps in enhancing state financial governance, promoting prudent investment practices, and rebuilding public confidence in the national financial system. With these systemic changes, the legal rulings in the Jiwasraya, Asabri, and DP4 cases not only punish the individuals involved but also serve as a catalyst for building a healthier, more transparent capital market free from speculative practices that harm the state and society. In light of this, several recommendations that can serve as constructive suggestions are as follows:

a. Strengthening Regulations and Risk-Based Supervisory Systems
   The government and regulators, such as the Financial Services Authority (OJK), the Indonesia Stock Exchange (IDX), and the Supreme Audit Agency (BPK), must tighten regulations regarding investment management by state-owned insurance companies and

pension funds. Regulations regarding investment limits in highly volatile stocks and stocks lacking strong fundamentals must be clarified, and risk-based supervisory mechanisms must be implemented that can detect suspicious transactions more quickly and effectively. An early warning system must be implemented to monitor abnormal stock price movements and prevent wash trading, a tactic often employed in stock price manipulation schemes.

b. Improving Transparency and Accountability in Public Fund Management. State-owned insurance and pension fund companies are required to increase transparency in investment reporting by involving independent auditors and operating under strict regulatory oversight. Furthermore, public disclosure of information must be increased, particularly regarding investment strategies, selected stock portfolios, and risk mitigation mechanisms implemented by investment management. Investment reports must be accessible to shareholders, stakeholders, and pension fund participants to prevent detrimental speculative practices. Furthermore, the administrative and criminal sanctions system must be strengthened, with harsher penalties for company management found to have misused public funds for personal or group interests.
c. Inter-institutional Synergy in Law Enforcement and Corruption Prevention in the Capital Market. The Attorney General's Office, the Corruption Eradication Commission (KPK), the Financial Services Authority (OJK), the Financial Transaction Reports and Analysis Center (PPATK), and the Supreme Audit Agency (BPK) must strengthen their cooperation by establishing a special task force focused on monitoring and enforcing laws against financial crimes in the capital market, including corruption-based stock price manipulation cases. This task force must have the authority to conduct swift investigations, confiscate assets derived from the proceeds of crime, and impose strict sanctions on those involved. Furthermore, Money Laundering (TPPU) regulations must be implemented more effectively in every case of stock price manipulation to facilitate the tracking of fund flows and the recovery of misappropriated state assets.

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