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# CAPITALISM VS BUSINESS ETHICS IN INDONESIA'S TELEVISION BROADCASTING

Case  
Study

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## Keywords

*Television Business,  
Capitalism,  
Business ethics,  
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## JEL Classification

*D22; L50; L82; M20; P12*

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## Abstract

Generally, in every country, there is supervision of the television broadcasting system. In Indonesia, all television broadcasting is supervised by the Komisi Penyiaran Indonesia/KPI (Indonesian Broadcasting Commission). This commission oversees broadcast television, to ensure all TV broadcasts in Indonesia comply with government regulations. Often the KPI imposes sanctions, but frequent violations still occur. This article describes the results of research on the contradiction between business interests and ethics in the television industry in Indonesia. This study uses the method of evaluation research, where researchers analyze data, here in the form of sanctions documents released by broadcasting commissions. The results reveal that all national private television stations often violate regulations. They prioritize their business interests rather than follow broadcasting guidelines, especially since KPI does not have the full authority to grant and revoke a broadcasting license. The granting and revocation of permits remains under the authority of the government, where political lobbying plays a more significant role.

## INTRODUCTION

Each country has its own system to manage the television broadcasting business. The methods used may have similarities in different countries, but generally there are differences, depending on the prevailing social, political, economic, and cultural conditions. The system is used to protect the interests of the country itself, including its social, political, economic, and cultural interests. Although some states are similar in that they are democracy-based, the television broadcasting rules will vary.

A special commission runs the regulation of television broadcasting in a country. The council regulates all matters relating to television broadcasting. Politically, in many countries the existence of such a committee is independent, secured by law, and is crucial in determining the business policy of TV broadcasting. This institution is provided with the authority to publish and revoke a TV broadcasting license under certain conditions. Nevertheless, there is also a regulatory regime that has a weaker position with broadcasters, especially when acting in the presence of television companies that are large and have substantial financial capabilities, as well as access to the administration. The broadcasting commission is not powerful enough to exercise control over the television companies, so violations of the guidelines organizing television behavior will continue to occur. This article discusses the phenomenon of breaches of the broadcasting guidelines of the television broadcasters in Indonesia, based on evaluative research methods.

## LITERATURE REVIEW

### TV Broadcasting System

There are two models for the business management of commercial television, namely a market system and a public space system (Armando, 2011). Those who follow the market system consider that television is a business, so control of the mechanism should be given to the market. Furthermore, arrangements are made on ordinary business rules. This approach is often referred to as the market model. The government does not need to regulate organizations because the public will change the channel if the service provided by the television station is not what the public desires.

The second approach uses different arguments. According to this approach, the television broadcasting business uses a limited spectrum of electromagnetic radio waves, so commercial and non-commercial television broadcasting must be in the public interest.

The market system argument is considered the more convincing, but in fact, a country with a

liberal economic tradition such as America does not provide the business arrangements for television to broadcast using market mechanisms (Armando, 2011). In America, the television business is handled by the Federal Communication Commission (FCC). The institute was founded by the Communications Act of 1934 (Office of the Federal Register, 2012), and has substantial authority in managing the business of broadcasting. The FCC conducts a fit and proper test on the prospective manager of the frequency (Sudibyo, 2004).

In fact, the FCC may also revoke the license if the television station commits a severe violation of the rules of the commission (Maruto & Anwari, 2002; Brinson, 2004). The commission's authority to grant and revoke the broadcasting license is a significant measure of accountability, so the commission's presence is always taken into account by the television business.

Some commissions have strong powers, such as the Conseil Supérieur de l'Audiovisuel in France, The National Telecommunication and Posts Commission in Greece (Campbell, 2009), or The Canadian Radio-Television and Telecommunication Commission in Canada (Amstrong, 2010).

In Indonesia, the issue of television broadcasting is handled by the Indonesian Broadcasting Commission (KPI). The existence of this institution is based on Broadcasting Law No. 32, passed in 2002. Based on the authority it possesses, the KPI is divided into two levels, the central KPI and the regional KPI (KPID). The primary KPI is located in the capital city of Jakarta. The primary KPI is nationally responsible, and supervises the broadcasting standards of public and private broadcast television broadcasters nationwide. In the regions, television broadcasting supervision is conducted by KPIDs based in the relevant provincial capital. In Indonesia, there is 1 Central KPI and 34 KPI Regions ([www.kpi.go.id](http://www.kpi.go.id), 2013).

Formally, the KPI is independent, and it has the authority to set broadcast program standards, draft regulations, supervise the implementation of rules, and impose sanctions on offenders. However, in the Broadcasting Act No. 32 of 2002, how to impose the sanctions and the mechanism used to implement them is not explained. The rules on penalties are regulated in KPI decision number 009/SK/KPI/8/2004 on broadcasting guidelines and broadcast program standards (KPI, 2016). There are seven kinds of sanctions issued by the KPI namely; a written warning; suspension of broadcast programs; restrictions on the duration and time of broadcasting; levying an administrative fine; freezing of broadcast activities; refusing the extension of permission, and revocation of broadcasting permits.

The KPI is authorized to revoke the license, but they do not fully own the authority, because granting and withdrawing the permission to use the broadcasting frequency is the authority of the government. The KPI only recommends that a particular decision be taken.

### **The TV Industry in Indonesia**

The television business is a capital-intensive business (Morrison, 2008). It needs a lot of capital to run a television broadcast business. Due to its capital-intensive nature, investors risk large sums of money (Azmi, 2013). Consequently, they will use all means to invest and to make a profit.

In the Reformation Era, in 1998, Indonesia's television business experienced a very significant growth. In the New Order period, there was only one television broadcasting station which was owned by the government, while at present, there are 1,251 television stations throughout Indonesia, consisting of 24 public broadcasters, 763 private broadcasters, 437 broadcasting subscribers, and 27 Community Broadcasting Institutions (Kominfo, 2016). Of these 1,251 television stations, 10 are large, national-scale private television stations. These commercial television broadcasting stations are shown in Table 1.

These 10 TV channels are divided into two broadcasting content categories, namely entertainment television, and news channels. The entertainment channels are RCTI, SCTV, MNCTV, Indosiar, ANTV, Global TV, Trans 7, and Trans TV, while TV One and Metro TV are news channels. Although there are two categories of broadcasting formats, all TV channels have both entertainment and news programs in their content. RCTI has a very famous news program, namely "Seputar Indonesia", even though it is an entertainment channel. Indosiar has a news hour, namely "Focus Petang", while they also have an excellent reality show. In their news channel format, they have entertainment programs, as well. The leading TV news in Indonesia, Metro TV, for instance, has stand-up comedy. Another news channel, TV One, has sport and entertainment programs, and a religious segment as well.

### **Violations of Television Broadcast Regulations**

Each country has one or more broadcasting standards. These guidelines are used as guides for broadcasters about what is and is not allowed in broadcasting. The issues regulated in these guidelines vary significantly in each country. The guidelines are the ethical standard for all television broadcasting companies.

In Indonesia, the broadcasting guidelines are described in the KPI regulation of 01/P/KPI/03/2012. In these instructions relating to broadcasting behavior, the KPI provides guidelines in some aspects, covering broadcasts produced by

all television stations, ensuring they are within ethical boundaries, so as to be a good spectacle for the public. The KPI guidelines are based on certain considerations, namely the applicable legislation, religious values, the relevant norms in society, the codes of ethics, and the existing professional standards.

The KPI issues sanctions for television stations that violate broadcasting guidelines. These sanctions are in the form of criminal penalties and administrative sanctions. There are seven categories of administrative sanctions, i.e., 1. Written reprimands; 2. The temporary banning of problematic programs, after certain procedures have been completed; 3. Reductions in the duration of broadcast programs; 4. Administrative penalties; 5. Freezing of broadcast activities for a particular time; 6. Refusal to grant an extension of broadcasting licenses; and 7. A revocation of the broadcasting permit.

Initially, the written reprimands are issued in two forms: the first reprimand and the second reprimand. The second reprimand is issued if, within seven working days, the broadcasting organizer has shown no improvement. In practice, the KPI's policy is to divide the written warning into four stages, namely the first written notice, the second written notice, the first written notification and the second written warning.

Such administrative sanctions include the provision of written notices, written warning letters, the reduction of duration in the program aired, the suspension of television programs, fines, and the freezing of broadcasts for television stations. The latter sanction means the TV station must stop all its activities.

As regards the imposition of sanctions, the KPI formulates them through a particular process. In addition to paying attention to public complaints, the commission oversees the broadcast of television channels and records their programs. Any allegedly infringing content is analyzed by comparing it with predefined rules. The decision to impose sanctions will be taken at a commissioner's meeting.

## **CONCEPTUALIZATION**

Formally, in Indonesia, the KPI is an independent institution authorized to issue sanctions against television broadcasters (and radio); unfortunately, it has no full authority to grant and revoke the license to broadcast. This institution only serves to provide recommendations on the granting and revocation of licenses. At the national level, the KPI will provide recommendations on granting and revoking a license to broadcast throughout the national territory, while the KPID delivers recommendations for granting and withdrawing permits for broadcasting in the local area. Since the

political process heavily influences the granting and revocation of broadcast licenses conducted by the government, the organizers of broadcasting stations in Indonesia prioritize their relationship with the government through the political process rather than their relationship with the KPI. As a result, violations of the ethical standards of television broadcasting tend to be ever-present. The importance of business remains more dominant than the importance of upholding the ethics of programming.

## METHODOLOGY

This study uses the method of evaluative research (Rossi, Lipsey, & Freeman, 1999), which is a systematic assessment of information to provide feedback on certain objects of study. The data evaluated in this study are the sanctions issued by the KPI to national private television stations in Indonesia. The data were from the period between 2012 and 2016. They were processed using fractional and interpreted distribution calculations, compared to the phenomenon of broadcasting practices conducted by private television stations during the research period.

## RESULTS

All national commercial television stations in both entertainment and news formats violate the television broadcasting guidelines. Hence they receive KPI sanctions.

According to data from 2012 to 2016, the number of KPI sanctions issued to the ten private television stations included in this research was 1,265. All of the stations were sanctioned by the KPI for violations they committed, whether on entertainment, news, or other programs, or in advertisements. The most sanctioned category was entertainment programs (651 penalties), followed by violations in TV advertising (334 sanctions). Meanwhile, the third most prevalent was violations in the journalism category (259 sanctions). Other offenses (21 sanctions) consist of breaches of rules regarding the presenter's appearance and an abuse of the program classification (Figure 1).

The number of KPI sanctions tends to fluctuate from year to year. In 2016, compared to 2015, there was a decrease in the number of sanctions, but the amount was still higher than in 2012 (Figure 2). In general, however, the trend is always to have a significant number, up to 200 penalties per year.

All national TV commercial stations were sanctioned for their offenses, but to varying degrees. In Figure 3, we show that the most frequently sanctioned TV stations were TRANS TV, followed by RCTI in second place, and Trans

7 in third. All three channels focus on entertainment. The television stations with the least sanctions were TV One, a TV station that focuses on news.

The Trans TV television station is one of the youngest TV stations, founded in December 2001 and growing rapidly. Within two years the company succeeded in acquiring the TV7 television station owned by Kompas Gramedia and changing its name to Trans 7. The rapid development of Trans TV can be understood, because Choirul Tanjung, the owner of Trans Media which hosts Trans TV, is the 6th richest person in Indonesia (Forbes, 2016). In addition to being a successful entrepreneur, Choirul Tanjung was the former Coordinating Minister for Economic Affairs, replacing Hatta Rajasa in 2014 in the era of President Soesilo Bambang Yudhoyono; so Choirul Tanjung is close to the Indonesian political elites.

In actual practice, sanctions in the form of written reprimands are divided into four stages, namely the first written notification, the second written notification, the first written warning, and the second written warning. Each type of sanction has a different value in the hierarchy. The first written notification occupies the lighter sanction category, while the second written warning occupies a more robust sanctions position.

Compared with the number of sanctions categories outlined in Articles 55, 57, 58, and 59 of the Act 32/2002 on Broadcasting, the KPI only uses 3 of 7 types of sanctions. The KPI never sanctions using administrative penalties, freezing broadcast activities at a particular time, not extending the broadcasting license, or revoking the television license. Also, the KPI never imposes criminal sanctions.

Based on these observations, the violations of television guidelines show the same pattern over time, but the numbers remain high. The large number of KPI sanctions coincides with the number of complaints people make about TV stations. The 3,856 public complaints made in 2011 soared to 13,805 in 2016. These complaints were not only about entertainment programs, but also journalism programs. Criticism of television journalism programs occurs for several reasons, including the following; news is considered provocative, programs feature vulgar presentations of casualties, there is unethical presentation of accident victims, news accuracy is ignored, there are repeated reports of demonstrations, and so on.

Sanctions for violations and complaints against journalism programs indicate that professionalism among TV broadcasters in Indonesia is still lacking. Television journalists' lack of knowledge necessary to produce such journalistic programs is due to TV broadcasters recruiting workers who have no formal basis in journalism.

The high number of sanctions from the KPI also indicates that the commission has attempted to press TV stations to comply with television broadcasting guidelines. Even so, offenses always happen. Misconduct among TV broadcasters does not only occur with new programs, but also with old TV programs which have sanctioned. That is to say, the television station repeats the same violations during its broadcasts.

KPI sanctions tend not to make TV channels pay more attention to broadcasting guidelines. Guideline violations remain high, and in many cases, TV stations even change the name of TV programs that have temporary sanctions, even though the content and format of the program are no different. For example, the "Empat Mata" program on Trans 7, which was sanctioned for termination due to showing excessive sex, renewed itself under a similar name to the previous TV program: "Bukan Empat Mata." The new production did not differ significantly from the previous one.

Similarly, on the Trans 7 station, a broadcast program entitled "Dunia Lain" was sanctioned because of mystical and supernatural performances, but it continues to be produced under a similar name, i.e., "Masih Dunia Lain".

Furthermore, on Trans TV, the comedy "Extravaganza" was changed to "New Extravaganza," after the program was terminally sanctioned. The program "Extravaganza" was famous in the early 2000s and became one of the mainstay TV shows on Trans TV and attracted many advertisements. The show stopped because it was too vulgar, implied sex, and tended to harass women. The new program produced by Trans TV involves many new talents, but the concept is not too different from the previous show. Furthermore, Trans TV has two other programs that violate KPI regulations, namely "Yuk Kita Sahur" and "Ethnic Runway." "Yuk Kita Sahur" violates the guidelines on violence and human rights, while "Ethnic Runway" violates broadcasting guidelines on tribes and cultures. Recently, the channel has continued to produce both programs with few new concepts and similar titles.

The oldest commercial television channel in Indonesia, RCTI, also violates KPI regulations. On this television station they are violated on the infotainment program entitled "Silet." The KPI stopped this program because it considered it less sensitive to disaster news from Yogyakarta and caused fear in society. The new program, however, has a concept which is no different, even though it has another name, "Intens."

The SCTV station, a television commercial station that was initially known as the "twin" of RCTI, also committed a serious violation in its broadcast programs. The KPI suspended the cinema TV-style entertainment program entitled "Ganteng-Ganteng

Serigala," in 2012. This TV cinema violated the guidelines regarding the broadcasting of excessive sex in one of the scenes. However, SCTV has recently replaced its electronic cinema with similar production formats, and talent and background stories that have not changed much from previous productions.

All the television programs that are sanctioned are top-rated programs and have high ratings. In the television industry, this ranking is a guide for brand owners to advertise on television. (Panjaitan, 2006).

The higher a television program rating, the more viewers it attracts; therefore, the product owner is more interested in advertising. The "Empat Mata" and "Extravaganza" programs, for instance, are both included in the Top 10 list prepared by AC Neilson (Mandasari, 2016). Unfortunately, both of them violate the television broadcasting rules.

Violations also occur in the category of TV commercials, and, in fact this category has the second most violations (Figure 1). The number of sanctions from the KPI for advertising is 334. For violations of this type, the focus is more on the content of messages, with most of the violations occurring for violations of decency.

Although TV stations tend to underestimate KPI sanctions, they are susceptible to possible impacts. Apparently, they realize that the ban is related to the image of the company. The administrative penalties for the suspension of their TV program will disturb their image. Therefore, some television stations pass on the results of the sanctions to the public with different justifications. For example, Trans TV said it stopped "Extravaganza" due to declining ratings (Noor, 2009).

Television stations are less concerned with KPI sanctions because the broadcasting commission has no direct role in revoking broadcasting licenses. The process of granting and licensing television broadcasting is in the hands of the government. They can obtain what they want with particular lobbying and political approaches (Muhriani, 2015). Therefore, commercial television tends to maintain broadcast programs that are highly rated and profitable. The media, as in many things in capitalism, is also profit-oriented because media content is only considered a commodity to be sold, just like any other commodity in a capitalist environment (Okpo, 2013).

The behavior of continuing television programs that violate the guidelines is clear evidence that television stations in Indonesia are more concerned with profit than ethical interests. They always strive for a successful plan to continue to generate profits as long as possible. The prohibition of programs by the KPI means an end to these profits, so they try to find ways to keep the program running.

Making a profit is very important for every business organization. In everyday life, it is

common to hear people say that business does not care about ethics. They say ethics is ethics and the market is the business. Between them is a contradiction. The main characteristic of a company is to maximize profitability. Morality should not, or cannot, have any role in the industry because people tend to greedy (Liedekerke & Dubbink, 2008). Historically, profit-as-the-bottom-line has become the "ethical benchmark" for business (Fritzescke, 1991). However, putting too much emphasis on profit by putting aside ethics has been the cause of many business mistakes. Unfortunately, in Indonesia, the conflict of interest between profit-making capitalism among commercial TV and ethical enforcement through broadcasting behavior guidelines tends to end in the victory of business interests.

### CONCLUSION

A large number of sanctions and many television stations violating broadcasting guidelines suggests that Indonesian national commercial television tends not to prioritize broadcasting behavior guidelines. The spirit among television companies is more to prioritize business interests. The political lobby for the granting and revoking of television broadcasting licenses has added to the TV industry's disrespectful attitude towards broadcasting behavior guidelines. This situation, of course, means the public interest is not protected adequately, and consequently they are the biggest losers.

On the other hand, the number of violations occurring in all broadcast television program categories indicates that the booming television stations characteristic of the beginning of the reform era in Indonesia in 1998, has not been followed by adequate human resources to support the television industry.

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Table No. 1

*National Private Television Stations in Indonesia*

The name of TV Station	The Owner	Established
RCTI	Media Nusantara Citra	21 <sup>th</sup> Aug 1987
MNCTV	Media Nusantara Citra	17 <sup>th</sup> Jun 1997
Global TV	Media Nusantara Citra	8 <sup>th</sup> Oct 2002
INDOSIAR	Elang Mahkota Teknologi	11 <sup>th</sup> Jan 1995
SCTV	Elang Mahkota Teknologi	24 <sup>th</sup> Aug 1990
ANTV	Visi Media Asia	1 <sup>th</sup> Jan 1993
TV One	Visi Media Asia	30 <sup>th</sup> Jun 2002
METRO TV	Media Group	25 <sup>th</sup> Oct 1999
TRANS TV	TransMedia	15 <sup>th</sup> Dec 2001
TRANS7	TransMedia	25 <sup>th</sup> Nov 2001,

Source: Data based on Kominfo, 2016

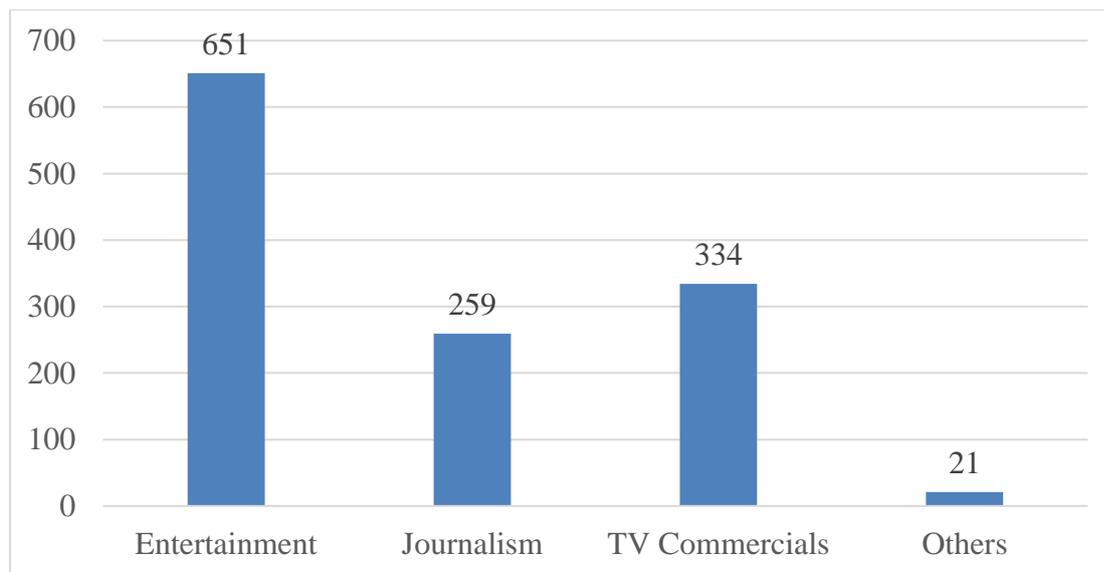


Figure No.1. Total sanctions per TV program

Source: Authors calculated, based on Komisi Penyiaran Indonesia, 2016

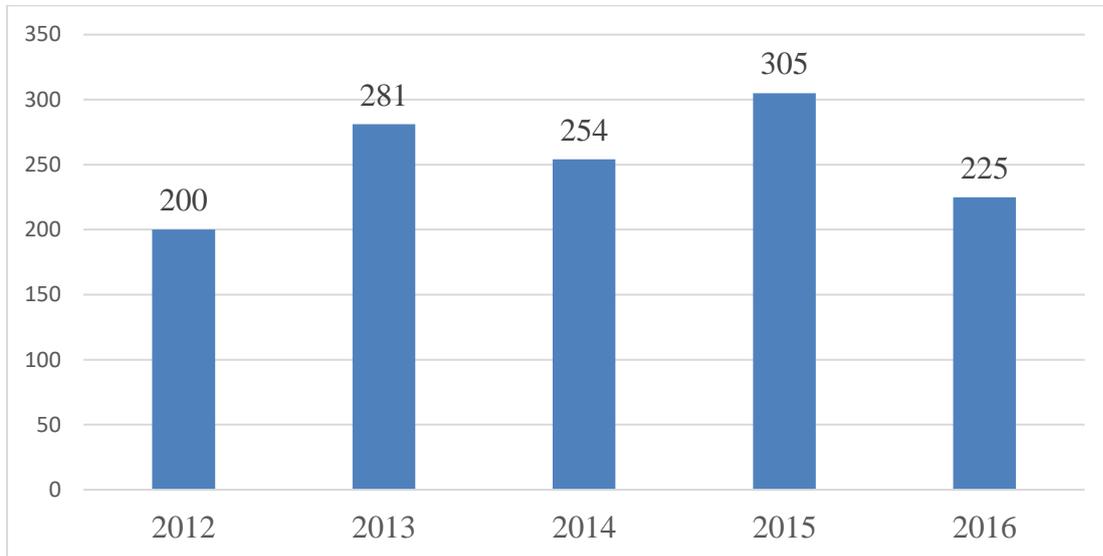


Figure No.2. Total sanctions per year on national private television (2012-2016)  
Source: Authors calculated, based on Komisi Penyiaran Indonesia, 2016

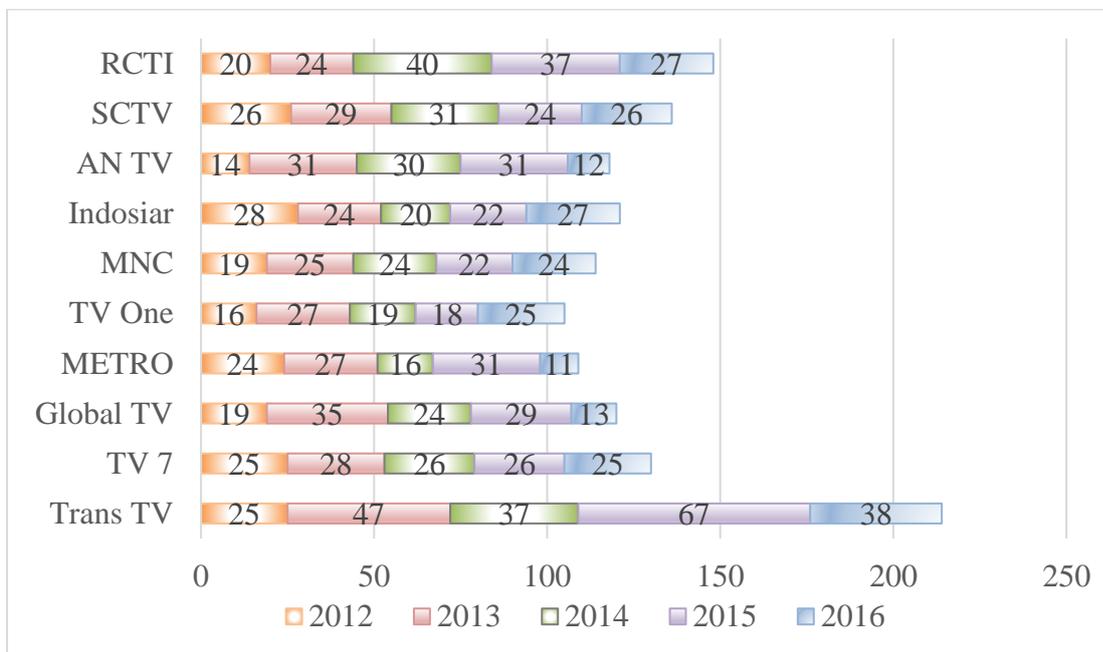


Figure No.3. Sanctions by KPI to 10 national private television stations  
Source: Authors calculated, based on Komisi Penyiaran Indonesia, 2016