

ABSTRACT**The Effect of Illegal Economic Activities on POLRI Management in Its Effort to Reduce Crime Rate and Increase National Income****Sugiri**

Illegal economic practices are macroeconomic activities that are against legal regulations or laws. In the last five years, crime rate has shown a very notable increase. Empirically, this condition has a significant affect on POLRI management, especially in its endeavor to minimize the crime rate and to boost national income. To address the same problem, POLRI is also demanded to launch an effective and concrete action. In spite of various notable constraints, specifically the internal problems, raised by the new paradigm, there is an urgent need for management development, which can be accomplished through precise analysis and accurate information.

This study intended to measure and analyze the effect of illegal economic activities on POLRI management, the effect of POLRI management on crime rate and government revenue, the indirect effect of illegal economic activities on government revenue, the correlation between crime rate and government revenue, the motivation behind the illegal economic practices, the magnitude of material loss caused by illegal economic practices, and the effectiveness of POLRI management in handling these illegal economic activities.

The study was conducted in MABES POLRI and all POLDA in Indonesia from January to March 2004. The secondary data from 1999-2003 were taken by using convenience sampling technique.

Using Statistic analysis device, SEM (Structural Equation Modeling), and descriptive analysis on primary data, the result of the study showed that the variables of illegal economic activities, e. g., corruption, drug trafficking, illegal logging, gambling and prostitution showed both direct and indirect effects on POLRI management. POLRI management, meanwhile, had a positive effect on government revenue and negative effect on criminal rate. Illegal economic practices also showed an indirect effect on government revenue. Yet, there was no correlation between government revenue and criminal rates.

Key words:

Illegal economic activities, POLRI management, National income