

The Gcg's Effect Implementation on Prevention of Fraud

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Abstract

This research aims to assign how the implementation effects good corporate governance (GCG) on the prevention of fraud (Fraud) at Bank BNI in Bandung. The elements tested at this research are GCG as a variable of independent, and fraud prevention is the variable of dependent. The method of research used at this study is explanatory using surveys method approach. The population at this research are all workers at Bank BNI in Bandung City who run the GCG principles. The technique of sampling used at this research is sampling of non-probability with method of purposive sampling, so the research sample is all workers at Bank BNI in Bandung City who run the GCG principles. The data analysis used in this research is analysis of simple linear regression at a significance rate of 5%. The tools used at analyzing the uses of data SPSS vers 20. The outcomes show that the GCG implementation has an impact on fraud prevention. And the outcome of the research also denotes that the magnitude of the influence of GCG in contributing to the prevention of fraud is 47.3%. The results denotes that the GCG implementation has an impact on fraud prevention. And the outcome of the research also denotes that the measurement of the GCG influence in contributing to the prevention of fraud is 69.9%. The results denotes that the GCG implementation has an effect at fraud prevention. The outcome of the research also denotes that the measurement of the GCG influence in contributing to the prevention of fraud is 69.9%.

Keywords

GCG, Fraud, Bank

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Introduction

The Bank is an intermediary institution whose business activities rely on public funds and trust from outside and within the country. In business activities, banks face several risks, including credit risk, market risk, operational risk and reputation risk. The many provisions governing the banking sector in order to protect the interests of the public, including the provisions governing the obligation to obtain minimum capital in accordance with the conditions of each bank, make the banking sector a highly regulated sector (KNKG, 2004). One of the Bank risks in BNI out its activities of business that cannot be avoided is the risk of fraud or fraud that can occur from internal or external parties. Fraud can be termed as fraud which contains the meaning of a deviation and unlawful act (unlawful act), which's carried out deliberately for certain purposes, such as giving or deluding a wrong picture (mislead) to another parties, which is carried out by good people from outside and from within the corporate. Fraud is designed to take advantage of opportunities dishonestly, which directly or indirectly harms other parties. (Sinaga, Bukit, & Rujiman, 2021). Factors causing fraud can't be parted from the fraud triangle concept, which is supported by three elements, namely rationalization, opportunity, pressure and. The factor of pressure, namely the urge to commit fraud, occurs both inside and outside parties. The factor of opportunity arises cause of the weak prevention of fraud. The factor of rationalization is that the perpetrators of fraud look for justifications and assume that what they have done is normal or reasonable. Fraud not only results in reduced organizational assets but can also reduce reputation. Fraud can be reduced through prevention or deterrence, detection, and investigation measures (Sinaga et al., 2021). The implementation of Good Corporate that has not been maximized is one of the factors that causes fraudulent actions. Fraud prevention is carried out by eliminating the driving factors, their causes, and implementing Good Corporate Governance. The GCG implementation is mainly in the form of the application of basic principles and the consistent application of the functions of the GCG organs. Fraud prevention is also designed by type of fraud. (Sinaga et al., 2021) Various violations that are contrary to GCG in companies in Indonesia occur because of the very lack of regulations regarding the rights and obligations of parties related to the company's financial performance, there are still many companies that are not accurate in submitting their financial statements. This lack of transparency allows the emergence of fraud such as corruption is increasingly rampant. With this incident, it means that the statements of financial of the corporate are still not reliable. Therefore, the GCG implementation based on the transparency principles, responsibility, fairness, independence, and accountability is supposed to create internal of effective incentives for corporate management, thus encouraging the formation of investor confidence and market efficiency is highly dependent on accurate and timely disclosure of the company's performance. (Nasrallah & El Houry, 2021). With so many problems in companies in Indonesia, it can be said that the implementation of GCG in Indonesia has not been fully successful. Public companies are not yet fully willing to implement GCG principles in the behavior and activities of daily company management. GCG itself is not necessarily well implemented by the parties within the company itself, but there needs to be support from the regulators to create a legal umbrella that overshadows the implementation of GCG. (Alsaadi, Tijjani, & Falgi, 2021). This study is also similar with previous study run by ALAWAQLEH (2021) which states that GCG has a significant impact on prevention of fraud, meaning that GCG carried out by management in BUMN companies can be implemented properly to reduce the risk of fraud. fraud. Similar research conducted by ALAWAQLEH (2021) the outcomes of this research indicate the application of GCG can prevent fraud, and vice versa if the company does not implement GCG, the fraud possibility will be greater because the company's management does not run in a professional, transparent manner, accountable and accountable. Based on the phenomena and description above and the importance of GCG and fraud prevention at every company activity, it encourages the author to conduct research with the title "The Effect of Good Corporate Governance Implementation on Fraud Prevention" (Study of Case at PT. BNI (PERSERO) Tbk. Bandung Branch Office)

Identification of Problems

How is the influence of GCG on the prevention of fraud at PT. BNI (PERSERO) Tbk?

Theoretical Base

Good Corporate Governance (GCG)

Based on RUSTAM and NARSA (2021), GCG is Corporate Governance is corporate governance that focuses on a equilibration between social goals and economic between personal and goals of group. The main task of government companies is to achieve efficiency in the use of resources and equalize the use of accountability in the use of these resources. This is to equalize the interests of individuals, companies and society. According to the Minister Decree of SOEs Article 1 No. 117/M-MBU/2002, GCG is: "The process and structure used by BUMN organs to improve business success and company accountability in order to realize shareholder value in the long term while still paying attention to other stakeholders based on laws and regulations and ethical values." According to the State Minister Regulation for SOEs No PER01/MBU/2011, the basic principles that must be considered in GCG are:

1. Transparency
2. Accountability
3. responsibility
4. independence
5. fairness

Cheating Prevention

According to Blak's Law Dictionary in Sinaga et al. (2021) defines fraud as follows:

"fraud embracing all multi various means which human ingenuity can device and which are resorted to by one individual to ger and advanrage over another by false suggestions or suppression of truth and included all surprise, trick, cunning or dissembling and any unfair way by which another is cheated" Meanwhile, based to The Internal Auditors Institute (IIA) in Karyono (2013) defines fraud as follows: "fraud is an array of irregularities and illegal acts charavterized by intentional deception" According to the Examination Manual (2006) from the Association of Certified Fraud Examiners in Sinaga et al. (2021), fraud (fraud consists of four major groups, namely:

1. Fraudulent statements consisting of fraudulent financial statements (Financial Statements) and Fraudulent Statements (Non-Financial Statements)
2. Misappropriation of assets consisting of cash fraud and inventory and other assets fraud
3. Corruption consists of conflict of interest, BNIbery, Illegal Gratuities, and Economic Exortion.
4. Computer related fraud

According to Sinaga et al. (2021), fraud prevention is an effort to ward off potential perpetrators, narrow the space for movement, and identify activities that have a high risk of fraud (fraud). The indicators of fraud prevention are as follows:

1. Reducing situational "pressure" that gives rise to fraud
2. Reducing the "opportunity" to commit fraud
3. Reduce the "justification" of committing fraud by strengthening the personal integrity of employees

Conceptual Framework

One of the risks that will be faced by an entity in carrying out company operations and achieving company goals is the risk of fraud. Factors that cause fraudulent actions are due to pressure, opportunity, and justification. The implementation of GCG has made an amount of company's issue policies related to fraud prevention efforts. As stated by Fernandhytia and Muslichah (2020), GCG is used to prevent potential fraud that occurs in companies and public sector organizations. In principle, GCG is a form of code of ethics and other principles that are used to prevent organizations from crimes that are against the law. According to (Sinaga et al., 2021), fraud prevention is done by eliminating the driving factors, causes, and implementing Good Corporate Governance. The GCG implementation is mainly in the form of the application of basic principles

and the consistent application of the functions of the GCG organs. Fraud prevention is also designed by type of fraud. As stated by Fitriani (2021), in theory, the GCG implementation principles by companies will be able to prevent fraud. With the existence of GCG in prevention of fraud efforts implemented by the company, it can reduce the chance that fraud can be detected quickly and anticipated by the company. Every employee does not feel pressured anymore and justifies fraudulent actions that can harm many parties. In addition, prevention is the biggest effort that can be done by companies today (Samuel, Pelumi, & Fasilat). This research is also similar with previous study run by ALAWAQLEH (2021) and ALAWAQLEH (2021) which stated that GCG has an effect of significant on prevention of fraud. From the above framework, the writer formulates the research hypothesis as follows:

Ho: GCG Does Not Affect Prevention of Fraud

Ha: GCG Affects Prevention of Fraud.

Research Methods

The type of study used by the author in carrying out this study is research of explanatory using an approach of survey method. The data type in this research is data of primary. Sources of data that will be used in this study is to collect questionnaires on all employees at PT. BNI (PERSERO) Tbk. Bandung Branch Office which implements the GCG principles. The independent variable in this study is Good Corporate Governance which is measured using the principles of GCG. While the dependent variable, namely fraud prevention is measured through ways to prevent fraud. The object of this research is GCG and Fraud Prevention. The population in this research are all workers at PT. BNI (PERSERO) Tbk. Bandung Branch Office which implements the GCG principles. The author uses a nonprobability sampling technique with a purposive sampling technique.

Research Results and Discussion

The value of the constant (α) obtained is 5.067, the value of $0,1 = 0.286$, thus it can be in the form of a multiple linear regression equation as follows:

$$Y = 5,067 + 0,286X + e$$

From the results of the simple linear regression equation, each variable can add the following:

- a) The constant value (α) is 5.067, meaning that when GCG is considered constant (zero value), the Fraud Prevention variable is 4.985.
- b) The regression coefficient value from GCG is 0.286, meaning that if GCG increases by one unit, the Fraud Prevention value will increase by 0.286.

The value of the coefficient of determination R Square is 0.699. This value means that the contribution of variable X (GCG) in explaining variable Y (Fraud Prevention) is 69.9%, while the remaining 31.1% is influenced by other variables not measured in this study. The t-count value of the GCG variable is 2.751 with a significance value of 0.001. Because the tcount value of the GCG variable is greater than the ttable value (1.69726), then at an error rate of 5% it was decided to reject Ho so that Ha was accepted. Thus, it can be concluded that GCG influences fraud prevention at PT. BNI (PERSERO) Tbk. Bandung Branch Office. The hypothesis of this study is to test whether GCG influences Prevention of Fraud.

Ho: Good Corporate Governance Does Not Affect Fraud Prevention

Ha: Good Corporate Governance Affects Fraud Prevention.

The results show that GCG has a significant influence on fraud prevention. The outcomes of this researcher reinforced by the basis of theoretical in the discussion before which denotes that Good Corporate Governance is used to prevent potential fraud that occurs in companies and public sector organizations. In principle, GCG is a form of code of ethics and other principles that are used to prevent organizations from crimes that are against the law. (Rusman, 2013) This study is reinforced by previous study run by Samuel et al. found that good corporate governance's an impact on prevention of fraud, where GCG partially's an impact of 36.0% on prevention of fraud.

Conclusion

Researchers draw conclusions from on the outcomes of the research as follows:

1. The influence of Good Corporate on PT. BNI (PERSERO) Tbk. Bandung Branch Office can be said to be good. This is based on respondents' responses that in the company where the employees work, management has implemented a good governance system and is always updated to reduce the risk of fraud at the PT. BNI (PERSERO) Tbk. Bandung Branch Office.
2. Prevention The occurrence of fraud at PT. BNI (PERSERO) Tbk. Bandung Branch Office can be said to be good. This is based on respondents' responses stating PT. BNI (PERSERO) Tbk. Bandung Branch Office closely monitors the bank's operational activities, and also has clear and uniform accounting reporting rules and does not apply pressure and also minimizes the opportunity for employees to commit fraud within the bank.
3. From the calculation of the determination coefficient gained a percentage of 47.3%. This means that Good Corporate Governance affects employee performance by 47.3% and the remaining 53.7% is influenced by other variables not examined in this study. The results of the hypothesis test show that Good Corporate Governance has a significant influence on Fraud Prevention at PT. BNI (PERSERO) Tbk. Bandung Branch Office.

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