

THE INFLUENCE OF GOOD CORPORATE GOVERNANCE, FINANCIAL DISTRESS, AND WHISTLEBLOWING SYSTEMS ON FRAUD PREVENTION IN INDONESIAN SOES

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ABSTRAK

Fraud merupakan salah satu masalah utama yang memengaruhi stabilitas dan keberlanjutan perusahaan, termasuk Badan Usaha Milik Negara (BUMN) di Indonesia. Penelitian ini bertujuan untuk mengkaji pengaruh Good Corporate Governance (GCG), financial distress, dan sistem whistleblowing terhadap pencegahan kecurangan pada Badan Usaha Milik Negara (BUMN) yang terdaftar di Bursa Efek Indonesia (BEI) periode 2021 hingga 2023. Penelitian ini menggunakan pendekatan kuantitatif dengan data sekunder yang diperoleh dari laporan tahunan dan laporan keuangan 22 BUMN yang memenuhi kriteria purposive sampling, sehingga menghasilkan 66 observasi selama tiga tahun. Analisis data dilakukan menggunakan regresi data panel dengan Random Effect Model (REM) sebagai model terbaik. Hasil penelitian menunjukkan bahwa frekuensi rapat komite audit (GCG) berpengaruh positif signifikan terhadap pencegahan kecurangan, sedangkan ukuran komite audit berpengaruh negatif. Financial distress berdampak positif, mencerminkan pengawasan ketat, sementara sistem whistleblowing berpengaruh negatif tidak signifikan akibat tantangan implementasi. Secara simultan, ketiga faktor signifikan memengaruhi pencegahan kecurangan pada BUMN.

Kata Kunci: Pencegahan Fraud, Good Corporate Governance, Financial Distress, Sistem Whistleblowing, BUMN

ABSTRACT

Fraud is one of the major issues affecting the stability and sustainability of companies, including State-Owned Enterprises (BUMN) in Indonesia. This research aims to examine the influence of Good Corporate Governance (GCG), financial distress, and the whistleblowing system on fraud prevention in State-Owned Enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023. The study adopts a quantitative approach using secondary data obtained from the annual reports and financial statements of 22 SOEs that meet the purposive sampling criteria, resulting in 66 observations over three years. The data was analyzed using panel data regression with the Random Effect Model (REM) as the best fit. The study results show that the frequency of audit committee meetings (GCG) has a positive and significant effect on fraud prevention, while the size of the audit committee has a negative effect. Financial distress has a positive impact, reflecting stricter oversight, while the whistleblowing system has a negative but insignificant effect due to implementation challenges. Simultaneously, the three factors significantly influence fraud prevention in SOEs.

Keywords: Fraud Prevention, Good Corporate Governance, Financial Distress, Whistleblowing System, SOEs.

INTRODUCTION

Fraud is a significant issue that threatens the stability and credibility of organizations, particularly state-owned enterprises (BUMN) in Indonesia. Fraudulent activities, such as corruption and misrepresentation in financial statements, often lead to financial losses and damage public trust. In 2023 alone, the Corruption Eradication Commission (KPK) handled 34 fraud cases involving BUMN, including bribery,

procurement violations, and money laundering. These incidents highlight the urgent need for effective fraud prevention mechanisms in the corporate governance of BUMN. In Fraud Prevention.

The rise in financial statement fraud cases in Indonesia highlights gaps in oversight and the implementation of good corporate governance (GCG). According to surveys by the Association of Certified Fraud Examiners ((ACFE), 2016,



2019), the frequency of financial statement fraud in Indonesia saw significant increases of 4% in 2016 and 9.2% in 2019, resulting in losses exceeding IDR 10 billion. Additionally, major cases in 2022 involving state-owned enterprises (SOEs), such as Jiwasraya and Asabri, further emphasize that financial statement fraud poses a serious threat to corporate sustainability and public trust. This underscores the need for improvements in oversight systems and the implementation of GCG in SOEs.

Notable cases such as the Jiwasraya scandal, which involved financial mismanagement and fraudulent investments, and Garuda Indonesia's manipulated financial reporting have highlighted systemic weaknesses in governance and oversight frameworks within SOEs. These cases underscore the need for stronger fraud prevention mechanisms that address both structural and operational vulnerabilities. Fraud in SOEs not only results in financial losses but also undermines public confidence in government institutions and jeopardizes economic stability (Pratiwi et al., 2023) (Betriana et al., 2024).

Good Corporate Governance functions as a mechanism to mitigate fraud risks by fostering transparency, accountability, and ethical practices. In the context of agency theory, GCG is relevant as it helps minimize conflicts of interest between owners/shareholders and agents (management) by ensuring effective oversight of managerial actions. Previous research, (Destiyana et al., 2024), highlighted that agents tend to act in their own interests without adequate supervision. Studies by (Iskandar & Kurniawan, 2020) and (Satiman & Suparmin, 2023) support this view, emphasizing that a strong GCG framework creates a more accountable organizational environment, thereby reducing fraud potential. Although many SOEs have adopted GCG policies, inconsistent implementation reflects persistent gaps in addressing agency problems.

Financial Distress, characterized by a company's inability to meet financial obligations, has been widely linked to increased fraud risks. Financial distress is often associated with increased fraud risk, which can be explained through agency theory. When management faces financial pressure, they have incentives to act opportunistically, such as manipulating financial statements to maintain stakeholder trust. This aligns with (Agustiawan et al., 2022) findings, which show that financial pressure exacerbates agency problems as managers prioritize personal interests over shareholder welfare. Management

facing financial strain may resort to unethical practices, such as falsifying financial reports or misappropriating funds, to maintain stakeholder confidence and operational continuity. For instance, Jiwasraya's fraudulent practices were driven by attempts to conceal mounting financial losses from high-risk investments. This underscores the importance of monitoring financial health and implementing proactive risk management strategies during periods of financial distress (Halteh, K., & Tiwari, 2023).

The whistleblowing system offers a proactive approach to detecting and preventing fraud, aligning with agency theory, which highlights the importance of monitoring mechanisms to oversee agent actions. According to (Putri & Sofyan, 2023), such systems enable anonymous reporting of misconduct, thereby reducing information asymmetry between principals and agents. However, its effectiveness in Indonesian SOEs is often hampered by barriers such as inadequate whistleblower protection and lack of follow-up actions. This is supported by studies from (Darniaty et al., 2023; Fajri, 2022), which show that fear of retaliation and mistrust of the system undermine its utility. Strengthening whistleblower protections and fostering an organizational culture that values transparency are essential steps to address agency-related challenges in whistleblowing mechanisms.

Fraud prevention in State-Owned Enterprises (SOEs) is vital due to their dual role in achieving financial and social objectives, which often creates vulnerabilities in governance practices. From the perspective of Agency Theory, conflicts of interest arise between principals (government or shareholders) and agents (management) in SOEs. These conflicts are exacerbated by information asymmetry and the dual mandate of financial performance and public service delivery, increasing the risk of opportunistic behavior by agents. Without robust governance mechanisms, agents may exploit their position to prioritize personal or short-term interests, leading to fraudulent activities. The relationship between Agency Theory and fraud is also explained through Fraud Triangle Theory, where pressures such as financial strain or social obligations, combined with weak internal controls (opportunity) and rationalizations (e.g., justifying unethical actions to meet public expectations), create an environment conducive to fraud. Studies such as (Dewi et al., 2022) and (Lokman et al., 2023) highlight that effective fraud prevention requires addressing these agency problems



through consistent application of Good Corporate Governance (GCG). GCG reduces information asymmetry and strengthens accountability, thereby mitigating opportunities for fraud. Additionally, proactive mechanisms like whistleblowing systems play a critical role in fraud prevention, as emphasized (Sugita & Khomsiyah, 2023). Whistleblowing systems help to overcome agency problems by providing principals with early warning signals about fraudulent actions by agents. However, their effectiveness depends on trust, anonymity, and strong legal protections for whistleblowers.

In conclusion, fraud prevention in SOEs must integrate consistent GCG implementation, enhanced internal controls, and reliable whistleblowing systems to address the pressures, opportunities, and agency conflicts that lead to fraud. By reducing agency problems, these measures ensure accountability and sustainability in SOEs, safeguarding their dual role in economic and public service contributions.

The global economic landscape has also placed additional pressure on SOEs. The COVID-19 pandemic (Fadhli & Arifin, 2022), for example, exposed vulnerabilities in financial management and operational resilience across many sectors, including SOEs. These conditions have increased the urgency of developing more effective fraud prevention mechanisms to protect limited resources and maintain public trust in state-run institutions (Halteh, K., & Tiwari, 2023).

Finally, the role of regulatory agencies and policymakers cannot be overlooked. Effective collaboration between SOEs and regulatory bodies is essential to ensure robust enforcement of anti-fraud measures. This includes revisiting and updating existing regulations to close gaps in oversight and enhance the deterrence of fraudulent practices. Strengthening this partnership will contribute significantly to building a culture of integrity within SOEs (Iskandar & Kurniawan, 2020).

This study is grounded in Agency Theory and Fraud Triangle Theory, both of which provide critical insights into the mechanisms of fraud prevention. Agency Theory, explains the conflicts of interest between managers (agents) and shareholders (principals) due to information asymmetry. Managers, equipped with more information about the company, may exploit this disparity for personal gain, leading to unethical practices. In this context, Good Corporate Governance serves as a mechanism to align the interests of agents and principals, reducing

opportunities for fraudulent behavior. The Fraud Triangle Theory, highlights three key elements—pressure, opportunity, and rationalization—that drive fraudulent actions. Financial distress reflects the "pressure" component, as companies under financial strain may face heightened risks of fraud. Whistleblowing systems, on the other hand, address the "opportunity" element by creating mechanisms for early fraud detection and deterrence. Together, these theories underline the importance of governance, financial stability, and effective reporting channels in mitigating fraud risks within organizations.

The significance of fraud prevention in SOEs cannot be overstated, given their economic and social roles. This study investigates the interplay between GCG, Financial Distress, and Whistleblowing Systems in enhancing fraud prevention efforts within SOEs listed on the Indonesia Stock Exchange (IDX) during the period 2021-2023. By analyzing these variables, the study aims to provide empirical insights and actionable recommendations for strengthening anti-fraud mechanisms in SOEs. The findings are expected to contribute to academic literature and inform policymaking for better governance practices in public sector enterprises.

LITERATURE REVIEW

Agency Theory

Agency Theory, proposed by (Jensen & Meckling, 1976), explains the conflict of interest that arises in a principal-agent relationship. In organizations, principals (owners or shareholders) delegate authority to agents (managers) to operate the business. However, agents often have access to more information than principals, creating an information asymmetry. This imbalance enables agents to act in their own interests rather than in the best interests of the principals. Good Corporate Governance (GCG) serves as a mechanism to mitigate this conflict by enhancing transparency, accountability, and oversight within the organization. For example, an independent audit committee can reduce the likelihood of managers engaging in fraudulent practices by closely monitoring their decisions and ensuring compliance with established policies (Jensen & Meckling, 1976).

Fraud Triangle Theory

The Fraud Triangle Theory, introduced by (Donald Cressey, 1953), identifies three primary factors that drive individuals to commit fraud: pressure, opportunity, and rationalization. Pressure refers to financial or social demands,



such as financial distress or unrealistic performance expectations, that create a strong incentive to commit fraud. Opportunity arises when weak internal controls or governance mechanisms allow individuals to execute fraudulent actions without detection. Rationalization involves justifying unethical behavior as acceptable, often viewing it as a temporary solution to personal or organizational problems. This theory highlights that fraudulent behavior is more likely to occur when financial strain (pressure) is combined with insufficient oversight (opportunity) and a mindset that normalizes unethical actions (rationalization). In the context of Financial Distress, these factors collectively underscore the importance of strong governance and internal controls to mitigate fraud risks.

Fraud prevention

Fraud prevention refers to systematic efforts by companies to eliminate or deter potential fraudulent activities. According to (Pratopo & Wuryani, 2023), implementing whistleblowing systems is a key strategy, not only to prevent financial losses but also to safeguard the company's reputation. Similarly, (Anggraeni et al., 2021) highlight that effective fraud prevention includes rejecting all forms of fraudulent behavior, which can harm the organization both financially and non-financially, while also enhancing stakeholder trust in the company's integrity. In the context of State-Owned Enterprises (SOEs), frequent corruption cases demand stronger prevention mechanisms. (Kusuma et al., 2021) emphasize the need for stricter oversight and transparent policies to minimize asset misappropriation and corruption in government sectors. Internal audits also play a significant role in fraud prevention by identifying risks and implementing proactive measures (Indriyani et al., 2023). However, the effectiveness of whistleblowing systems remains limited in some cases, as noted by (Indriyani et al., 2023) and (Mahyuda et al., 2024), due to factors such as inadequate legal protection for whistleblowers. Thus, fraud prevention requires a holistic approach, combining robust oversight, effective whistleblowing mechanisms, and internal audits to ensure optimal outcomes in deterring fraudulent activities.

Good Corporate Governance

Good Corporate Governance (GCG) is a set of policies and practices designed to ensure that a company is managed transparently, accountably, and responsibly (Pratiwi et al., 2023). Research by

(Dewi et al., 2022) indicates that effective implementation of GCG significantly reduces fraud occurrence, particularly during the COVID-19 pandemic. GCG enhances transparency and accountability, which can minimize opportunities for fraud, one of the elements in the fraud triangle. By applying principles such as information disclosure and independent oversight, companies can reduce the risks of information asymmetry and agency problems.

Financial distress

Financial distress occurs when an entity is unable to meet its financial obligations on time, often serving as an early indicator of bankruptcy. This condition arises from various factors, including poor financial management, market changes, or global economic events. Financial distress significantly impacts not only company performance but also broader economic stability (Halteh, K., & Tiwari, 2023). Studies link financial distress with increased risks of financial crimes, such as fraud and money laundering. Companies under financial pressure may engage in illegal activities to maintain liquidity or conceal their true financial state. For instance, distressed companies often resort to accounting fraud or financial statement manipulation to preserve their image among investors and stakeholders, perpetuating a harmful cycle between financial distress and financial crime (Halteh, K., & Tiwari, 2023). To predict financial distress, traditional approaches like financial ratio analysis have evolved into advanced methods such as neural networks and machine learning algorithms. Early models, including multivariate discriminant analysis and logit models, have been refined with big data and machine learning to enhance predictive accuracy. These models are essential for identifying bankruptcy risks and preventing related financial crimes (Halteh, K., & Tiwari, 2023). Recent research highlights the systemic risks posed by financial distress, especially in large corporations or financial institutions with significant systemic impact. Therefore, stakeholders, including regulators and investors, must monitor early signs of financial distress to mitigate broader economic consequences (Halteh, K., & Tiwari, 2023).

Whistleblowing System

A whistleblowing system provides a secure channel for employees to report unethical behavior or fraud within a company. According to a study by (Sakinah et al., 2023), companies with an effective whistleblowing system are more capable of detecting and preventing fraudulent



activities. Moreover, employees' trust in the confidentiality and security of reporting plays a crucial role in the system's success. In state-owned enterprises (SOEs), the implementation of a whistleblowing system serves as an essential instrument to promote transparency and accountability in corporate governance.

METHOD

This research's hypotheses are built upon findings from prior studies and theories on corporate governance, financial distress, and whistleblowing systems in relation to fraud prevention. (Dewi et al., 2022), (Halteh, K., & Tiwari, 2023), and (Betriana et al., 2024) emphasize that Good Corporate Governance (GCG) plays a critical role in fraud prevention by enhancing transparency, accountability, and ethical behavior within organizations. Frequent audit committee meetings and a sufficient number of qualified committee members ensure effective oversight, reducing the risk of fraudulent activities. H1: Good Corporate Governance

positively affects fraud prevention.

(Halteh, K., & Tiwari, 2023) describe financial distress as a condition where a company faces significant financial challenges, which can increase the likelihood of fraudulent actions as organizations attempt to obscure poor financial performance. However, heightened regulatory oversight during periods of financial distress can also encourage stricter compliance and fraud mitigation efforts. H2: Financial distress negatively affects fraud prevention.

Research by (Dewi et al., 2022) and (Betriana et al., 2024) (Anggraeni et al., 2021; Destiyana et al., 2024; Mahyuda et al., 2024) highlights that while whistleblowing systems are designed to expose unethical behavior and enhance fraud prevention, their effectiveness depends on proper implementation and trust within the organization. Organizations with robust whistleblowing systems tend to exhibit better fraud prevention mechanisms. H3: Whistleblowing systems positively affect fraud prevention

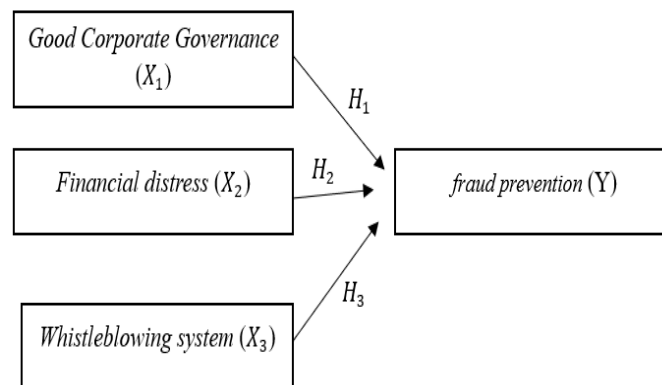


Figure 1. Research Model

Source: Research Data, 2024

Based on the explanation of the research model outlined earlier, this study employs a quantitative approach characterized by scientific rigor, including clarity, objectivity, reliable measurements, rationality, and a systematically organized methodology. This study investigates the influence of Good Corporate Governance (GCG), Financial Distress, and Whistleblowing Systems on fraud prevention in Indonesian State-Owned

Enterprises (BUMN) listed on the Indonesia Stock Exchange (IDX) for the 2021-2023 period. The research explores one dependent variable, fraud prevention (Y), and three independent variables: Good Corporate Governance (X₁),

Financial Distress (X₂), and Whistleblowing Systems (X₃). The population of this study comprises all BUMN listed on the IDX during the specified period. Using purposive sampling, 22 companies were selected based on criteria such as the availability of complete financial and annual reports for the 2021 - 2023 period. The research data were obtained from secondary sources, including annual reports and financial statements, which were analyzed quantitatively using panel regression techniques. The analysis was conducted using the EViews software to ensure systematic and accurate examination of the relationships between variables

Tabel 1. Variable Measurement

Variable	Proxy	Scale
Good Corporate Governance	Frekuensi Pertemuan Komite Audit Jumlah Anggota Komite Audit	Nominal
Financial Distress	$DER = \frac{\text{Total Liabilities}}{\text{Total Equity}}$	Nominal
Whistleblowing System	$WBS = \frac{\text{Implemented items}}{\text{Item according to KNKG}} \times 100\%$	Ratio
Fraud Prevention	Jumlah Kasus Fraud yang Dilaporkan	Nominal

This study's data analysis and hypothesis testing involve classical assumption tests, specifically multicollinearity tests. Multiple linear regression serves as the primary method, supported by partial t-tests, simultaneous F-tests and the coefficient of determination (R-squared) to evaluate relationships between variables. EViews 12 is utilized for robust data processing. The entirety of the data analysis process is conducted using EViews software, aligning with the requirements of panel regression analysis.

The research model applied for panel regression analysis in this study is as follows:

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \varepsilon_{it}$$

Information:

i: cross-section

t: time series

X_{1it} : Corporate Governance (GCG) of company i in year t

X_{2it} : Financial Distress of company i in year t

X_{3it} : Whistleblowing System of company i in year t

α : Constant

$\beta_1, \beta_2, \beta_3$: Regression coefficients indicating the impact of each independent variable on fraud prevention.

ε : Error term

In this research, data were gathered from all State-Owned Enterprises (BUMN) listed on the Indonesia Stock Exchange (IDX) for the period 2021 to 2023. Out of the total population, only 22 companies fulfilled the specified criteria for sampling, resulting in 66 total observations over three years

Tabel 2. Descriptive Statistics

	GCG1	GCG2	FD	WBS	FP
Mean	32.51	5.303	3.2019	0.9925	72.48485
Median	27.50	5.000	1.8900	1.0000	8.500000
Maximum	152.0	11.00	16.370	1.0000	784.0000
Minimum	5.000	3.000	0.3700	0.9300	0.000000
Std. Dev.	24.30	1.788	3.3653	0.0217	170.8721
Skewness	2.807	0.723	1.9102	-2.5587	3.251369
Kurtosis	12.95	3.265	7.2673	7.5472	12.81735
Jarque-Bera	359.2	5.955	90.220	128.88	381.3316
Probability	0.000	0.050	0.0000	0.0000	0.000000
Sum	2146	350.0	211.33	65.510	4784.000
Sum Sq. Dev.	3840	207.9	736.15	0.0306	1897822.
Observations	66	66	66	66	66

Source : EViews Output, 2025

According to the results presented in Table 2 of the descriptive statistics, the fraud prevention variable (Y) has values ranging from a minimum of 0 to a maximum of 784, with an average of 72.48 and a standard deviation of 170.87. The Good Corporate Governance variable (X_1), measured by the frequency of audit committee meetings, ranges from 3 to 152, with a mean of

18.91 and a standard deviation of 32.52. The Financial Distress variable (X_2) ranges from 0.37 to 16.37, with an average value of 3.20 and a standard deviation of 3.37. Lastly, the Whistleblowing System variable (X_3) has values between 0.93 and 1.00, with a mean of 0.99 and a standard deviation of 0.01

Tabel 3. Multicollinearity Test

	GCG1	GCG2	FD	WBS
GCG1	1.000	0.086	-0.007	0.148
GCG2	0.086	1.000	0.127	0.031
FD	-0.007	0.127	1.000	0.088



WBS	0.148	0.031	0.088	1.000
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Source: EVIEWS Output, 2025

Based on the correlation results, there is no significant multicollinearity issue among the variables, as all correlation coefficients are below the threshold of 0.8. Specifically, the correlations between GCG1, GCG2, Financial Distress, and

Whistleblowing System range from -0.007 to 0.148, indicating low correlation. Therefore, it can be concluded that multicollinearity is not present in the model, ensuring the reliability of the regression analysis

Table 4. T - Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2363.298	1002.635	2.357087	0.021
GCG1	1.849275	0.657967	2.810589	0.006
GCG2	-4.551076	8.001175	-0.568801	0.571
FD	2.447978	7.723780	0.316840	0.752
WBS	-2352.109	1011.405	-2.325586	0.023

Source: EVIEWS Output, 2025

The first hypothesis (H1) of this study is that Good Corporate Governance (GCG) has a positive effect on Fraud Prevention. GCG is measured using two indicators: GCG1, the Frequency of Meetings, and GCG2, the Number of Audit Committee Members. For GCG1, the Frequency of Meetings, the t-statistic value is 2.810589, which is greater than the t-table value (1.99773), with a probability of 0.0066. This positive coefficient and significant t-statistic indicate that meeting frequency has a significant positive effect on fraud prevention at a 1% significance level. However, for GCG2, the Number of Audit Committee Members, the t-statistic value is -0.568801, which is smaller than the t-table value, with a probability of 0.5716, indicating no statistically significant effect. These results suggest that only GCG1, the Frequency of Meetings, supports the hypothesis. Since one of the GCG indicators, GCG1, has a significant positive effect on fraud prevention, H1 is supported, although the other indicator, GCG2, is not significant.

The second hypothesis (H2) posits that Financial Distress (FD) affects Fraud Prevention. The t-statistic value for Financial Distress is 0.316940, which is smaller than the t-table value (1.99773), with a probability of 0.7524. The positive coefficient but insignificant t-statistic indicates that financial distress does not have a significant effect on fraud prevention. Therefore, the hypothesis suggesting a relationship between financial distress and fraud prevention is not statistically supported in this study.

The third hypothesis (H3) suggests that the Whistleblowing System affects Fraud Prevention. The Whistleblowing System variable has a t-statistic value of -2.325586, which is smaller than

the t-table value (-1.99773), with a probability of 0.0234. This negative coefficient indicates that the whistleblowing system has a significant negative effect on fraud prevention at a 5% significance level. This result supports the hypothesis that the whistleblowing system influences fraud prevention, although the negative direction of the effect may indicate that the system's effectiveness is not yet optimal. Therefore, H3 is statistically supported, but the negative effect suggests that the whistleblowing system's performance may need improvement in the context of this study.

Table 5. F - Test

R-squared	0.164086
Adjusted R-squared	0.109271
S.E. of regression	79.19321
F-statistic	2.993493
Prob(F-statistic)	0.025376

Source: EVIEWS Output, 2025

Based on the regression output, the obtained F-statistic value is 2.993493, while the probability value or Prob(F-statistic) is 0.025376. Since the probability value is smaller than the predetermined significance level (e.g., $\alpha = 0.05$), the null hypothesis (H_0), which states that all regression coefficients are equal to zero, can be rejected. This indicates that the regression model as a whole is significant in explaining the variation in the dependent variable. Furthermore, the F-table value at a 5% significance level with specific degrees of freedom ($df_1 = k-1$, $df_2 = n-k$) is 2.75297. Since the F-statistic value (2.993493) is greater than the F-table value (2.75297), H_0 can be rejected, further confirming that the regression model is significant.

Table 6. Determination Coefficient (R²) Test

R-squared	0.164086
Adjusted R-squared	0.109271



S.E. of regression	79.19321
F-statistic	2.993493
Prob(F-statistic)	0.025376

Source : EViews Output, 2025

The R-squared value of 0.164086 indicates that 16.41% of the variability in Fraud Prevention in BUMN companies listed on the IDX during 2021-2023 can be explained by the independent variables, namely Good Corporate Governance, Financial Distress, and Whistleblowing System. Meanwhile, the Adjusted R-squared value of 0.109271 shows that after adjustment, only 10.93% of the variability in Fraud Prevention can be explained by the model, indicating that most of the variation is influenced by other factors outside the scope of this study. Nevertheless, these results still provide an indication that the independent variables used contribute to fraud prevention, although there is significant room for identifying additional factors that may have a stronger impact.

The study results indicate that Good Corporate Governance (GCG), measured by the number of audit committee members and the frequency of audit committee meetings, significantly influences fraud prevention. The analysis shows a positive coefficient of 0.164 (p-value = 0.032), meaning better GCG implementation leads to more effective fraud prevention efforts. This aligns with agency theory, which suggests that GCG enhances transparency, accountability, and integrity, reducing fraud risks. Although GCG implementation in BUMN companies is relatively good, cases such as financial statement manipulation at Garuda Indonesia and bribery at PT Krakatau Steel highlight inconsistent application as a major challenge. Therefore, the findings emphasize the need to strengthen GCG to improve fraud prevention in BUMN companies. These results are consistent with prior studies, such as (Dewi et al., 2022) and (Betriana et al., 2024), which highlight that frequent audit committee meetings and independent members improve early detection of irregularities. Strengthening GCG implementation remains crucial for mitigating fraud risks.

In this study, Financial Distress was measured using the Debt to Equity Ratio (DER). The test results show a coefficient of 2.44, with a t-statistic of 0.316940 and a p-value of 0.7524, indicating no significant effect on fraud prevention at a 5% significance level. However, the positive coefficient suggests that companies facing financial pressure tend to be subject to stricter oversight, reducing the risk of fraud. This

is due to the unique nature of BUMN, which operates with public funds and serves public interests, resulting in heightened regulatory, audit, and public scrutiny during financial distress. Increased monitoring forces greater transparency and accountability, limiting opportunities for fraud. These findings align with (Halteh, K., & Tiwari, 2023), who highlight that while financial distress can encourage manipulative behavior, strict oversight acts as a mitigating factor. Despite differing from the initial hypothesis, this outcome underscores the need for further study on the specific context of BUMN companies.

This study finds the Whistleblowing System's coefficient (-2352.10) and t-statistic (-2.325586, p-value=0.0234) indicate a significant negative impact on Fraud Prevention. This suggests existing reporting systems are ineffective, likely due to inadequate employee protection/(Betriana et al., 2024; Dewi et al., 2022). Consistent with (Sugita & Khomsiyah, 2023), management support and internal trust issues hinder Whistleblowing System effectiveness. Reforms are necessary for positive impacts on BUMN fraud prevention. Despite limitations, Whistleblowing Systems remain strategic for fostering transparent workplaces, especially with professional management commitment.

CONCLUSION

This study examines the impact of Good Corporate Governance (GCG), Financial Distress, and Whistleblowing Systems on Fraud Prevention in Indonesian State-Owned Enterprises (BUMN) listed on the Indonesia Stock Exchange (2021-2023). The results indicate GCG significantly prevents fraud, particularly through audit committee frequency and effectiveness. Financial Distress shows no significant impact, while Whistleblowing Systems exhibit negative effects due to inadequate employee protection and trust. The study recommends enhancing GCG quality, proactive financial distress management, and Whistleblowing System reforms. Future research should expand its scope, integrate Fraud Diamond and Pentagon theories, and conduct qualitative surveys. Regulatory bodies should strengthen GCG oversight, establish robust whistleblower protection policies, and promote effective fraud prevention strategies.

Based on the conclusions, the following recommendations are proposed: Future research should expand its scope beyond state-owned enterprises (SOEs) to improve the generalizability of results, conduct qualitative surveys of company



employees to evaluate the effectiveness of whistleblowing systems more deeply, and integrate Fraud Diamond and Fraud Pentagon theories to better understand the role of capability and arrogance as significant factors in fraud analysis. SOEs are advised to provide regular training for audit committee members to enhance their understanding and ability to prevent fraud, as well as to develop technology-based whistleblowing systems to improve accessibility, security, and reporter anonymity. Regulators and the government are encouraged to enforce stricter oversight of Good Corporate Governance implementation in SOEs, including providing guidelines and regular evaluations, and to establish stronger legal protections for whistleblowers to encourage reporting of violations.

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