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DOI: [10.22219/jrak.v10i1.10268](https://doi.org/10.22219/jrak.v10i1.10268)

Citation:

Rochmawati, N.E., Tarjo & Musyarofah. (2020). The Implementation of Good Corporate Governance and Efforts to Prevent Fraud In Banking Companies. *Jurnal Reviu Akuntansi dan Keuangan*, 10(1), 136-149.

Article Process

Submitted:

November 20, 2019

Reviewed:

January 13, 2020

Revised:

January 15, 2020

Accepted:

February 2, 2020

Published:

April 13, 2020

Office:

Department of Accounting
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Muhammadiyah Malang
GKB 2 Floor 3.
Jalan Raya Tlogomas 246,
Malang, East Java,
Indonesia

P-ISSN: 2615-2223

E-ISSN: 2088-0685

Article Type: Research Paper

The Implementation of Good Corporate Governance and Efforts to Prevent Fraud In Banking Companies

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ABSTRACT

To realize good corporate governance, the principles of transparency, accountability, responsibility, independence, and fairness must be implemented to the fullest. The purpose of this study is to determine how the implementation of Good Corporate Governance and efforts to prevent fraud in banking companies. The research method used is a qualitative method. The data sources are primary and secondary data. The data is collected by interview, observation, and documentation. Whereas the data analysis technique is done by data reduction, data presentation, and drawing conclusions. The results of the study show that the application of GCG at PT. BPR X can be said to be done according to the rules, but it is not yet optimal, it can be seen from several problems that exist in the company. The maximum implementation of GCG is expected to prevent fraud in banking companies.

KEYWORDS: Banking Industry; Fraud Prevention; Good Corporate Governance.

INTRODUCTION

137

The economic crises that have been occurred is not the primary cause that affect the unsustainability of a bank in Indonesia. However, the more dominant cause is the absence of good and ethical corporate governance practices, resulting in fraud and ultimately losing public confidence in the banking sector. According to the Association of Certified Fraud Examiners, fraud is intentional unlawful acts committed for a particular purpose, in the sense of manipulating or giving false reports to other parties by people from inside or outside the organization for personal gain. or groups that directly or indirectly harm other parties (ACFE, 2016).

As part of efforts to minimize the incidence of fraud in the banking world, Bank Indonesia has prepared a set of regulatory steps to reinforce the performance of banking companies. One mechanism or system that can be used in preventing fraud is by implementing a Good Corporate Governance (GCG) system. The Good Corporate Governance and fraud prevention is related to overcome the consequences of existing fraud problems, thus it is important for a bank to apply the principles of Good Corporate Governance to the maximum. This is due to the risks and challenges faced by the banking company, both from internal and external factors. In another word, the application of GCG principles is needed so that banking companies can survive and be resilient in the face of increasingly fierce competition, and can apply good business ethics, so as to create a healthy and transparent business climate. With the existence of Good Corporate Governance, a good governance will be created to have an impact on reducing the occurrence of fraud.

The implementation of Good Corporate Governance is necessary to build the public and international world trust as an absolute requirement for the banking world to develop well and healthy. The application of the Good Corporate Governance principles in internal banking reform is believed to provide a solid foundation for prudent and professional business practices. The concept of Good Corporate Governance as a modern corporate management model is believed to bring changes for better bank management in facing current and future challenges marked by intense inter-bank competition in seizing customer trust and developing the bank's business. In reality, not all of the Good Corporate Governance principles in a company are conducted according to what is aspired and what is expected. The assumption of many parties so far is that with the implementation of GCG in a company, it is certain that the corporate governance has run well without any deficiencies. However, it is not that simple. To realize GCG requires extra struggle and support from several parties, both internal and external parties.

In general, Good Corporate Governance (GCG) is a principle that directs and controls a company in order to achieve a balance between the strength and authority of the company in providing accountability to shareholders in particular, and stakeholders in general. This is intended to regulate the authority of directors, managers, shareholders and other parties associated with the development of the company in a particular environment. The emergence of Good Corporate Governance concept is based on 2 (two) main theories, namely Stewardship Theory and Agency Theory. Stewardship Theory is built on philosophical assumptions about human nature namely that humans are essentially trustworthy, able to act responsibly, have integrity, and are honest with others. In its development, Agency Theory received a wider response because it was seen to better reflect the reality. Agency problems cause severe effects on bank performance. The deteriorating performance of banks in relation to banks as intermediary agents also affects the wealth of stakeholders, especially depositors (Junarsin & Ismiyanti, 2009). Companies

with larger agency conflicts have better governance mechanisms, specifically those related to the board, audit committee, and auditor. In addition, the composition and functioning of the board of directors, auditor independence, and equity-based director compensation are significantly related to company performance, especially for companies with high agency conflicts. Overall, the results of the study support the theory that the existence and role of various governance mechanisms in a company is a function of the level of agency conflict in the company (Dey, 2008).

Organization for Economic Cooperation and Development (OECD) defines Good Corporate Governance is a system used to direct and control the company's business activities. Corporate Governance regulates the distribution of duties, rights and obligations of those with an interest in the life of the company, including shareholders, board of directors, managers, and all members of the non-shareholder stakeholders (OECD, 2004). Bank Indonesia Regulation Number 8/12/PBI/2006 concerning Amendments to Bank Indonesia Regulation Number 8/4/PBI/2006 concerning Implementation of Good Corporate Governance for Commercial Banks which are the legal basis for Good Corporate Governance in the banking sector defines that "Good Corporate Governance is a bank governance that applies the principles of transparency, accountability, responsibility, independence and fairness."

Implementation of good corporate governance in the banking industry should always be based on 5 (five) basic principles. First, transparency, namely openness in expressing material information and relevant as well as transparency in the decision-making process. Second, accountability, the clarity of the functions and the implementation of the accountability organ bank that effective management. Third, responsibility, the suitability of the bank management with the legislation in force and the principles of management of healthy banks. Fourth, independence that the bank management is professional with no influence/pressure from any party. Fifth, fairness, namely justice and equality in meeting stakeholder rights arising under existing agreement and legislation. To establish the 5 (five) basic principles mentioned above, banks must be guided by various regulations and minimum requirements and guidelines relating to the implementation of good corporate governance (Wakarmamu, 2015).

Based on POJK Number 4/POJK.03/2015 regarding the Implementation of Governance for Rural Credit Banks which are the legal basis of Good Corporate Governance for Rural Credit Banks (BPR), self-assessment is interpreted as independent assessment of 11 (eleven) factors determining good governance. The self-assessment itself is divided into 3 (three) aspects, namely Governance Structure, Governance Process, and Governance Outcome. While the factors that are assessed in Good Corporate Governance include:

1. Performance of the duties and responsibilities of the Directors;
2. Performance of the duties and responsibilities of the Board of Commissioners;
3. Completeness and implementation of the duties or functions of the committee;
4. Handling conflicts of interest;
5. Implementation of the compliance function;
6. Implementation of the internal audit function;
7. Implementation of the external audit function;
8. Implementation of risk management;

9. The maximum lending limit;
10. Business plan;
11. Transparency of financial and non-financial conditions.

Good corporate governance when viewed from the organizational structure is very effective in fraud prevention (Eferakeya, Enaibre, & Offor, 2016). The organizational structure here is internal audit, audit committee, external audit and the board of directors. Board composition and size related to the ability of directors to monitor and advise management proves that it is more efficient in monitoring and advising functions and creating more value (Andres & Vallelado, 2008). Companies with a lower proportion of independent board members are more vulnerable to fraud and vice versa (Shengnan & Jianbo, 2009).

Corporate governance is related to the way in which the business and affairs of each bank are directed and managed by the board of directors and senior management; therefore, it requires good internal control. Good internal control will greatly help to reduce the number of frauds in banking (S.B, Sailaja, & Begum, 2014). Internal control is considered as one of the most significant components in reducing the level of fraud (In'airat, 2015). Other research related to internal control states that internal control is very effective against fraud, but not all company staff are committed to it (Adetiloye, Olokoyo, & Taiwo, 2016). Some weaknesses of internal control have been identified as a fraud factor. Poor internal control can lead to fraud, for example when the bank still employs the same official to carry out various financing activities, it can lead to fraud if its activities lack supervision (Hamdani & Albar, 2016). Cressey stated that there are 3 (three) conditions that cause fraud, known as the Fraud Triangle Theory, namely Pressure, Opportunity, and Rationalization. Other research also suggests that fraud occurs due to 3 conditions (fraud triangle).

There are several fraud prevention mechanisms, including surprise audits, fraud hotlines, fraud prevention program and training, anti-fraud policies, fraud vulnerability reviews, operational audits, whistle-blowing policies, internal audits, and disciplinary actions (Omar & Bakar, 2012). All of that is an implementation of fraud prevention as the application of Good Corporate Governance. Bad governance makes companies uncompetitive, thus failure to manage and understand risk well is a clear example of failure of good governance (Lutui & 'Ahokovi, 2017).

Based on previous research, the implementation of the Good Corporate Governance concept in the banking system in Indonesia has not been well implemented (Artiningsih, Novmawan, & Warsono, 2011). The implementation of Good Corporate Governance is less optimal because GCG principles are not fully implemented (Arbaina, 2012; Wulandari, 2018).

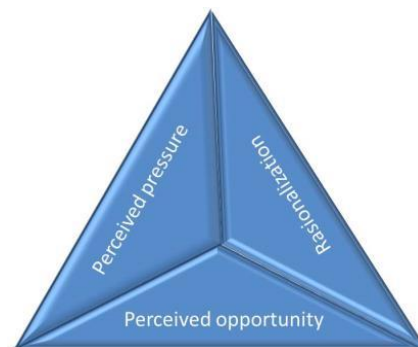


Figure 1.
Fraud
Triangle

In order to improve the implementation of Good Corporate Governance, there are several studies on the implementation of GCG principles in the banking world, the first of which is related to company's performance. According to research from Darmawati (2004) and Hidayah (2008), the application of the Good Corporate Governance principles does not directly affect the performance of a company. Furthermore, according to Sundari (2012), Hindistari & Putri (2016), Yuspitasi et al. (2018), and Sawitri & Ramantha (2018) the application of the Good Corporate Governance principles influences company's performance. It was explained at the outset, that a company's performance can be seen from a company's financial statements. The existence of performance appraisal encourages a company to be more disciplined in applying the principles of Good Corporate Governance.

Based on previous research, the implementation of the Good Corporate Governance concept in the banking system in Indonesia has not been well implemented (Artiningsih, Novmawan, & Warsono, 2011). Another issue regarding Good Corporate Governance is regarding to the principles of GCG in efforts to prevent fraud (fraud prevention) is Good corporate governance and professional roles in good governance can prevent or minimize fraud that occurs in the company (Agarwal & Yajulu, 2013). The relationship phenomenon between Good Corporate Governance and fraud shows that the prevention pillar, the detection pillar and the investigative pillar have an effect on fraud prevention in the banking industry (Alfian, Tarjo, & Haryadi, 2017). Good corporate governance is very important for the banking industry because it can prevent banks from financial fraud causing financial difficulties and bankruptcy (Liem, 2016). Good corporate governance serves as a good shield for companies to fight corporate fraud (Salleh & Othman, 2016). Another phenomenon states that the application of good governance in banking is categorized into 3 (three) parts, namely "Very Good, Good and Quite Good", but the application of corporate governance has not been able to prevent fraud in banking. Thus, the implication is that it must be balanced with the ability of human resources in the company (Apriliani Astuti, Dewi Y Rozali, & Cakhyaneu, 2019). Further research shows that compliance with the principles of corporate governance by Nigerian banks will apply efficiency, transparency, responsibility and accountability in the banking system (Akintoye & Iyaniwura, 2017). Strong internal control system, good corporate governance and compliance with banking ethics have a significant influence on fraud prevention in the banking industry (A.O., T.O., & A. J., 2018).

Other research argues that the special nature of banking institutions requires a broad view of corporate governance in which banking regulations are needed to protect depositors. In developed countries, protection of depositors in deregulated environments is usually provided by a prudent regulatory system. Meanwhile, in developing countries such protection is undermined by a lack of trained supervisors, inadequate disclosure requirements, costs of increasing bank capital and the existence of distribution cartels (Arun & Turner, 2004). The research is in line with the results of research from other researchers who show that lack of adequate training, communication gaps, and poor leadership skills is the biggest cause of fraud in Nigeria's banking industry (Akindele R.I, 2011). It can be concluded that an adequate internal control system must be implemented as well as consideration for employee's satisfaction and comfort.

Considering that there are still many cases that occur despite the issuance of Good Corporate Governance guidelines, especially in banking companies in Indonesia and in accordance with the above issues regarding the diversity of the results of previous studies,

the author's interest arises to conduct a study on the implementation of Good Corporate Governance and efforts to prevent fraud in banking companies.

METHOD

In this study, the authors used a type of qualitative research with a case study approach. The main reason researchers took this type of qualitative research because researchers want to understand deeper about how the application of the principles of Good Corporate Governance in banking companies. This research was conducted in banking companies located in Kediri Regency. As a further consideration why conducting research at the company is because researchers think there are still many shortcomings related to the implementation of Good Corporate Governance in the company.

The sources of data obtained are primary data and secondary data. Primary data were obtained from interviews with related parties, namely the President Director, Directors, Head of Internal Audit Unit and Risk Management Executive Officer. The secondary data is obtained from books and journals related to the implementation of Good Corporate Governance and fraud prevention in banking sector.

Data collection techniques carried out by interview, observation, and documentation. Whereas the data analysis technique is done by data reduction by selecting important data from observations and interviews; data presentation; and lastly drawing conclusions from the results of the study. To test the validity of the data, the researchers are triangulating sources and methods whereas the researchers check the truth and the degree of trust of information to different informants and with different techniques.

RESULTS AND DISCUSSION

Not all Rural Credit Banks have implemented a Good Corporate Governance system. Based on information obtained by researchers, PT. BPR X is one of the BPRs that began implementing the Good Corporate Governance system since 2017, as quoted in the following interview:

"..... Since 2017, PT. BPR X has implemented Good Corporate Governance and has also reported it..."(Director of PT. BPR X)

Based on the above interview, PT. BPR X has indeed implemented Good Corporate Governance and is also proved by the annual report on the implementation of GCG. The statement of excerpts from the above interview is also reinforced by quote from interviews with the Head of Internal Audit Unit:

"... Already implementing the Good Corporate Governance system starting in 2017, and there were also reports for 2017 and 2018 ..." (Head of Internal Audit Unit of PT. BPR X)

PT. BPR X has implemented Good Corporate Governance since 2017 with the composite score of 1.59 of the Self Assessment results. Furthermore, in 2018, the second year of the implementation of the GCG system, the composite score of the Self Assessment results obtained by PT. BPR X is 1.6, ranked in the "Very Good" rating category, as stated in the following interview excerpts:

"...For the Self Assessment in the last report the score was"Very Good"and there was a written report where the score was 1.6..." (Director of PT. BPR X)

Self Assessment scoring guideline at PT. BPR X refers to the Financial Services Authority Circular Letter Number 5/SEOJK.03/2016 concerning the Implementation of Governance for Rural Credit Banks. The following are excerpts from interviews with the President Director of PT. BPR X.

"... Well actually, what we... for the assessment well... what do we... there's a Self Assessment too... That's an assessment of ourselves... in fact, we also use the guideline... it is not possible for us... to do our own assessment without guideline.... "

Although still relatively new, but there have been many changes lead to improvement that have been felt by various parties, including how the pattern of relationships between management and stakeholders, management with the Board of Commissioners and between management based on corporate ethics and cultural values supported by a system, processes, work guidelines and organization to achieve maximum performance. Good Corporate Governance System is a direction and guideline for PT. BPR X to carry out its business activities, as quoted from the following interview:

"... With the implementation of GCG, it seems there are already directives that have clear instructions, so the instructions, clear guidelines can finally make us more... well... more directed... it's becoming clear how we can apply the good corporate governance... "(Managing Director of PT. BPR X)

The interview excerpts as mentioned above gives a clear picture that the Good Corporate Governance system can direct and provide guidelines or instructions on how to implement the good corporate governance. With this system, it is hoped that changes will bring the company to a better direction than before, this is revealed in the following interview excerpt:

"..... Yes, actually this is like... there are no significant changes yet... because they are relatively new... We ourselves are still continuing to perfect and complement each other but of course with the existence of such a program, GCG, it is of course automatically from us,the management automatically has a kind of sort of eagerness to realize it because first it's already a provision and second it is also profitable for the company itself, so the point is for security as well and that is also to build trust in the community too... "(President Director of PT. BPR X)

From the interview excerpts above, it states that there is high enthusiasm from the agent at PT. BPR X to implement the Good Corporate Governance system in the company. The desire to implement the system, is not just a provision, but also because of the benefits to be gained by the company by implementing Good Corporate Governance, one of which is to build public trust, in this casetheir customers. Although the changes are not direct and significant, they will lead the company to a better direction. With good corporate governance, it is expected to be able to prevent fraud, as revealed by the President Director of PT. BPR X:

"... Well... actually in general also because one of the objectives of the GCG itself is fraud prevention... that's good too..., but GCG itself is indeed... hmmm... what is it... it really has to function, not just fulfilling the provisions as an obligation but must be recognized as a necessity, because like the beginning too, when fraud has already occurred everyone suffers losses... it's hard for the company itself... well everything is lost... including the community too... "

Based on the interview excerpts, to prevent fraud the Good Corporate Governance system must be fully implemented. Starting from the principles of transparency, accountability, responsibility, independence, and fairness, all of them are interconnected and must be implemented to the maximum, not just provisions that must be met as an obligation or rules set by Bank Indonesia and the Financial Services Authority, but this GCG system must be used as a necessity where the goal is for the good of the company itself.

Based on observations and interviews related to the implementation of Good Corporate Governance in PT. BPR X that based on the Self-Assessment score of 1.6 of PT. BPR X with a rating of "Very Good". Even though they got the "Very Good" score, there are still some weak points that must be considered so that the good corporate governance can be realized fully. To ensure the implementation of the Good Corporate Governance system works well, the principles of transparency, accountability, responsibility, independence and fairness must all be implemented optimally by PT. BPR X and must be able to prevent fraud.

Pada kenyataannya, di PT. BPR X pernah terjadi adanya *fraud* yaitu kredit fiktif yang dilakukan oleh petugas BPR. Untuk mengantisipasi agar tidak terulang kembali, pada tahun 2017 PT. BPR X mulai menerapkan prinsip *Good Corporate Governance* dengan tujuan agar mempunyai tata kelola perusahaan yang baik sehingga diharapkan mampu mencegah fraud dan pada akhirnya PT. BPR X bisa terus survive (berlanjut). Dengan mengacu pada Peraturan Bank Indonesia Tahun 2006 dan POJK Tahun 2015, PT. BPR X telah menetapkan pedoman penerapan GCG yang meliputi 5 (lima) prinsip dasar yaitu keterbukaan (*transparency*), akuntabilitas (*accountability*), pertanggungjawaban (*responsibility*), independensi (*independency*), dan kewajaran (*fairness*).

In fact, there was a fraud at PT. BPR X regarding fictitious credit carried out by BPR officer. To anticipate that this will not be repeated, in 2017 PT. BPR X began to apply the principles of Good Corporate Governance with the aim of having good corporate governance and so that it is able to prevent fraud and ultimately PT. BPR X can continue to survive. Referring to the Bank Indonesia Regulation Year 2006 and the OJK Regulation Year 2015, PT. BPR X has established guidelines for implementing GCG which cover 5 (five) basic principles, namely transparency, accountability, responsibility, independence and fairness.

First, the application of the principle of transparency in the activities of PT. BPR X, among others, can be seen from the openness regarding various information that can be seen on the notes of the information board and also in the newspaper. Besides, it can also be accessed through social media platform Facebook. Although the principle of openness at PT. BPR X has started to run, but there are still some shortcomings, including some information that cannot be accessed through the internet because the website of PT. BPR X is still being created, as quoted from the following interview:

"...Transparency... that's because we are managing community assets ... every report and publication must be published. We also report to the FSA, what is the actual state of financial statements like, we have to publish it... like that... to the community we also report... to the relevant parties (stakeholders) in the process of preparing financial statements. In the process of employee recruitment, we also publicly convey the process ... from the mass media, announcements at the office have also been done, if we need the right personnel. Even though there is someone who bring, for example, his sibling, it's okay, it is even better, but the process is still according to our requirements through tests... if the results are not good, there are better ones... we accept those that are in accordance with our requirements. We will still

accept, whoever comes we will accept, but we must go through the process according to the provisions. In terms of career development, we are there for employees, we also have a performance appraisal team, we also convey the performance appraisal index to employees every 6 months, so the assessment is through many levels... every month we do but we submit it every 6 months... so either promotion or demotion has a strong foundation, as it is truly from the performance results not from likes or dislikes, truly from the ability..."(Director of PT. BPR X)

Second, the application of the principle of accountability at PT. BPR X, among others, can be seen from the clear division of duties and responsibilities of the Board of Directors and Commissioners and other organs at PT. BPR X. According to the interview with the Director regarding the implementation of the Accountability principle at PT. BPR X:

"...The GMS is a General Meeting of Shareholders, so that the highest decision is being decided there. If the Board of Commissioners supervises the operational or performance of the Board of Directors, it is connected with the GCG... oversees the process of the GCG, while the Director is the executor. President Director and below, this is a unit of the Board of Directors overseen by the Board of Commissioners through this Internal Audit Unit. This Internal Audit Unit functions as... it oversees the operational activities that have taken place in coordination with the board of commissioners, but the responsibilities go directly to the board of directors, namely the president director. The director also serves as a compliance function or oversees the compliance function. If the compliance and risk management function is before the incident, this Internal Audit Unit is after the incident that has been monitored... So, in that way the risk management prevents fraud from happening, whereas Internal Audit Unit checks after the transaction, is there any fraud, that's the Internal Audit Unit's duty? This is operational, ok? Each branch also has an operation... The Internal Audit Unit has also gone down to the branch, and also the office here... the head office has an operation. Under the board of directors is included in the management process, while the GMS, the board of commissioners and the board of directors are included in the GCG process ..." (Director of PT. BPR X)

Third, the application of the principle of responsibility at PT. BPR X adheres to the principle of prudence and guarantees compliance with applicable regulations. According to the interview regarding the implementation of the Responsibility principle at PT. BPR X:

"... Responsibility to the community is usually in form of giving sacrifice at Eid Adha, there is a special fund for social activities, for commemoration of the independence day, the distribution of zakat every fasting month..." (Risk Management Executive Officer)

"... Then for the responsibility, we respond to the rules of CSR for the community..." (Head of Internal Audit Unit PT. BPR X)

Fourth, the application of the principle of independence at PT. BPR X avoids the occurrence of unfair domination by any stakeholder and is not influenced by unilateral interests. At PT. BPR X, there is a slight conflict of interest, namely the lease of office buildings which are owned by shareholders, as quoted from the interview regarding the implementation of the principle of Independence at PT. BPR X:

*"...Yes... there are well... for example... eee... lease of the building owned by shareholders, so the office building is owned by shareholders, at the head office and also branch office..."
(President Director of PT. BPR X)*

There is a separate method carried out by PT. BPR X to handle conflicts of interest, as revealed by the following interview results:

"...yes... we must be independent, the commissioner himself also does not interfere, the shareholders also do not interfere too much, do not protect too much, no. All agreements including building lease agreements with shareholders must be made into a certificate, so building leases are also included for it to be legal, the price should be general price, we must not give a higher price to the shareholders, the shareholders put funds in us then we give interests outside the rules is also prohibited, right..."(Director of PT. BPR X)

Fifth, the application of the principle of fairness at PT. BPR X pays attention to the interests of all stakeholders based on the principle of equality and fairness. This principle requires the fulfillment of the rights of shareholders fairly and equally in accordance with agreed agreements and in accordance with applicable regulations. In addition, PT. BPR X provides an opportunity for all stakeholders to provide input and express opinions for the interests of BPR and open access to information in accordance with the principle of openness.

Based on the 2018 Self-Assessment score, PT. BPR X scored 1.6 with a rating of "Very Good". Even though they got the score of "Very Good", there are still several points that should be noted specifically to be considered so that good corporate governance can really be realized.

First, PT. BPR X has been involved in fraud, related to fictitious credit committed by a bank officer, and this problem has been resolved internally by the Bank, as stated in the following interview:

"... If it is like that ... yes, it happened... yes, so there is such a thing as credit here... for example, the officer is corrupt, for example, the installments are used by him or for example there is a 5 million loan for example there are 2 million that used , but at BPR X here we are firm and if indeed happened to be like that and proven it turns out that he really is like that... well then we have to expel him, it happened, but not brought up to the law, usually the ones who did that took the responsibility and finished everything, everything is done. For the customer... the ones who didn't pay... the ones who escape... there are also like that... one or two there must be... because people have varied characters..."(President Director of PT. BPR X)

The results of the interview excerpts above mention that at PT. BPR X there has been a fraud, especially related to credit. However, this problem has been resolved by the internal bank itself. Even though the fraud problem has been resolved, to anticipate the recurrence, it is better for the Bank to optimize the internal auditor's function in controlling the implementation of the established credit procedures. Optimizing the internal function of credit auditors, for example, by examining compliance with the credit process, determining credit quality, evaluating the implementation of credit accounting, and evaluating the resolution of problem loans, whether all of them are in accordance with the applicable laws and regulations or are not appropriate and still need more improvement. continue again. Therefore, it is important for a bank to have good governance.

Second, the application of GCG principles at PT. BPR X is able to bring the NPL value at PT. BPR X gradually decreased and improved compared to the years before implementing the Good Corporate Governance system. Based on the results of a written interview with the BPR they mention that:

"... By way of writing off and handling bad loans by forming a team to handle non-performing loans ..." (Director of PT. BPR X)

Based on the results of the interview excerpts above, it states that the value of the NPL is reduced by writing off and handling bad loans by forming a team to handle non-performing loans. This includes the application of the compliance function. In 2017, the first year the GCG system was started at PT. BPR X, NPL value was 5.63%, has decreased from the previous year, ie before implementing the GCG system. Then in 2018, the second year of GCG implementation, the NPL value decreased again to 4.75%, below the NPL maximum limit of 5%. With the understanding that, non-performing loans at PT. BPR X is decreasing. If the credit score at PT. BPR X is said to be healthy, so this automatically reduces the risk of fraud in the lending procedure so that it certainly makes the BPR to survive, because credit is the most important thing in banking, especially BPR. This proves that with the existence of this GCG system, by applying existing principles, improves the management of PT. BPR X, especially in terms of credit and is able to prevent fraud as evidenced by an increasingly healthy credit score. Nevertheless, PT. BPR X still have to maintain the value of the company's NPL so that the company can survive.

Third, in terms of management, until now at PT. BPR X has yet to have a new President Commissioner to replace the old President Commissioner, as revealed in the following interview:

"..... There are a few shortcomings, one of them is... eeem... the management, the President Commissioner is elected as Regent, so we still need to fill the role ..." (Director of PT. BPR X)

The board of commissioners of PT. BPR X should consist of President Commissioner and Commissioner, but until now there is still a vacant position of President Commissioner. So that the duties and responsibilities of the Board of Commissioners are deemed to be less than optimal. The duties and responsibilities of the Board of Commissioners include ensuring the implementation of governance in each of the BPR's business activities. In addition, the main duties and responsibilities of the Board of Commissioners are to supervise all BPR activities. The Board of Commissioners must direct, monitor and evaluate the implementation of BPR strategic policies. If the management of the Board of Commissioners experiences a vacuum, it is feared that the main task of supervising will be neglected and may not be maximum so it could open opportunities for certain parties to commit fraud.

Fourth, at PT. BPR X mentioned a conflict of interest. So what is meant here is that the conflict of interest is PT. BPR X leases buildings owned by shareholders. This is a deficiency in the implementation of Good Corporate Governance in PT. BPR X. It would be nice if PT. BPR X formed a policy and procedure for handling conflicts of interest, in the interest of the company so that it could continue to survive without a conflict of interest.

The results of this study support previous studies related to the implementation of the principles of Good Corporate Governance. As revealed by Artiningsih et.al (2011), Arbaina (2012), and Wulandari (2018) that the implementation of the concept of Good Corporate

Governance in the banking system has not been well implemented. The current research states that the implementation of the concept of Good Corporate Governance in the banking system, especially PT. BPR X has not been implemented well. In order to implement the principles of Good Corporate Governance well, PT. BPR X needs and must apply GCG principles to the maximum.

The present study has some similarities with Arbaina's research. The similarities in this study is regarding the implementation of GCG banking and using same qualitative methods. While the difference lies in the object of the research, if Arbaina's previous research used extensive research object, namely banking in Indonesia, for the present study using a more specific object namely PT. BPR X. In addition, the current research is also focused on preventing fraud which Arbaina did not. This is a special differentiation between previous research and current research.

Regarding the fraud prevention, as revealed by Soleman (2013), Anugerah (2014), Jannah (2016) and Nadia et al. (2018), that there is an influence of the implementation of the Good Corporate Governance principles in an effort to prevent fraud in a company. The current research also focuses on preventing fraud, but there is a difference between the current research and previous researches, one of which is the current research states that there are steps in fraud prevention. In the current research, it is explained that if the GCG principles are implemented properly and optimally, then the fraud incident can be minimized or even prevented from happening again. Therefore, in the implementation of GCG, PT. BPR X has special steps to prevent fraud, including by creating good internal controls, reducing pressure on each organ to be able to meet their needs, transparency in conducting employee selection, and implementing an honest and ethical work culture.

Regarding the existing theory that is "Agency Theory", that corporate governance develops and relies on agency theory, whereas business management at PT. BPR X continues to receive supervision and control to ensure that the management is carried out in full compliance with various applicable rules and regulations. One of the objectives is to prevent fraud as well.

To prevent fraud associated with good governance, banks must have a fraud prevention model related to the implementation of the principles of Good Corporate Governance. If the implementation of GCG runs optimally, fraud can be minimized so that a bank does not experience losses. So basically, a system of Good Corporate Governance is needed to make the company better and more focused so that the common goals of the company itself can be realized and in the end the company can continue to survive.

CONCLUSION

Based on the results of the research and discussion above, it can be concluded that PT. BPR X has implemented the principles of Good Corporate Governance as an effort to prevent fraud since 2017. Implementation of GCG principles at PT. BPR X runs according to existing regulations and is able to prevent fraud, the principles of Transparency, Accountability, Responsibility, Independence, and Fairness.

In this study, the researchers face several limitations that can affect the conditions and results of the study. The limitations in this study include, at PT. BPR X there is no any written rules yet regarding Anti Fraud Strategy even though it basically has started implementing fraud prevention. Meanwhile, the Anti Fraud Strategy itself is very important as a security, especially if it is linked to the maximum implementation of GCG. And then, some documents can not be published and the researchers are only shown the documents,

so researchers can not probe deeper. In addition, the researchers also suggest for further research to use several other companies for research study material so that the expected results will be maximum to find out about the implementation of GCG in fraud prevention efforts.

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