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FRAUD PREVENTION: AN REVIEW THROUGH GOOD CORPORATE GOVERNANCE AND INDIVIDUAL MORALITY

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Abstract: *This research is motivated by an increase in fraud cases in companies. This study aims to determine and analyze the influence of good corporate governance and individual morality on fraud prevention. The research method used in this research is descriptive method with a quantitative approach. The sample in this study were 100 employees using random sampling technique. Data collection using questionnaires distributed to company employees. The instruments used have been tested for validity and reliability. The collected data were analyzed using the classical assumption test and multiple linear regression with SPSS tools. The results of this study indicate that 1) Good corporate governance has a positive and significant effect on fraud prevention, 2) Individual morality has a positive and significant effect on fraud prevention, and 3) Good corporate governance and individual morality have a positive and significant effect on fraud prevention. The findings of this study suggest that if companies want to improve fraud prevention, companies must also improve good corporate governance and individual morality.*

Keywords: *Fraud Prevention, Good Corporate Governance and Individual Morality*

1. Introduction

Fraud can be understood as dishonest or deceptive actions with the aim of gaining profit or avoiding losses. In line with this definition, fraud can also be interpreted as an act carried out intentionally and deliberately with the aim of gaining profit or avoiding losses, and violating applicable laws or norms (Kurniawati, E., & Raharja, 2012). In addition, in general, the notion of fraud is an act that is dishonest and violates the law or norms that is carried out with the aim of gaining profit or avoiding losses.

Fraud needs to be prevented because this dishonest act can cause great harm to the company, organization or individual who becomes the victim. Acts of fraud can cause large financial losses for companies or organizations, and can even threaten business continuity. Financial losses caused by fraud can include loss of money, loss of assets, and large legal costs. Fraud can damage the reputation of a company or organization and affect public image (Wulandari, DN, & Nuryanto, 2018). This can result in a loss of trust from customers, investors and business partners, which can have a negative impact on business growth and sustainability. Acts of fraud can cause psychological harm to individuals who become victims, such as stress, depression and anxiety. This can affect their overall health and well-being (Christian, N., & Veronica, 2022).

Fraud prevention can be done in several ways, one of which is good corporate governance. Good Corporate Governance (GCG) is a concept related to good corporate governance, in which companies are managed with transparent, accountable and responsible principles. GCG can also be defined as a framework for effective and efficient company management, which includes the

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relationship between company management, the Board of Commissioners, shareholders and other stakeholders. GCG practices include transparency, accountability, social responsibility, and compliance with applicable laws and regulations. In line with this definition, GCG is a framework implemented by the company to ensure good and responsible corporate management. GCG practice includes the principles of transparency, accountability, social responsibility, and compliance with laws and regulations (Prabowo, 2019).

Good Corporate Governance (GCG) is very important for companies because it has a significant impact on the company's performance and sustainability. GCG helps companies to manage their business in a better and more efficient manner, thereby increasing the productivity and performance of the company. By implementing good GCG practices, companies can improve their performance and business continuity, as well as ensure compliance with applicable laws and regulations. In addition, GCG can also help companies fulfill their social responsibilities and make a greater contribution to society and the surrounding environment (Hamdani, 2016).

In addition to Good Corporate Governance, individual morality also influences fraud prevention. Individual morality refers to a set of values, beliefs, and moral principles possessed by individuals to guide their behavior. In addition, individual morality can also be interpreted as a set of moral principles that guide individual actions and behavior in everyday life. These moral principles may vary between individuals based on beliefs, culture, and life experiences. Individual morality refers to an individual's view of moral standards applied in everyday life. This individual morality is often based on values such as honesty, integrity, responsibility, fairness, and compassion (Eliza, 2015).

Individual morality is very important because it shapes the character and behavior of individuals in society. Individual morality also helps individuals to make correct moral decisions and improve their quality of life. Therefore, it is important for individuals to consider moral values and principles in everyday life. Individual morality shapes the character of individuals and influences their behavior in various situations. Strong and positive character enables individuals to make correct and responsible decisions. Individual morality affects the quality of individual life because it forms good attitudes and behavior towards oneself and others. It can also improve individual mental and emotional well-being (Novriansyah, Y., & Sos, 2023).

Research on Fraud Prevention: An Overview Through Good Corporate Governance and Individual Morality have been performed by many previous researchers, including (Jannah, 2016; Rowa, CWF, & Arthana, 2019; Anugerah, 2014; Priswita, F., & Taqwa, 2019 ; Kurniawan, PC, & Izzaty, 2019; Husna, 2013; Anandya, CR, & Werastuti, 2020; Rahimah, LN, Murni, Y., & Lysandra, 2018; Mulia, MHK, Febrianto, R., & Kartika, 2017 ; Hariawan, IMH, Sumadi, NK, & Erlinawati, 2020; Lestari, IAME, & Ayu, 2021; Sariwati, NW, & Sumadi, 2021; Ariastuti, NMM, & Yuliantari, 2020; Salsabila, NT, & Kuntadi, 2022; Atik, I., Afifah Salsabella, P., & Oryza Sativa, 2022; Pratiwi, 2021; Darajati, 2022; Prena, GD, & Kusmawan, 2020).

Based on the background and previous studies, the authors are interested in studying Fraud Prevention: An Overview Through Good Corporate Governance and Individual Morality. This study aims to identify and analyze Fraud Prevention: An Overview Through Good Corporate Governance and Individual Morality. The results of this research are expected to be able to provide understanding, insight and input for all interested parties regarding Fraud Prevention: An Overview Through Good Corporate Governance and Individual Morality.

2. Research Method

The research method used in this research is descriptive method with a quantitative approach. The sample in this study were 100 consumers using a random sampling technique. Data collection uses a questionnaire that is distributed directly to consumers. The measurement of fraud prevention variables uses four indicators from Laksmi and Sujana (2019), namely 1) Determination of anti-fraud policies, 2) Procedures, 3) Control techniques, and 4) Sensitivity to fraud. The measurement of good corporate governance variables uses five indicators from Sutedi (2011), namely 1) Transparency, 2) Accountability, 3) Responsibility, 4) Independence, and 5) Equality and Fairness as well as measurement of individual morality variables using four indicators from Santrock (2003), namely 1) Modeling, 2) Situational, 3) Environment and 4) Self. The instruments used was tested for validity and reliability. Collected data were analyzed using SPSS tools for conventional acceptance testing and multiple linear regression.

3. Results and Discussion

3.1. Results

Overview of Study Participants

The sample size for this study was 100 employees. The results of data collection and processing are presented illustratively in the discussion below:

a) Study Participants Based on Gender

Based on gender, the distribution of study participants can be seen in Table 1 below:

Table 1.

Distribution of Respondents study participants by Gender

Gender	Frequency	%
Male	65	65
Female	35	35
Total	**100**	**100**

Source: Data Processing, 2023

Known based on Table 1 above, that there were more male study participants in this study than female study participants where the male respondents were 65% while the female respondents were 35%.

b) Study Participants Based on Age

Based on age, the distribution of study participants can be seen in Table 2 below:

Table 2.

Distribution of Respondents by Age

Age	Frequency	%
< 25 years	25	30
25 – 40 Years	50	40
> 40 Years	25	30
Total	**100**	**100**

Source: Data Processing, 2023

Known based on Table 1 above, it is known that the study participants in this study were more study participants aged 25-40 years, namely 50%, while the study participants aged < 25 years and > 40 years were the same, namely 25%.

Classic assumption test

a) Normality test

Table 3.

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Kolmogorov-Smirnov One Sample Normality Test Results

Significance	Information
.263 [c,d]	Normal Distribution

Source: Data Processing, 2023

If the difference value and the significance value (Sig) are the same, the model is said to be normally distributed. > 0.05. From the table above, we can see that the model is normally distributed as evidenced by the significance value > 0.05 equal to 0.263.

b) Heteroscedasticity Test

To see if you have heteroscedasticity, you need to look at the scatterplot by looking at the points on the chart.

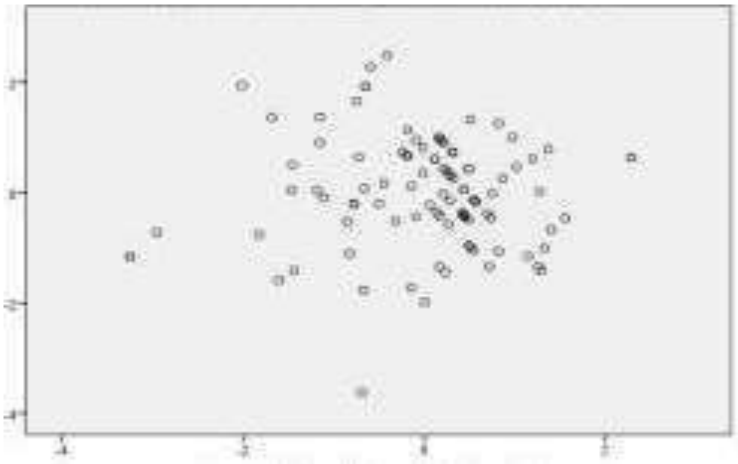

Figure 1.
Heteroscedasticity Test Results
Source: Data Processing Results, 2023

Figure 1 shows that small circles appear randomly above or below the number 0 throughout the region. This means that there was no heteroscedasticity in the regression model in this study.

c) Multicollinearity Test

Table 4.
Multicollinearity Test Results

Variable	*Collinearity Statistics*		Information
	tolerance	VIF	
Good Corporate Governance (X1)	0.370	3.700	Multicollinearity Free
Individual Morality (X2)	0.395	4.900	Multicollinearity Free
Fraud Prevention (Y)	0.376	3.700	Multicollinearity Free

Source: Data Processing, 2023

If the tolerance value is > 0.10 or < 1 > 0.10 or < 0.10 1 and VIF < 10 then multicollinearity occurs, so from the table above all are free of multicollinearity

Multiple Linear Regression Analysis

Table 5.
Multiple Regression Test Results

Model	Unstandardized Coefficients		standardized Coefficients	t	Sig
	B	std. Error	Betas		
Constant	6.322	7.320		.710	.100
Good Corporate Governance	.432	087	.252	4.321	.000
Individual Morality	.574	052	.560	4.355	.000

Source: Data Processing, 2023

F test

Table 6.
F test results

Model	Sum of Squares	df	MeanSquare	F	Sig
Regression	1652.300	2	860.700	37.362	.000b
residual	2732.200	98	30.270		
Total	3540.500	98			

Source: Data Processing, 2023

A statistical F-test essentially tells you whether all independent variables in a regression model have a common influence on the dependent variable. Table 6 above shows that the calculated F value is 37.362 with a significance level of 0.000.

Determination Coefficient Test (R2)

Table 7.
Determination Test Results (R2)

Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	.672a	.440	.560	4.554

Source: Data Processing, 2023

Table 7 above shows that the adjusted R2 value obtained is 0.560. This means that fraud prevention can be explained by the independent variables: good corporate governance and 56.00% personal morale. The remaining 44.00% are explained by other variables not included in this study.

Hypothesis Testing (T Test)

Table 8.
T test results

Model	t	Sig.
Good Corporate Governance (GCG)	4.321	.000
Individual Morality	4.355	.000

Source: Data Processing, 2023

3.2. Discussion

a. The Effect of Good Corporate Governance on Fraud Prevention

The results of this study indicate that good corporate governance influences fraud prevention. This means that the better the company's good corporate governance, the better the fraud prevention, conversely the worse the company's good corporate governance, the worse the fraud prevention. This suggests that if companies want to improve fraud prevention, they need to improve good governance.

Good Corporate Governance (GCG) can play an important role in preventing fraud in an organization. GCG promotes transparency and accountability within the organization, which can help prevent fraud by strengthening oversight and monitoring measures. With a transparent and accountable process, employees and related parties will be more careful and aware of acts of fraud. GCG can also strengthen supervision and segregation of duties within the organization. This can help prevent fraud by reducing opportunities for perpetrators to commit fraudulent acts. GCG promotes clear and consistently applied policies and procedures. This can help prevent fraud by increasing adherence to rules and regulations, as well as strengthening disciplinary action against violators. By consistently applying GCG principles, organizations can strengthen internal controls and improve security within the organization. This can help prevent fraud and create a healthy and productive work environment.

The results of this study are consistent with those of previous studies (Jannah, 2016; Rowa, CWF, & Arthana, 2019; Anugerah, 2014; Priswita, F., & Taqwa, 2019; Kurniawan, PC, & Izzaty, 2019; Husna, 2013) which revealed that good corporate governance influences fraud prevention.

b. The Effect of Individual Morality on Fraud Prevention

The results of this study indicate that Individual morality influences fraud prevention. This means that the better the individual morality, the better the fraud prevention, conversely, the worse the individual morality, the worse the fraud prevention in the digital era. This suggests that if the company wants to improve fraud prevention, the company should improve individual morality.

Individual morality can play an important role in preventing fraud in organizations. Individual morality can help raise awareness about right and wrong actions in an organization. This can help prevent acts of fraud by strengthening understanding of the ethics and values that apply in the organization. Individual morality can also help reinforce a good work ethic in an organization. This can help prevent acts of fraud by promoting values such as honesty, integrity, responsibility, and adherence to rules and regulations. By strengthening individual morality, organizations can strengthen internal controls and prevent fraud. This can create a healthy, ethical and productive work environment.

The results of this study are consistent with those of previous studies (Anandya, CR, & Werastuti, 2020; Rahimah, LN, Murni, Y., & Lysandra, 2018; Mulia, MHK, Febrianto, R., & Kartika, 2017; Hariawan, IMH, Sumadi, NK, & Erlinawati, 2020; Lestari, IAME, & Ayu, 2021; Sariwati, NW, & Sumadi, 2021) which revealed that individual morality influences fraud prevention.

c. The Effect of Good Corporate Governance and Individual Morality on Fraud Prevention

The results of this study indicate that good corporate governance and individual morality influence fraud prevention. This means that the better the good corporate governance and individual morality, the better the fraud prevention, conversely, the worse the good corporate governance and individual morality, the worse the fraud prevention. This suggests that if the company wants to improve fraud prevention, the company should improve good corporate governance and individual morality.

The results of this study are consistent with those of previous studies (Ariastuti, NMM, & Yuliantari, 2020; Salsabila, NT, & Kuntadi, 2022; Atik, I., Afifah Salsabella, P., & Oryza Sativa, 2022; Pratiwi, 2021; Darajati, 2022; Prena, GD, & Kusmawan, 2020) which revealed that good corporate governance and individual morality influence fraud prevention. This result is also consistent with the theory of Atmadja and Saputra (2017). This theory describes fraud prevention as an activity involving the establishment of policies, systems, and procedures that help ensure that necessary actions are taken by a committee. Other employees within the company or organization so that we can provide adequate assurance in the achievement of the company's objectives effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulation

4. Conclusion

Based on the results of research and data processing on Fraud Prevention: An Overview Through Good Corporate Governance and Individual Morality, the authors can draw conclusions: 1) Good corporate governance has a positive and significant effect on fraud prevention, 2) Individual morality has a positive and significant effect on fraud prevention, and 3) Good corporate governance and individual morality have a positive and significant effect on fraud prevention. Based on the conclusion about Fraud Prevention: An Overview Through Good Corporate Governance and Individual Morality: 1) For companies, it is better improve good corporate governance in ways such as applying the principles of good corporate governance, supervision and monitoring, promoting compliance, transparency and accessibility of information and individual morality by means of education and training, application of good regulations and policies, example from leaders, rewards and recognition as well as coaching and counseling, 2) Future researchers, may look at other variables suspected of influencing fraud prevention and develop more complex studies by adding mediator variables or variables thought to enhance or weaken the effectiveness of fraud prevention.

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