INTERNATIONAL JOURNAL OF CREATIVE RESEARCH AND STUDIES
www.ijcrs.org ISSN-0249-4655

The Effect of Good Corporate Governance and Integrated Corporate Governance on Performance and Fraud with Growth as Variable Moderating

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Abstract
The purpose of this study is to examine the effect of Good Corporate Governance (CG or GCG) and Integrated Corporate Governance (ICG) on performance and fraud in the public-listed banks in Indonesia during 2015 to 2018, moderated by growth variables. GCG and ICG are assessed based on banks' annual report disclosure, according to Financial Services Authority (OJK) assessment standards. Performance appraisal is an appraisal of stock price performance in the capital market using stock returns with the Jensen Index. Fraud assessment is based on a 5 (five) assessment of 8 (eight) fraud assessments by Beneish M. Score. To strengthen the effect of GCG and ICG on performance, growth variables are used which consist of income growth and financing growth indicators, while to strengthen the relationship of GCG and ICG effect on fraud, growth variables are used which consist of asset growth and TPF Growth indicators. The result shows that GCG and ICG had no effect on performance. Income Growth does not significantly strengthen GCG and ICG on performance. In relation to fraud, GCG has no effect on fraud, but ICG has a negative effect on fraud, and asset growth has a positive effect on fraud. Asset growth strengthens the effect of ICG on fraud. In this study, ICG implementation is better than GCG in terms of improving performance and reducing fraud.

Keywords: *Corporate Governance (GCG), Integrated Corporate Governance (ICG), Performance, Fraud, Jensen Index, BOPO, Growth.*

INTRODUCTION

Background of the Study

Shareholders, investors and other stakeholders, in assessing a company performance will see from the financial performance and the performance of stock on the capital market. Company performance is important because they do not want to losses if they invest or do business cooperation with the company.

The importance of implementing corporate governance, become the attention of the government when the banking crisis occurred in Indonesia in the end of 1997 due to the economic crisis, and without good corporate governance implementation and the underlying ethics (KNKG, 2004). The weak implementation of CG in the 1997 economic crisis lead 15 banks in Indonesia to be closed by the authorities (Kusuma, 2015). The scandal that occurred in the company shook public confidence in economic institutions and became one of the reasons for the government in setting up a tighter regulatory system (Rezaee, 2009), so the implementation of GCG in companies needs to be regulated that clearly separates the functions of owners and managers (Lukviarman, 2016: 121).

To prepare the organizations and companies to face the development of global business which is full of challenges and risks, regulations and CGC must be harmonized. In recent years, the phenomenon of GCG implementation has shifted to an integrated application, namely integration of Governance, Risk and Compliance (GRC), in financial conglomerates at group companies. Integration in GRC is a holistic and integrated approach regarding governance, risk and compliance within the organization, which aims to improve the effectiveness and efficiency of the organization and oversee the actions to comply the ethics and risk appetite, internal and external policies undertaken by adjusting strategies, processes, people, and technology (Vicente and Silva, 2011). Meanwhile, according to the United Nations Environment Program/UNEP (2014), the integration of GRC, is an integrated governance that combines sustainability oversight with the aim that directors can run the company's operations in the most effective way and to overcome some of the current governance weaknesses such as the implementation that is still at the corporate entity level, such as not yet taking into account the implementation of governance at the holding/group level, and not considering the corporate sustainability culture in implementing corporate governance.

The execution of integrated corporate governance is part of the GRC in terms of governance. The integrated implementation of ICG at banks in Indonesia is applied in financial conglomerates, namely Financial Services Institutions (FSI) which are in one group due to the relationship of ownership and/or control by carrying out sustainable supervision to correct some governance weaknesses, so that directors can work in the most effective way (OJK, 2014). Within the Financial Services Institution (FSI) there are committees and work units that are formed in an integrated manner, including the Integrated Governance Guidelines, the Integrated Governance Committee, the Integrated Internal Audit Work Unit, the Integrated Compliance Work Unit, the execution of Integrated Risk Management formed to assist the implementation of directors’ works (OJK, 2014). With the execution of integrated governance, it is expected to encourage financial conglomerates to have more prudent governance consistent with the principles of transparency, accountability, responsibility, independence and fairness (OJK, 2014), so that for banks that have a financial conglomerate group, the application of ICG is very important.

With the implementation of ICG, the support from the group for banks will be stronger, especially in terms of capital, so that financial performance will also be better (Nasir, 2015). Financial performance is reflected in the financial statements, is the responsibility of the manager for the management of the company in utilizing the factors of economic resources under its management, and for the principal (owner of the resource) the financial statements are one means to monitor the activities carried out by the agent/management (Khomsiyah, 2005).

The governance implementation appraisal is carried out in the structure of the governance, the governance process and the governance outcome. The assessment of governance structure includes an assessment of the adequacy of governance structures and infrastructure so that the process of implementing the governance principles can produce outcomes that are in accordance with stakeholders' desires (OJK, 2014). The assessment of governance process includes an assessment of the effectiveness of the process of enforcing the principles of good governance and supported by the adequacy of the structure and infrastructure to be able to produce outcomes that are in accordance with stakeholders' desires. While the assessment of governance outcomes includes an assessment of the quality of the results which are the result of the process of enforcing the principles of good governance and supported by the adequacy of governance structures and infrastructure (OJK, 2014).

The performance appraisal, from a stock, is valued by its stock price by the Jensen Index, so that the stock returns can be counted. The Jensen index is a development of the Capital Asset Pricing Model (CAPM) theory to see the extent to which stocks can provide returns above market returns (Purwanti, 2008). Performance is the result of the utilization of existing resources in a company that used in a form that allows it to achieve its goals (Fred, 2012). Heremans (2007) stated that performance is the utilization of financial indicators to measure the level of objective achievement, contribution to the provision of financial resources and the available bank support with investment opportunities. By implementing GCG in individual banks and ICG in an integrated manner in financial conglomerates, it is expected to improve the performance of stock returns, as well as financial performance published to the public.

Good performance is attractive to investors and stakeholders, because the investment value is profitable, but there are conditions that are detrimental to stakeholders, such as fraud in the company. Fraud is the act or behavior of someone manipulating or cheating financial statements for personal or group interests. According to Bologna et al. (1996), fraud is a criminal act that provides financial benefits to the fraudster. Based on the fraud triangle revealed by Cressey (1958), there are three factors of the occurrence of fraud, namely pressure (encouragement), opportunity, and rationalization. Fraud includes three things, namely: (1) action, (2) concealment, and (3) conversion.

The Association of Certified Fraud Examination (ACFE, 2016) categorizes fraud in three groups, namely: (1) Financial statement fraud, which is the fraud done by management in the kind of material misstatements in financial statements that are damaging to investors and creditors. In this case, fraud can be in form of financial or non-financial; (2) Asset misappropriation, which includes cash fraudulent, inventories fraudulent and other assets as well as disbursement fraudulent; and (3) corruption in the form of illegal gratuity and/or economic extortion, conflict of interest, and bribery. The phenomenon of fraud in banks is an interesting matter in connection with the implementation of GCG and ICG in its operations. This is the basis for the study of the effect of GCG on fraud and the influence of ICG on fraud.

Christy and Daniel (2018) conducted a research on fraud in banks in Indonesia by using 5 (five) fraud measurement indices from Beneish M. Score (1999) which consists of the Gross Margin Index (GMI), Asset Quality Index (AQI), Sales Growth Index (SGI), Total Accrual To Total Assets Index (TATA), Days Sales in Receivable Index (DSRI). Several other studies, Mavengere (2015), Paolone and Magazzino (2014), stated that only 5 (five) index ratios were significant in the study. While Roxas (2011) and Abbas (2017), state that the Beneish M-Score model with 5 (five) ratios can be used to identify earnings manipulation more accurately than using 8 (eight) ratios. Based on this, in this study the measurement of fraud uses 5 (five) indexes of fraud measurement from the Beneish M-Score consisting of DSRI, GMI, AQI, SGI, and TATA.

The Income Growth Variable Moderating consists of indicators of the Income Growth and Financing Growth research variables that used to strengthen the influence of GCG and ICG on Performance, while the Asset Growth consists of the research variable Asset Growth and TPF Growth (current account growth, savings and deposits) are used to strengthen the influence of GCG and ICG on fraud.

Statement of the Problem

The phenomenon of GCG and ICG implementation is interesting to be researched, how the company's efforts to maintain financial performance and stock returns in the capital market, so that the company is trusted and attractive to investors. Previous studies that tested the influence of GCG and the performance of stock performance and fraud have been carried out, but with a number of different indicator variables that produce different studies.

Governance is a very important factor in bank operations. Good outcomes can be generated by applying good governance. However, a bank's self-assessment of governance can sometimes be subjective, so there is a phenomenon that governance assessments do not reflect performance. This phenomenon is interesting to be further investigated about the effect of GCG and ICG on performance and fraud on banks.

Objectives of the Study

1. Analyzing the effect of implementing GCG on individual banks, applying ICG to banks in conglomerates as well as income growth on performance.
2. Analyzing the effect of implementing GCG on individual banks, applying ICG to banks on a conglomerate basis and income growth on fraud.
3. Analyzing the effect of applying GCG on individual banks, applying ICG on banks in conglomerates to performance with moderating income growth.
4. Analyzing the effect of applying GCG to individual banks, applying ICG to banks in conglomerates towards fraud with moderating income growth.
5. Providing empirical evidence and analyzing that ICG implementation is better than GCG implementation in terms of improving performance and reducing fraud

Limitations of the Study

The limitations of the problem in this study are as follows:

1. Research period was 4 years of observation from 2015-2018. This is because the execution of integrated corporate governance in Indonesian banking just began in 2015, consistent with Article 57 POJK No.18 / POJK.03 / 2014.
2. The samples used in this study are banks in Indonesia that have already listed. The background is that banks that have listed are more transparent in disclosure of annual report.
3. The assessment of GCG and ICG is according to the disclosure in the annual report of the bank, as well as an evaluation of performance, fraud, growth, NPL and FDR variables.
4. Research testing was carried out using the Partial Least Square Structural Equation Model (PLS-SEM) using the SmartPLS program (v.3.2.8).

LITERATURE REVIEW

Agency Theory

Jensen & Meckling (1976) define agency relationships as, companies are a collection of agreements (nexus of contracts) between the resource owner in the form of economics (principal) and manager (agent) as managers and controllers who use resources. Michelson et al. (1995) on the other hand describe agency as a relationship according to the existence of agreement between two parties, which where management (or agent) agrees to be able to act on behalf of the owner (or principal). The owner then delegate authority to the management, and management correspond to work under orders and approval given by the owner.

Oliver Hart (1995) argues that the cause of agency is due to the asymmetry of information between the owner (principal) & manager (agent). Insiders such as company managers and controlling shareholders have complete information. While investors, such as creditors and shareholders have less information on the company.

With the good implementation of GCG and ICG at banks, it is expected that differences in information between managers as organizers and owners and other stakeholders can be minimized so that it is expected that information on the implementation of GCG and ICG can be accepted by company stakeholders. Thus, it is hoped that disclosure of GCG and ICG implementation in bank annual reports will improve performance and reduce fraud.

Stakeholder Theory

Freeman (1984) describe Stakeholder theory as organizational relationships, internal and external environments, so that they influence business activities. Stakeholders are people or groups who can influence or be influenced by organizations, can be from within or from outside the business, including customers, employees, government, non-profit organization groups, shareholders, suppliers, and the local community. In stakeholder theory, organization who can manager the relationship with all stakeholders will last longer that organizations who do not engage with stakeholders. According to Freeman, organizations must develop specific stakeholder competencies, make commitments to stakeholder interests, develop effective strategies to deal with stakeholder desires, divide and categorize interests into management segments, ensures that organizational functions meet stakeholder needs. Stakeholder theory reflect on the relationship between all stakeholders such as customers, employees, the government, managers, shareholders, and suppliers. All stakeholders concerned with company performance expect returns (Crowther and Jatana, 2007). However, the support from stakeholders are the things that companies needed to be able to survive and continue the business for the long run (Smith et al., 2005).

Stakeholder satisfaction with banks, which is supported by GCG and ICG implementation, is expected to increase performance on the one hand, and on the other hand will reduce fraud, because fraud will reduce the level of stakeholder confidence in banks.

Signaling Theory

Signaling theory states that high-performance companies (or good companies) use financial informations to send signal to market (Spence, 1973). The cost of bad news signals is higher than good news, this is shown in Spence's (1973) study. This is due to the manager's expectation that providing a good signal regarding the company's achievement to the market will result of the reduction of information asymmetry (Oliveira et al., 2008). Signaling theory states that there are two ways to give signals, namely directly and indirectly. One of the direct signals can be given through voluntary disclosure in financial statements of the company.

GCG and ICG disclosures in bank financial statements, will give a positive signal to shareholders, investors and other stakeholders. So, it is expected to increase performance and reduce fraud at banks.

Research Framework

The framework in this study is illustrated by the influence of GCG and ICG on Performance and Fraud with moderating variable of Income Growth to strengthen the influence of GCG and ICG on Performance and Growth Assets to strengthen the influence of GCG and ICG on Fraud.

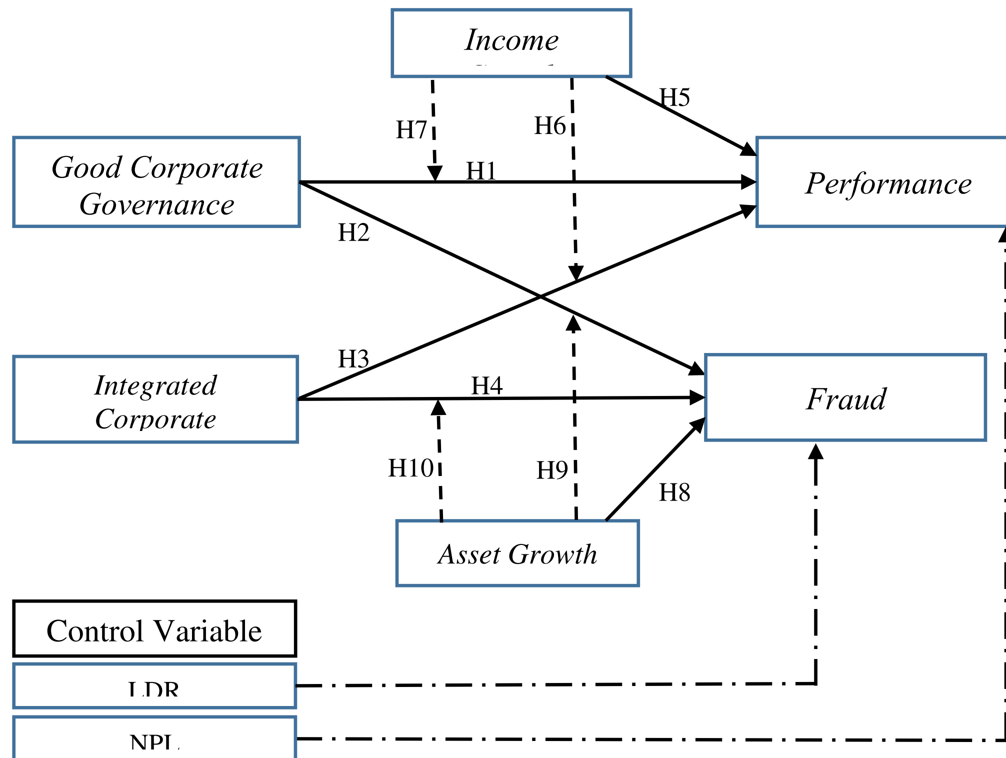

Figure 1: Research Framework

Research Hypothesis

Good Corporate Governance* (GCG) and *Performance

Consitent with the General Guidelines of Good Corporate Governance Indonesia (KNKG, 2006), the good corporate governance, is one of the pillars of the market economic system, closely related to trust both in the companies that implement it and in the business climate in a country. The implementation of GCG boost the creation of healthy rivalry and a conducive business climate.

The implementation of GCG principles within a company can improve company performance and the value of a long-term economy for investors and stakeholders. With the application in the management of the company consistent with the legislation and ethics in conducting good business activities, it will affect the performance.

In the case of GCG implementation, banks should apply GCG as a need and not as an obligation to the authorities / regulators. Al-Hawary argue that the public and private sectors need to work together to develop and implement a GCG mechanism, ascertain the best banking performance. Quaresma et al. (2014), in their research, found out about the significant relationship between the implementation of CG and bank performance. In line with this, Mulyadi and Anwar (2015) concluded about the finding of significant relationship between GCG and profitability management.

Performance appraisal uses stock returns, Mulyono, et al., (2018) in a research on companies in Indonesia, that GCG and company performance significantly influence stock prices. Board of commissioners, independent commissioners and managerial ownership have significant positive effect on stock prices (Rahmawati & Handayani, 2017), this is in accordance with Ulum's research (2017) that GCG influences stock prices.

According to description above, the proposed hypothesis as follows:
H1: *GCG* have positive impact on *Performance*.

Good Corporate Governance (GCG) and Fraud

GCG is the implementation of company management consistent with laws and regulations and good business ethics. OJK (2019) describe fraud as an act of deviation or omission intentionally carried out to deceive or manipulate a bank, customer, or other party, which occurs in a bank environment and/or uses bank facilities that cause the bank, customer, or other party to suffer losses and/or the person who commit fraud obtains financial benefits both directly and indirectly. Based on these explanations, that GCG implementation will reduce fraud in companies/banks.

Previous research on GCG and fraud, Magnanelli (2010), states that several aspects of GCG are very relevant for fraud and also for the magnitude of fraud. Weak GCG implementation, and weak internal control controls, are vulnerable to fraud within the company. Board independence is an element that reduces the likelihood and level of fraud, according to findings in prior studies (Beasley, 1996; Uzun et al., 2004; Kaplan and Minton, 1994). The Audit Committee, the presence of financial experts helped reduce the phenomenon of fraud, in line with previous research (Jensen, 1993; Agraval and Chada, 2005). While compensation and the number of CEOs also influence the occurrence of fraud and the level of fraud, (Magnanelli 2010). High levels of compensation and stock options do not make the CEO better, but can encourage him to commit fraud for personal gain, according to research by Erickson et al. (2006), and Roell and Peng (2006). From this research explains that compensation in the form of money or giving shares cannot be an indicator of CEO to not commit fraud.

Magnanelli (2010), states that the size and independence of the board is negatively correlated with fraud. Indriastuti and Ifada (2011), stated that the quality of CG implementation was proven to have a negative effect on fraud. The existence of an audit committee that complies with the requirements of the Italian corporate governance code reduces the possibility of fraud, while the possibility of financial statement fraud decreases as the audit committee meetings number increases (D’Onza and Rita, 2011).

The fraud variable in the study uses a measure of fraud from the Beneish M. Score (1999), measuring fraud by adding up 5 (five) out of 8 (eight) indexes, namely the Gross Margin Index (GMI), Asset Quality Index (AQI), Sales Growth Index (SGI), Total Accrual To Total Assets Index (TATA), Days Sales in Receivable Index (DSRI), according to the research of Mavengere (2015), Paolone and Magazzino (2014), Roxas (2011), Abbas (2017), and Christy and Christy and Daniel (2018).

According to description above, the proposed hypothesis as follows:
H2: GCG has negative impact on *fraud*.

Integrated Corporate Governance* (ICG) and *Performance

The application of integrated management in bank financial institutions in Indonesia is still relatively new, starting in 2015. ICG is a CG integrated in financial conglomerates by applying principles of accountability, transparency, independence, responsibility, or professional, and fairness, to be able to encourage the balance of a financial system that grows in a sustainable manner, so as to increase high competitiveness (OJK, 2014). With

integrated management of governance and carried out in financial conglomerates, ICG implementation is expected to affect performance.

Performance uses indicators of stock portfolio performance assessment in the form of the Jensen index. Stock portfolio performance in the form of the Jensen index calculates returns with risks that must be borne (risk-adjusted return).

According to description above, the proposed hypothesis as follows:
H3: ICG have positive impact on *Performance*.

Integrated Corporate Governance (ICG) and *Fraud*

ICG used to describes the structure between formal and informal relationships to control things through a collaborative approach (joint) among government agencies, or at the level of governmental and/or the non-governmental sector. ICG incorporates sustainability oversight. With a ICG implementation and implemented in a financial conglomerate, it is expected that ICG will reduce the occurrence of fraud.

ICG focuses on the relationship between organizations in financial conglomerates and within organizations in financial conglomerates themselves, because reciprocal relationships allow the ability to manage outcomes and risks, and prioritize collaboration (Institute of Public Administration Australia, 2002). In its implementation, ICG is managed in an integrated manner, which is an improvement in the management of the organization and restructuring the current governance system (Podger, 2006; Menadue, 2003; Dwyer, 2002).

The fraud variable in the study uses a measure of fraud from the Beneish M. Score (1999), measuring fraud by adding up 5 (five) out of 8 (eight) indexes, namely GMI, AQI, SGI, TATA, and DSRI, according to the research of Mavengere (2015), Paolone and Magazzino (2014), Roxas (2011), Abbas (2017), and Christy and Christy and Daniel (2018).

According to description above, the proposed hypothesis as follows:
H4: *Integrated Corporate Governance* has negative impact on *Fraud*.

Growth and *Performance* along with *Fraud*

Growth variable is a moderating variable consisting of income growth and asset growth. To strengthen the influence between GCG and ICG on performance using income growth variables, while to strengthen the influence between GCG and ICG on fraud using the asset growth variable. The reason for using the income growth variable as a moderating variable is that the greater the bank's income growth, the performance will increase, according to previous research conducted by Ntim (2013), and Dervish (2009), and Dang (2019).

Income growth is the growth in interest income on the research year, that is, the interest income of the research year(t) minus the interest income in the previous year(t-1) then divided by the interest income in the previous year(t-1). Financing growth is credit growth in the research year, i.e. the amount of credit in the research year (t) reduced by the number of loans of previous year(t-1) then divided by the number of loans of previous year (t-1).

Previous research, Junaedi (2015) used financing volumes to strengthen the relationship between GCG and the financial performance of Islamic Commercial Banks. Whereas Ntim (2013) and Darwis (2009), growth variable (income growth) as a control variable in the relationship between GCG and performance. Chen et al. (2006) used growth (sales growth) variables as a control variable in the relationship between GCG and fraud.

According to description above, the proposed hypothesis as follows:
H5: *Income Growth* have positive impact on *Performance*.
H6: *Income Growth* strengthen the effect of GCG on *Performance*.
H7: *Income Growth* strengthen the effect of ICG on *Performance*.

Asset growth contains two variable indicators, namely asset growth and Third Party Funds (TPF) growth. Asset growth come from the growth of total assets in the study year, i.e. the total assets in the research year (t) minus the total assets in the previous year (t-1) then divided by the total assets in the previous year (t-1). Third Party Funds (TPF) growth is the growth of third party funds (public funds) in form of savings, current accounts and deposits, namely credit in the research year, that is the number of TPF in the research year (t) reduced by the number of TPF in the previous year (t- 1) then divided by the number of deposits in the previous year (t-1).

The reason for using the asset growth variable as a moderating variable is that asset growth based on previous research has an effect on fraud (Martantya and Daljono, 2013; Iqbal and Murtanto, 2016; Mardianto and Tiono, 2019).

According to description above, the proposed hypothesis as follows:
H8: *Asset Growth* have positive impact on *Fraud*.
H9: *Asset Growth* strengthen the effect of GCG on *Fraud*.
H10: *Asset Growth* strengthen the effect of ICG on *Fraud*.

METHODOLOGY

Research Design

According to the type of investigation, this research is included in the causal / causality research, namely that the research is intended to find the cause of one or more problems, where the Y variable is caused by the X variable. In this study, it is examined whether the implementation of GCG will increase performance? Can GCG implementation reduce fraud? Can ICG implementation improve performance? Can ICG implementation reduce fraud?

Population and Sample

The population used in this study is banks in Indonesia that have listed (go public). The use of sample banks that have listed is because banks those banks are more transparent in disclosures of the annual report. The year of research conducted was 2015-2018, because the obligation to implement ICG for banks in financial conglomerates in Indonesia began in 2015. The number of commercial banks in Indonesia in December 2018 which had already listed by selling their shares in the capital market is 43 banks. From the number of banks that have gone public, there are 2 (two) banks that went public in 2016 (5%), and 14 (fourteen) banks do not have an associated entity/financial conglomerate (32%), are not obliged to make a report Integrated Corporate Governance, so it is not included in the research data

FINDING AND DISCUSSIONS

Variable Measurement Model

Based on the results of research tests conducted using the Partial Least Square Structural Equation Model software (PLS-SEM) using the SmartPLS program (v.3.2.8), the path diagram of the latent variable contract construction is shown in Figure 2.

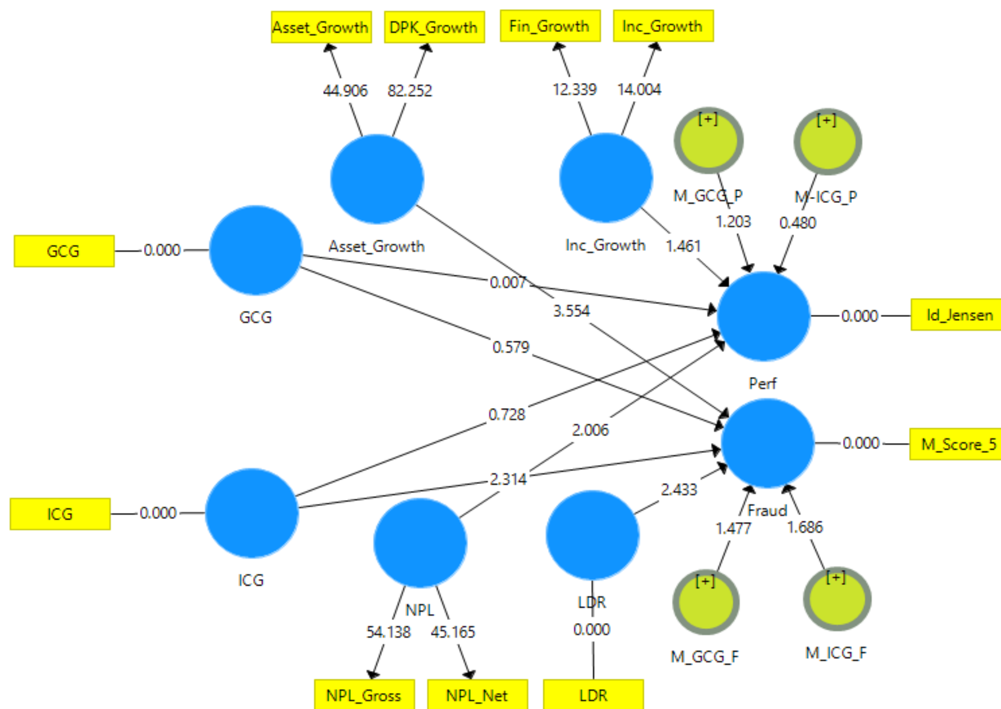

Figure 2: Measurement Model (Inner Model)

The main test results of the impact of GCG and ICG on Performance and Fraud by moderating Income Growth to strengthen the effect of GCG and ICG on Performance and Asset Growth to strengthen the influence of GCG and ICG on Fraud, shown in table 1.

Table 1: Effect of independent variable to dependent variable

Hypothesis		Original Sample(O)	T Statistics / t value	Result
H1	GCG have positive impact on Performance.	-0.001	0.007	Not Significant
H2	GCG have negative impact on Fraud.	0.060	0.579	Not Significant
H3	ICG have positive impact on Performance.	-0.078	0.728	Not Significant
H4	ICG have negative impact on Fraud.	-0.193	2.314**	Significant
H5	Income Growth have positive impact on Performance.	0.178	1.461	Not Significant
H6	Asset Growth have positive impact on Fraud.	0.323	3.554***	Significant
H7	Income Growth strengthen the effect of GCG on Performance.	0.115	1.203	Not Significant
H8	Income Growth strengthen the effect of ICG on Performance.	0.047	0.480	Not Significant

H9	Asset Growth strengthen the effect of GCG on Fraud.	0.119	1.477	Not Significant
H10	Asset Growth strengthen the effect of ICG on Fraud.	0.095	1.686*	Significant

***Significant at level 1%, ** Significant at level 5%, * Significant at level 10%.

According to Table 1, the significant test results regarding the relationship of latent variables are ICG influences the Fraud with a significance value of 2,314, Asset_Growth influences the Fraud with a significance value of 3,554, the moderating variable Asset_Growth * ICG strengthens the effect of ICG on the Fraud with a significance value of 1,686, and LDR control variables can strengthen the results of the study of the influence of GCG and ICG on Fraud.

Sensitivity measurement

The performance variable in the main test used performance from stock returns by using the Jensen Index indicator. In the sensitivity test, the test used performance of financial performance in the form of Operational Costs to Operating Income (BOPO). The other variables in the sensitivity test are the same as the main test.

Table 2: Sensitivity Result

Effect of independent variable to dependent variable

Hypothesis		**Original Sample(O)**	**T Statistics / t value**	**Signifikansi**
H1	GCG have positive impact on Performance.	0.324	3.271***	Significant
H2	GCG have negative impact on Fraud.	0.060	0.581	Not Significant
H3	ICG have positive impact on Performance.	0.117	0.925	Not Significant
H4	ICG have negative impact on Fraud.	-0.193	2.324**	Significant
H5	Income Growth have positive impact on Performance.	-0.201	1.095	Not Significant
H6	Asset Growth have positive impact on Fraud.	0.323	3.566***	Significant
H7	Income Growth strengthen the effect of GCG on Performance.	0.144	1.079	Not Significant
H8	Income Growth strengthen the effect of ICG on Performance.	0.119	1.257	Not Significant
H9	Asset Growth strengthen the effect of GCG on Fraud.	0.119	1.490	Not Significant
H10	Asset Growth strengthen the effect of ICG on Fraud.	0.095	1.777*	Significant

***Significant at level 1%, ** Significant at level 5%, * Significant at level 10%.

According to Table 2 above, the significant test results regarding the relationship of latent variables are that performance have been effecting positively by GCG with a significance value of 3,271, ICG has a negative effect on Fraud with a significance value of 2,324, Fraud have been effecting positively by Asset_Growth with a

significance value of 3,566, moderating variables Asset_Growth * ICG strengthens ICG's influence on Fraud with a significance value of 1,777, and LDR control variables can strengthen the results of the study of the influence of GCG and ICG against Fraud.

CONCLUSION

The empirical study has several conclusions, which can be presented as follows:

The implementation of GCG in banks individually, ICG in banks in conglomerates and income growth can improve performance

According to the results of this study, found out that the GCG and ICG variables as well as the Income Growth had no effect on performance as measured by the Jensen index indicator. This shows that GCG and ICG implementation and income growth do not affect the stock returns assessed by the Jensen index. Generally, fluctuations in stock prices are more affected by economic conditions, politics, issues and information about banks, and policies adopted by the government, so that the application of GCG, ICG and income growth of a bank does not affect the stock prices on the exchange.

The other thing is that according to the results of sensitivity test in the study, it is found out that the GCG effecting significantly positive on performance as measured by BOPO indicators. This shows that GCG implementation improves bank performance. The results of the main research testing and sensitivity in the effect of GCG on performance prove that GCG influences bank performance as measured by BOPO, a measurement of performance efficiency which is an internal factor of the bank, whereas performance measurement uses return/stock prices in addition to being influenced by internal factors of banks exposed to the market, also much influenced by factors outside the bank, such as economic conditions, politics, government policies and others.

The implementation of GCG in banks individually, ICG in banks in conglomerates and asset growth can reduce fraud

The results from this study prove that ICG found out to be negative and significant influence on fraud. These results prove that the integrated application of ICG in a financial conglomeration will reduce fraud at banks. It can be concluded that the implementation of ICG in the corporate group financial conglomerates encourages banks to work more prudently and in compliance with regulations so that fraud will decrease.

From the results of the study also proved the existence of a significant positive effect of asset growth on fraud. This result proves that the higher the growth of assets, it can increase the occurrence of fraud at the bank. With an increase in total asset growth and TPF will increase fraud, banks need to monitor each work unit to prevent fraud, by establishing an anti-fraud work unit and a system that can monitor transactions and operational issues that are focused on. Banks also need to implement strong internal controls and implement and monitor adequate risk management and compliance in their business.

However, GCG in this study has no effect on fraud, indicating that the implementation of GCG does not affect the occurrence of fraud at banks. In this regard, it is necessary to establish an anti-fraud unit within the bank that handles fraud and a system that can monitor fraud in bank operations. The task of the anti-fraud unit is to disseminate information about fraud and its prevention and to deal with fraud in the bank. Anti-fraud system is a system that can monitor transactions and bank operations that indicate fraud, for follow-up monitoring and completion.

Income growth variable strengthens the effect of GCG and ICG on performance

Income growth consists of indicators of income growth and credit growth. The results of this study prove that there is no significant effect on the Income Growth in strengthening the effect of GCG on performance. Likewise, there was no significant influence on the Income Growth variable in strengthening the effect of ICG on performance. From these results it can be concluded that Income Growth does not strengthen the effect of GCG on performance, likewise that Income Growth does not strengthen the influence of ICG on performance.

Asset growth variable strengthens the effect of GCG and ICG on fraud?

Asset growth consists of indicators of total asset growth and growth of Third Party Funds (TPF) consists of Savings, Current Accounts and Deposits. The results from this study prove that there is no significant effect of the Asset Growth variable in strengthening GCG on fraud, but there is a significant and positive effect on the Asset Growth variable in strengthening ICG on fraud. From these results it is meaning that Asset Growth does not strengthen the influence of GCG on fraud, but Asset Growth reinforces the influence of ICG on fraud.

ICG implementation is better than GCG implementation in terms of improving performance and reducing fraud?

According on the results of this study in the main test, prove that the effect of the application of ICG on performance is better than the influence of GCG application on performance. Likewise, the influence of ICG on fraud is proven to be better than the effect of GCG implementation on fraud. This proves that with integrated coordination and supervision in the financial conglomerate, banks will be more prudent and obedient to the rules in their operational activities.

Recommendations for Further Research

In connection with the limited scope of research, the conclusions produced will be limited as well. It is expected that for further research, the use of research samples and the study period can be extended to all banks in Indonesia with a wider range of years, or can also be compared with banks abroad. The method of evaluating GCG and ICG can be done by interview method or using a questionnaire to measure the implementation of GCG and ICG in banks. Likewise, regarding the variables used in subsequent studies, for example financial performance, the implementation of bank social functions, macroeconomic variables, so that research results can contribute better results.

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