

How BOC's Duality and Political Connection Affect Fraud at SOEs?

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DOI: [https://doi.org/10.35609/gcbssproceeding.2022.1\(22\)](https://doi.org/10.35609/gcbssproceeding.2022.1(22))



ABSTRACT

The purpose of this study is to examine the effect of BOC's duality and political connection on fraudulent financial statement at State-Owned Enterprises (SOEs) in Indonesia. This study used 86 observations of SOEs that are listed on Indonesia Stock Exchange during the period of 2015-2019. Using panel data estimation, this study surprisingly finds that BOC's duality has negative effect on fraudulent financial statement. In addition, political connection has positive effect on fraudulent financial statement. These findings suggest independent boards who hold dual positions have incentive to maintain their reputation, thereby decreasing fraudulent financial statement. However, independent boards who have political connections cannot overcome their conflicts of interest, so they are unable to carry out their supervisory functions properly.

Keywords: BOC's duality; fraudulent financial statement; political connection; corporate governance.