

Corporate Governance Failures and Financial Statement Manipulation: Evidence from PT Asuransi Jiwasraya

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Abstract

This study aims to analyze the relationship between Good Corporate Governance (GCG), financial statement quality, and corporate legal accountability from legal and accounting perspectives. This study is motivated by the importance of effective corporate governance as a tool for preventing financial statement manipulation and abuse of authority in corporate activities. This study uses normative legal research with a statutory and conceptual approach. Legal sources include legislation, legal doctrine, and scientific literature relevant to corporate governance and corporate criminal liability. The results indicate that the application of the principles of transparency, accountability, responsibility, independence, and fairness in GCG plays a crucial role in maintaining the integrity of financial statements. Weaknesses in internal control systems and compliance culture have the potential to cause distortions in financial information and the risk of legal violations. The national legal framework recognizes corporations as subjects of criminal law through the doctrine of corporate criminal liability and legislative provisions. The principles of fiduciary duty and the theory of fault serve as the basis for determining the legal liability of corporate bodies. The integration of corporate governance, transparency in financial reporting, and consistent law enforcement forms the foundation for creating an integrity-driven and sustainable corporate system. Regulatory reforms, accompanied by strengthened internal oversight and professionalism of law enforcement officials, are necessary to reinforce the stability of the economic sector and enhance public trust.

Keywords: *Accountability, Corporate Legal Liability, Fiduciary Duty, Financial Statements, Good Corporate Governance, Law Enforcement, Transparency*

1. INTRODUCTION

The development of the financial services industry in Indonesia has introduced increasingly complex dynamics regarding regulation, governance, and corporate accountability. The insurance sector, as part of the national financial system, plays a strategic role in providing risk protection while managing public funds through investment. The management of these funds demands the application of principles of prudence, transparency, and accountability that are integrated with legal norms and financial accounting standards. When these principles are disregarded, the implications extend beyond financial losses to encompass far-reaching legal consequences. The PT Asuransi Jiwasraya case illustrates how failures in investment management and financial reporting led to a crisis of public trust and significant state losses. The estimated loss of Rp16.8 trillion reflects systemic deviations in corporate governance ([Al Imtiyaz & Pramassari, 2025](#)). This reality underscores the importance of interdisciplinary analysis between law and accounting to comprehensively understand the root cause of the problem.

From a legal perspective, insurance is a contract that establishes a legal relationship between the insurer and the insured. Law No. 40 of 2014 on Insurance stipulates that insurance companies are obligated to pay claims in accordance with the terms of an agreed-upon policy. This obligation embodies the principle of *pacta sunt servanda*, which requires parties to adhere to the terms of the agreement. The inability to pay claims in the Jiwasraya case resulted in a breach of contract that directly impacted policyholders' rights ([Aprodita et al., 2023](#)). This breach of contract demonstrates a violation of contractual obligations that should have been fulfilled professionally and responsibly. Legal lawsuits filed by customers demonstrate that civil law serves as an instrument of protection against material losses. This dispute has expanded not only into the civil realm but also into criminal and administrative aspects ([Kongres, Sugianto, Setyorini, Kokpan, & Zhang, 2024](#)).

Failures in corporate governance are one of the primary factors in the collapse of Jiwasraya's stability. The principles of Good Corporate Governance (GCG), which encompass transparency, accountability, responsibility, independence, and fairness, should form the foundation of state-owned enterprise management. Violations of these principles create room for imprudent investment decision-making. Placing funds in high-risk instruments without adequate risk management indicates a deviation from internal policies ([Purnomo & Reviana, 2026](#)). The mismatch between short-term liabilities and long-term investment assets creates liquidity risk for the company. A continuously increasing financial deficit indicates a weak internal control system. This situation illustrates that poor corporate governance has serious legal and economic implications.

The accounting dimension of the Jiwasraya case reveals that financial statement manipulation is aimed at creating a positive performance image. Financial statements, which should objectively represent a company's condition, are manipulated through window-dressing practices. Revenue recognition and asset recording were conducted unreasonably, misleading stakeholders. Such manipulation violates Financial Accounting Standards as well as the principle of integrity in the accounting profession. The fact that external auditors corrected the profit figures proves that the information presented did not align with the company's actual condition ([Al Imtiyaz & Pramassari, 2025](#)). Deviations in financial reporting have the potential to constitute elements of criminal acts, such as corruption and money laundering. In this context, accounting information serves as crucial evidence in the legal enforcement process ([Thomas, 2025](#)).

Professional accounting ethics play a central role in maintaining the credibility of financial statements. The code of ethics of the Indonesian institute of accountants emphasizes the importance of integrity, objectivity, professional competence, confidentiality, and professional conduct in the accounting profession. Violations of these principles in the Jiwasraya case indicate systemic moral and professional failure. Financial statement manipulation was carried out to conceal investment losses and maintain the company's reputation ([Yosua, Rofiyani, Rahwawati, Salsabila, & Saridawati, 2025](#)). High financial pressure drives management to make decisions contrary to ethical norms. Weak internal and external oversight increases the likelihood of fraud. Rationalizations for manipulative actions revealed subjective justifications for the violations committed by the participants.

The fraud triangle theory provides an analytical framework for understanding the causes of financial statement fraud. Pressure, opportunity, and rationalization are the three main elements that drive fraud. The Jiwasraya case demonstrates the pressure resulting from financial deficits and substantial claim payment obligations. Opportunities arise due to weak internal control systems and regulatory oversight. Rationalization is carried out under the pretext of maintaining corporate stability and investor confidence in the company. The Fraud Pentagon theory adds the elements of competence and arrogance as additional driving factors ([Haryanti, 2023](#)). Competence enables perpetrators to exploit control loopholes, whereas arrogance fosters the belief that such actions will not be detected. The combination of these elements demonstrates that fraud occurs in a structured and planned way.

Corporate criminal liability is a critical issue in this case. Law enforcement in Indonesia tends to focus more on individual perpetrators than on corporate entities. However, as a legal entity, a corporation bears responsibility for actions taken within the scope of its authority. Significant state losses indicate that the impact of corporate crime is widespread and systemic ([Al Imtiyaz & Pramassari, 2025](#)). Reaffirming the concept of corporate criminal liability is necessary to create a deterrent effect and prevent the recurrence of similar cases in the future. The integration of accounting evidence and criminal law norms is key to the judicial process. This approach requires strong coordination between auditors, regulators, and law enforcement officials ([Cristina & Manalu, 2025](#)).

Legal protection for policyholders is another dimension that cannot be ignored. Breach-of-contract lawsuits filed by customers indicate legal efforts to seek redress ([Aprodita et al., 2023](#)). Court rulings in favor of customers reflect the recognition of the insured's rights as consumers of financial services. The process of calculating losses in such cases relies heavily on accurate accounting. Investigative audits are crucial for identifying the extent of losses and patterns of

irregularities. Dispute resolution mechanisms demonstrate that law and accounting complement each other in providing legal certainty. This certainty forms the foundation for restoring the public's trust.

Supervision by the financial services authority plays a strategic role in maintaining financial sector stability. The ineffective supervisory function in the Jiwasraya case raises questions about the effectiveness of existing regulations. Weak controls over high-risk investment practices amplify the potential for losses for customers and the state. An evaluation of the oversight system is urgently necessary to prevent similar failures (Purnomo & Reviana, 2026). Regulatory reforms must include increased transparency, strengthened independent audits, and enforcement of strict sanctions. Coordination between regulators and law enforcement agencies must be improved to ensure that supervision is both preventive and repressive. The stability of the insurance industry depends on the effectiveness of an integrated supervisory system.

The Jiwasraya crisis offers a crucial lesson regarding the urgency of synergy between law and accounting in the modern corporate governance. Law provides a normative framework and mechanisms for sanctions against violations, whereas accounting presents information that forms the basis of accountability. Manipulation of financial statements can trigger civil disputes, administrative violations, and even criminal acts of corruption (Arief, 2023). Weak regulation and oversight increase the likelihood of systemic deviation. Strengthening professional ethics, improving governance, and enforcing laws consistently are prerequisites for creating a healthy insurance industry. An analysis of various academic studies indicates that comprehensive reform is necessary to restore public trust. The integration of legal and accounting approaches serves as the primary foundation for building a financial system that is both integrity-driven and sustainable in the long run.

2. LITERATURE REVIEW

2.1 Good Corporate Governance

Good Corporate Governance (GCG) is a corporate governance system that regulates the relationships among shareholders, management, the board of commissioners, creditors, and other stakeholders to achieve the company's objectives sustainably. The concept of GCG is grounded in agency theory, which emphasizes the importance of aligning the interests of the principal and agent to minimize conflicts of interest and information asymmetry. The Forum for Corporate Governance in Indonesia defines GCG as a set of rules that govern and control a company to create a balance between the rights and obligations of all interested parties (Monariska, Saputra, & Afrizalmi, 2025). The main principles of GCG include transparency, accountability, responsibility, independence, and fairness, which form the foundations of modern governance practices. The application of these principles aims to improve operational efficiency, strengthen internal control systems, and maintain the integrity of corporate governance. In the context of Islamic financial institutions, the implementation of GCG is also based on specific regulations, such as *Peraturan Bank Indonesia* (PBI) and *Peraturan Otoritas Jasa Keuangan* (POJK), which govern the structure, processes, and outcomes of governance in an integrated manner (Muhammad et al., 2023). Consistent implementation of GCG can enhance investor and customer trust, as the company is perceived to be more transparent and accountable. A robust governance framework serves as a strategic instrument to foster long-term business stability and sustainability.

The existing literature on Good Corporate Governance (GCG) provides a strong theoretical foundation; however, it is essential to explicitly connect these concepts to the specific objectives of this study. Prior studies emphasize the role of governance mechanisms in reducing agency conflicts and enhancing transparency. However, the relevance of these mechanisms must be clearly aligned with the research focus, particularly in assessing their impact on corporate performance and the quality of financial reporting. By integrating these theoretical perspectives with the study's objectives, the analysis becomes more focused and demonstrates how governance practices directly influence the variables being examined. This alignment ensures that the literature review serves as background information and as a framework that guides the direction of the research.

The role of Good Corporate Governance in enhancing corporate value has been extensively demonstrated through empirical literature reviews in Indonesia. Corporate value, as a reflection of investors' perceptions of business performance and prospects, is significantly influenced by the quality of the governance framework implemented ([Arrasyid & Helmina, 2024](#)). Literature reviews indicate that approximately 90% of studies find a significant correlation between the implementation of GCG and an increase in corporate value. GCG mechanisms, such as institutional ownership, managerial ownership, independent boards of commissioners, and audit committees, play a role in overseeing management to curb opportunistic practices. An effective oversight structure can minimize earnings management and improve the quality of financial reports. GCG also serves as a positive signal to the capital market by demonstrating the company's commitment to good and ethical governance. Increased investor confidence leads to rising stock prices and strengthens a company's market position ([Dewi, 2024](#)). The relationship between GCG and corporate value underscores that governance is not merely a regulatory obligation but a fundamental strategy for creating competitive advantages and ensuring corporate sustainability.

2.2 Financial Statements

Financial statements are the final output of the accounting process, serving as an information medium for both internal and external stakeholders in making economic decisions. The Indonesian Institute of Accountants defines financial statements as part of the reporting process, comprising the balance sheet, income statement, cash flow statement, statement of changes in equity, and notes to the financial statements as an integral and inseparable component ([Shanti, Kusumawardhany, & Sudarmadi, 2025](#)). Financial statements depict a company's financial condition during a specific period and systematically reflect its assets, liabilities and equity ([Agrawal, 2023](#)). Financial statements are prepared in accordance with generally accepted accounting principles to ensure that the information produced is relevant, reliable, comparable, and easily understood by users ([Shanti et al., 2025](#)). This information serves as the basis for management to evaluate performance and formulate the company's strategic policy. Investors, creditors, the government, and the public use financial statements to assess profit prospects, investment risks, and business stability ([Agrawal, 2023](#)). Financial statements also serve as a means for management to account for the resources entrusted to it. The presence of high-quality financial statements reflects the level of transparency and accountability of a business entity in its operational activities.

Financial statement analysis is conducted to assess a company's performance and financial condition in greater depth using a quantitative approach. This process involves the use of liquidity, solvency, profitability, and activity ratios to measure the effectiveness of asset management and the company's ability to meet its obligations ([W. Y. Salim, Reniati, & Sumiyati, 2025](#)). The timeliness of financial statement disclosure plays a crucial role in maintaining the relevance of information for stakeholders ([Nasihin & Purwandari, 2022](#)). Agency theory explains that delayed reporting can create information asymmetry between management and shareholders, potentially triggering conflicts of interest ([Wijaya, Putri, Wiguna, & Widiastutik, 2025](#)). Factors such as liquidity and company size have been shown to influence the timeliness of financial reporting ([Nasihin & Purwandari, 2022](#)). Financial statements also have limitations because they are historical and rely on estimates and specific accounting policies ([Qomariyah & Vizandra, 2025](#)). Financial ratio analysis helps users of financial statements to objectively identify a company's strengths and weaknesses ([Agrawal, 2023](#)). A comprehensive understanding of financial statements and their analytical techniques is crucial for predicting a company's future performance and sustainability.

2.3 Corporate Legal Liability

Corporate criminal liability is a concept that asserts that a legal entity can be treated as a subject of criminal law and held accountable for unlawful acts committed within the scope of its business activities. Developments in modern criminal law indicate a paradigm shift from individual liability to recognizing corporations as independent legal entities ([Ferry & Farhana, 2024](#)). This recognition is based on the doctrine of corporate criminal liability, which allows for the imposition of liability on a corporation for the actions of its directors, employees, or other parties acting on

behalf of the corporation. Supreme Court Regulation No. 13 of 2016 clarifies the mechanisms for handling criminal cases involving corporate defendants, including the rules of evidence and types of sanctions that may be imposed ([Kusumo, Rustambekovich, Nusratilloyevich, & Kamolovich, 2025](#)). The principle of separate legal personality affirms that a corporation possesses a legal personality distinct from its shareholders, thereby enabling the corporation to be held independently liable. This concept aligns with the theory of legal liability, which states that every legal entity is obligated to bear sanctions if it commits acts contrary to legal norms ([Niasari, Sanusi, & Dahlan, 2021](#)). Corporate liability encompasses actions directly performed by corporate bodies and those carried out through employment relationships or other relevant connections. This framework demonstrates that corporations, as legal entities, can commit wrongdoing and face legal consequences for such violations.

The enforcement of corporate legal liability for criminal offenses is regulated by various laws and regulations, including the law on the eradication of corruption, which provides for the criminal prosecution of corporations. The concept of fault in criminal law remains the basis for imposing liability, requiring both an unlawful act and the capacity to be held responsible ([Faturachman, Hutasoit, & Hosnah, 2024](#)). The theory of fault asserts that criminal liability can only be imposed if there are elements of intent or negligence that can be legally proven ([Hasbi, Utari, & Aringga, 2023](#)). In the context of corporations, faults can be attributed to actions or policies adopted by corporate bodies possessing representative authority. The doctrines of vicarious liability and identification theory are frequently used to explain how individual fault can be attributed to a corporation ([Jayadinigrat, Octaviano, Suryanti, & Yuanitasari, 2024](#)). Sanctions against corporations may include criminal fines, forfeiture of profits, revocation of business licenses, or even dissolution of the legal entity, in accordance with applicable laws and regulations. The application of corporate liability also aims to create a deterrent effect and encourage the implementation of good corporate governance. Corporate legal liability ultimately becomes an important instrument for ensuring the accountability of business entities and protecting the interests of society and the state from the impact of corporate crime ([Maulana, Sepriyanti, & Guntur, 2025](#)).

3. METHODOLOGY

This study employs a normative legal research method that treats law as a norm or rule applicable within the legal system. Normative legal research focuses on the study of legal principles, theories, and concepts developed in legal doctrines and written regulations. The approaches used include statutory and conceptual approaches. The statutory approach involves examining various regulations related to corporate legal liability in the Indonesian legal system. The conceptual approach is used to analyze theories of liability, theories of fault, and the concept of legal subjects in criminal law ([Simanjuntak, Sinaga, Manullang, & Pasaribu, 2026](#)). This study is descriptive-analytical in nature, as it aims to systematically describe applicable legal provisions while analyzing their theoretical applications. This study was conducted by integrating positive legal norms and the views of legal experts. The normative method was chosen because it is suitable for examining the construction of corporate liability based on legal and theoretical foundations ([Aksa, Widia, & Hanani, 2025](#)).

The normative legal approach employed in this study focuses on analyzing the legal norms, principles, and regulations relevant to the issue under examination. This approach is applied by reviewing statutory provisions, legal doctrines, and scholarly literature to identify the legal framework governing corporate governance and financial accountability. Through this method, the study evaluates how existing regulations are structured and whether they effectively address the problems identified, particularly in cases involving governance failure. Normative analysis allows for a systematic interpretation of legal rules and provides a basis for assessing their consistency and adequacy in regulating corporate behavior.

The legal sources in this study comprise primary, secondary, and tertiary legal materials. Primary legal materials include legislation and court decisions relevant to corporate liability. Secondary legal materials consist of scholarly literature, legal textbooks, and research findings discussing the theory of corporate liability and corporate criminal law ([Alie, Fitri, Desmon, Nasir,](#)

& Meidasari, 2024). Tertiary legal materials include legal dictionaries and encyclopedias that clarify specific terms or concepts. Legal materials were collected through a literature review by tracing various relevant references. The analysis of legal materials was conducted qualitatively using systematic and grammatical interpretation methods applied to the legal norms under examination (Sumarna and Kadriah 2023). The analysis aimed to identify the alignment between legal theories and applicable positive law. The results of the analysis were then organized in an argumentative manner to provide a comprehensive understanding of corporate legal liability from the perspective of Indonesian law (Alie et al., 2024).

4. RESULTS AND DISCUSSION

The dynamics of modern corporate governance indicate that Good Corporate Governance (GCG) is no longer viewed merely as an administrative obligation but as a strategic system determining a corporation's sustainability. The principles of transparency, accountability, responsibility, independence, and fairness are key indicators for assessing the quality of corporate governance. Implementing these principles requires structural commitment from corporate bodies and strengthening internal control systems. An imbalance between authority and oversight mechanisms often triggers deviations in corporate governance. Regulations regarding GCG in Indonesia have been strengthened through various sectoral policies that emphasize the importance of risk management and compliance (Khairiah & Inayah, 2023). The existence of an audit committee and an independent board of commissioners serves as crucial oversight mechanisms. The integration of regulations with a company's internal practices determines the effectiveness of Corporate Governance (CG) implementation in the banking sector. When governance is consistently implemented, company stability and public trust can be sustained over the long term.

The quality of financial statements is closely linked to corporate governance effectiveness. Financial statements prepared in accordance with accounting standards are the primary means of conveying information to shareholders and other stakeholders. The relevance and reliability of financial information are significantly influenced by management integrity and the effectiveness of internal and external audits. Distortions in financial reporting can occur through revenue recognition manipulation, liability concealment, or asset inflation. These phenomena are often associated with weak internal control systems and a lack of compliance culture within the organization (Nasihin & Purwandari, 2022). Transparency in financial reporting is the primary benchmark for building corporate accountability. The consistent application of accounting standards reduces the risk of information asymmetry between management and investors. The relationship between corporate governance and the quality of financial reporting demonstrates that these two aspects mutually reinforce each other to foster corporate integrity.

The national legal framework recognizes corporations as legal entities subject to criminal liability. This development signifies a paradigm shift from individual liability to the liability of legal entities. The doctrine of corporate criminal liability treats the actions of directors as representing the will of the corporation when performed within the scope of their lawful authority. Supreme Court Regulation No. 13 of 2016 provides technical guidelines for examining criminal cases involving corporate defendants. This regulation clarifies the mechanisms of proof and the attribution of fault to the legal entities. This concept aligns with the need for law enforcement to combat organized economic crimes (Jayadiningrat et al., 2024). The strengthening of regulations reflects the state's commitment to ensuring that corporations are not immune from legal sanctions. The application of corporate liability serves as a control mechanism to prevent the abuse of economic power.

The element of fault remains the primary foundation for determining criminal liabilities. The elements of intent or negligence must be objectively proven to establish the existence of an unlawful act. In the context of corporations, fault can be established through the strategic policies adopted by corporate bodies. Noncompliance with the principle of prudence in financial management can be classified as serious negligence. This approach emphasizes that liability does not rest solely with the individual perpetrator but also with the system that enables the violation (Manan & Hasnawati, 2022). Proving corporate fault requires a comprehensive analysis of an organization's structure and decision-making processes. Investigative audits and forensic examinations are crucial tools for

uncovering patterns of misconduct. The principle of “no crime without fault” remains the normative foundation for ensuring substantive justice in China.

Fiduciary duty serves as an ethical and legal standard binding directors and commissioners to perform their corporate management functions. The obligation to act in good faith and with due diligence is integral to sound corporate governance. Violations of this principle may result in legal consequences, both civil and criminal, for the researcher. Investment decisions made without adequate risk analysis can be categorized as breaches of fiduciary duty ([Subekti, 2024](#)). The responsibility of corporate officers extends beyond formal compliance with regulations to include the protection of shareholders’ and the public’s interests. Strengthening internal oversight mechanisms serves as a preventive measure to minimize the breach of fiduciary duty. A culture of integrity within corporate leadership plays a crucial role in maintaining organizational stability. These standards of prudence bridge business ethics and legal obligations.

The primary objective of implementing corporate legal liability is to protect the public interest. The legal system provides preventive mechanisms through regulations and oversight, as well as repressive mechanisms through criminal and civil penalties. The preventive approach emphasizes the importance of compliance from the planning stage of corporate policy. The repressive approach is manifested through the imposition of proportional sanctions for legal violations. The combination of these two approaches reflects a balance between legal certainty and social justice ([A. Salim, Suryati, & Yusoh, 2025](#)). Sanctions against corporations can range from fines and restrictions on business activities to revocation of operating licenses. Consistent law enforcement enhances public trust in the judicial systems. Effective legal protection strengthens the state’s legitimacy in overseeing economic activity.

Modern theories of punishment view sanctions not only as retribution but also as tools for prevention and education. The utilitarian approach emphasizes that punishment must benefit society. The retributive approach remains relevant in ensuring justice for aggrieved parties. The integration of these two theories results in a proportional and restorative-oriented penal system ([Ferry & Farhana, 2024](#)). In the corporate sector, sanctions must consider broader economic and social impact. Appropriate criminal sanctions encourage companies to improve their internal governance. The deterrent effect is directed not only at perpetrators but also at other corporations as a form of general deterrence. The criminal sanctions system is a crucial instrument for maintaining the integrity of the economic sector.

The complexity of corporate crime demands coordination among law enforcement agencies. Economic crimes often involve complex financial transactions and extensive networks. Handling corporate cases requires specialized expertise in auditing, forensic accounting, and financial transaction analyses. Strengthening the capacity of law enforcement officials is an integral part of judicial system reform ([Jayadinigrat et al., 2024](#)). Transparency in judicial processes enhances the legitimacy of the legal rulings. Collaboration between financial sector regulators and law enforcement agencies accelerates the detection of violations. Synergy among institutions creates a more effective oversight system. An integrated approach is crucial for addressing the dynamics of modern corporate crime.

Harmonization between corporate and criminal laws is a crucial element of the corporate accountability system. Provisions regarding the authority of the board of directors in corporate law must align with the criminal norms governing sanctions for the abuse of authority. A lack of synchronization between the two legal regimes can create interpretive gaps that undermine legal certainty. Regulatory integration clarifies the boundaries of liability and the scope of corporate authority. Strengthening sectoral regulations reduces opportunities for the abuse of economic power ([Khairiah and Inayah, 2023](#)). Consistent legal certainty fosters the development of compliance culture within corporations. Regulatory harmonization also strengthens stakeholder protection. An integrated legal framework is the foundation for preventing corporate crime.

The quality of the legal culture within an organization is critical to effective regulatory implementation. Compliance cannot be built solely through the threat of sanctions but also through the internalization of integrity. Business ethics education and compliance training are essential tools for shaping a healthy organizational culture. Companies with whistleblowing systems tend to be

more responsive to potential fraud. Internal transparency strengthens collective oversight of the organization. Top management commitment is a key factor in building a culture of compliance. The integration of ethical values and legal norms creates a long-term stability. A strong legal culture serves as a pillar for ensuring corporate sustainability.

The integration of governance, financial reporting quality, and legal accountability demonstrates that these three elements form an interconnected system. Weaknesses in any one aspect can trigger instability in the entire system. Regulatory reforms must be accompanied by enhanced oversight capacity and strengthened management integrity. Preventive and repressive approaches must be implemented in a balanced manner to create a sustainable system ([Nasihin & Purwandari, 2022](#)). Periodic evaluations of regulatory effectiveness help to align policies with economic dynamics. Synergy among regulators, law enforcement agencies, and corporations is a key determinant of the success of the legal system. Commitment to transparency and accountability strengthens a company's legitimacy in the public eye. An integrated system serves as the foundation for building corporate governance.

The integration of Good Corporate Governance (GCG), the quality of financial reports, and corporate legal accountability constitutes the primary foundation for creating a sustainable corporate governance system. These three aspects are inseparable, as they mutually influence the development of transparency, accountability, and public trust in corporations. A weakness in any one element will disrupt the stability of the entire system; therefore, consistent commitment from all corporate bodies is required to implement good governance principles. This demonstrates that strengthening governance is not merely a normative necessity but also a strategic imperative for navigating the dynamics of the modern economy.

The effectiveness of corporate legal accountability is largely determined by the synergy between comprehensive regulations and their consistent implementation. Firm yet proportional law enforcement serves not only as a repressive tool but also as a preventive instrument to deter future violations of the law. In this context, the roles of law enforcement officials, regulators, and a company's internal oversight mechanisms are crucial in ensuring that every corporate action aligns with the applicable legal norms. Thus, the legal system serves not only as a control mechanism but also as a catalyst for fostering a culture of compliance and integrity in the business environment.

Success in achieving good corporate governance depends not only on the strength of regulations but also on the quality of the legal and ethical culture that develops within an organization. The internalization of values such as integrity, transparency, and accountability must be an integral part of the work culture embedded in every corporate activity. These efforts must be supported by continuous education, an effective oversight system, and strong commitment from top management. By creating synergy among the legal, managerial, and ethical aspects, corporations will be able to perform their functions optimally while making a positive contribution to the economy and society at large.

5. CONCLUSIONS

5.1 Conclusion

The interconnection between Good Corporate Governance (GCG), the quality of financial reports, and corporate legal accountability demonstrates that these three elements form an integrated system within modern corporate governance. Effective governance is the foundation for preventing financial statement manipulation and abuse of authority by corporate actors. Transparent and reliable financial statements function as instruments of accountability and mechanisms for protecting stakeholders. However, the persistence of governance failures indicates that existing frameworks require strengthening through more enforceable standards and clearer, more effective accountability mechanisms. Therefore, corporate entities must prioritize the consistent implementation of governance principles by enhancing their internal controls, strengthening their audit functions, and ensuring the independence of their supervisory bodies. Regulatory authorities should impose stricter compliance requirements and periodic evaluations to ensure that governance practices are effectively implemented in practice, not merely in form.

The legal framework governing corporate liability must undergo substantive reform to address the evolving complexity of corporate crimes. Although the current legal system recognizes corporations as subjects of criminal law, enforcement remains inconsistent and often lacks a deterrent effect. Legal reforms should focus on clarifying the standards of corporate fault, expanding the scope of liability for corporate actors, and strengthening sanctions to ensure their proportionality and effectiveness. In addition, regulatory bodies must improve their coordination and supervisory capacity to detect and respond to violations more efficiently. The integration of corporate and criminal law should be reinforced through clearer guidelines on responsibility and enforcement procedures. Furthermore, fostering a culture of compliance requires not only legal enforcement but also institutionalization of business ethics, continuous governance training, and development of robust compliance systems within corporations. These reforms are essential to ensure legal certainty, enhance public trust, and create a more resilient and accountable corporate environment in Indonesia.

5.2 Research Limitations

This study had several limitations that should be considered when interpreting the findings. First, the research primarily utilizes a normative legal approach, which means it focuses on existing legal norms and regulations without conducting empirical research or analyzing specific case studies beyond the PT Asuransi Jiwasraya case. This limits the ability to generalize the findings across industries or companies. Additionally, while this study provides an in-depth examination of the legal and governance framework, it does not address the practical implementation challenges or the perspectives of corporate managers and employees in enforcing Good Corporate Governance (GCG). This study also focuses on corporate legal accountability from legal and accounting perspectives, excluding other important areas such as ethical behavior and corporate culture. Finally, this study does not explore the international context or compare Indonesia's corporate governance system with those of other countries, which may offer valuable insights.

5.3 Suggestions and Directions for Future Research

Future research could address several aspects that were not covered in this study. First, empirical studies should be conducted to assess the effectiveness of corporate governance practices in real-world scenarios, particularly in the insurance industry and other sectors that face similar governance challenges. This could involve interviews with corporate managers, internal auditors, and other stakeholders to understand the practical barriers to implementing GCG principles in Indonesia. Another area for future exploration is the comparative study of corporate governance and legal accountability in different countries, especially those with advanced regulatory frameworks, to draw lessons to enhance Indonesia's legal and governance systems. Researchers could also investigate the role of corporate culture and ethics in preventing financial statement manipulation and corporate fraud, as well as how organizations can better integrate ethical training into governance practices. Additionally, future studies could evaluate the effectiveness of regulatory reforms in improving corporate accountability and reducing corporate crime, particularly by focusing on the long-term impacts on public trust and economic stability. Finally, research on the role of technology, such as blockchain or AI, in enhancing transparency and accountability in corporate governance could provide valuable insights into modernizing governance practices in the digital era.

AUTHOR CONTRIBUTION

IJ conceptualized the study, developed the research framework, conducted the literature review, analyzed the legal and accounting issues, interpreted the findings, and drafted the manuscript. RRP contributed to the legal analysis, methodology refinement, validation of regulatory sources, and critical revision of the manuscript. RP supported data collection through literature sourcing, reference management and discussion development. NF assisted with manuscript editing, language refinement, formatting, and final preparation of the article. All authors have reviewed, approved, and agreed to the final version of the manuscript for publication.

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