ABSTRACT

This study aims to examine the influence of good corporate governance, proxied by managerial ownership, institutional ownership, and the proportion of independent commissioners, on the indication of financial statement fraud. This study also examines the role of financial distress in moderating the relationship between good corporate governance, proxied by managerial ownership, institutional ownership, and the proportion of independent commissioners, and financial statement fraud. A dependent variable of this research is financial statement fraud, the independent variables are managerial ownership, institutional ownership, and the proportion of independent commissioners, and the moderating variable is financial distress. There are three control variables in the form of firm size, leverage, and profitability.

The research uses secondary data from the annual reports and financial statements of companies published on the Indonesia Stock Exchange and Bloomberg Terminal. Using a purposive sampling method, 218 companies are taken from the manufacturing industry listed on the Indonesia Stock Exchange from 2022 until 2024, resulting in 654 firm-year observations. The research uses Moderated Regression Analysis (MRA) across two model equations. Financial statement fraud is measured using the Beneish M-Score, while financial distress is measured using the original Altman Z-Score.

The results show that managerial ownership and institutional ownership have a marginally significant negative effect on financial statement fraud, while the proportion of independent commissioners has no significant effect. Financial distress is found to significantly strengthen the negative effect of both managerial ownership and institutional ownership on financial statement fraud, but does not moderate the effect of the proportion of independent commissioners, so that financial distress is classified as a quasi moderator. Among the control variables, only firm size has a consistent and significant negative effect on financial statement fraud, while leverage and profitability have no significant effect.

Keywords*: Good Corporate Governance, Financial Distress, Financial Statement Fraud.*