The Effect of Corporate Governance and Firm Size on Anti-Corruption Disclosure in Indonesian Banking

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Abstract. Corruption remains a critical issue in the Indonesian banking sector, contributing significantly to state financial losses and eroding public trust. Despite regulatory efforts, specific disclosures related to anti-corruption practices remain largely voluntary, leading to varying levels of transparency among banks. This study aims to analyze the determinants of anti-corruption disclosure, specifically focusing on the influence of Corporate Governance and Firm Size in banking companies listed on the Indonesia Stock Exchange. This research employs a quantitative method using secondary data obtained from annual reports spanning the 2019–2023 period. Through the purposive sampling technique, 47 banking companies were selected, resulting in a total of 235 observations. The data were processed using panel data regression analysis with the Fixed Effect Model (FEM) estimation. The results indicate that Corporate Governance does not have a significant effect on anti-corruption disclosure. This finding suggests that high governance scores primarily reflect mandatory administrative compliance with regulations rather than a genuine commitment to voluntary transparency regarding corruption issues. Conversely, Firm Size demonstrates a positive and significant effect on anti-corruption disclosure. This study highlights those larger banks, driven by greater resource availability and higher stakeholder pressure, are more inclined to disclose anti-corruption information to maintain legitimacy and reputation. These findings provide implications for regulators to consider establishing mandatory specific anti-corruption reporting standards beyond general governance assessments.

Keywords: *Anti-Corruption Disclosures, Good Corporate Governance, Banking Sector*.

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A. Introduction

Corruption is one of the most common forms of fraud and is detrimental to various sectors. According to the 2019 Indonesian Fraud Survey conducted by the Association of Certified Fraud Examiners (ACFE) Indonesia, corruption represents the most dominant type of fraud, accounting for 64.4% of total fraud cases (Association of Certified Fraud Examiners Indonesia, 2019). The financial and banking sectors are identified as among the most vulnerable industries, contributing 41.4% of total cases. Furthermore, data from Indonesia Corruption Watch (ICW) indicate an increasing trend of corruption cases in the banking sector, which remains among the top five sectors most prone to corruption, with state losses reaching IDR 28.4 trillion (ICW, 2023).

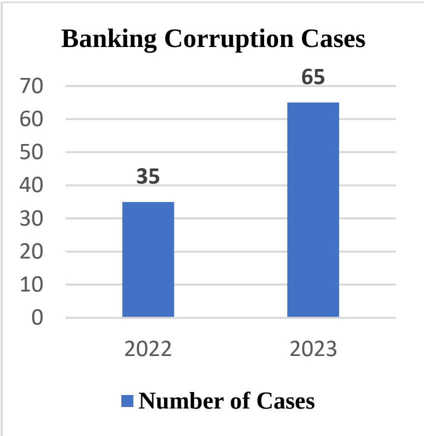

Figure 1. Banking Corruption Cases (ICW, 2024)

Various corruption cases in the banking sector, including fictitious lending, misuse of credit facilities, and pension fund misappropriation, not only cause financial losses but also undermine public confidence and threaten financial system stability. This phenomenon occurred at Bank Pembangunan Daerah Banten, involving two former internal officials who committed corruption related to the granting of a loan of Rp 782 million to the company CV Langit Biru (Rifa'i, 2024). A similar case occurred at Bank Syariah Indonesia (BSI) with the misuse of People's Business Credit (KUR) funds, causing losses to the state amounting to Rp21.3 billion (Viqi, 2024). Then, a bank in Southeast Sulawesi was found to have misused Rp2 billion in Pension Funds (Dapen) since 2021, which was only discovered in 2023 because the whistleblower was threatened with dismissal by the perpetrators (Fua, 2023).

From an Islamic perspective, such practices are strictly prohibited, as emphasized in Qur'an Surah Al-Baqarah (2:188) and Surah An-Nisa (4:29), which condemn the unlawful acquisition of wealth and promote fair and lawful economic transactions.

To mitigate corruption risks and restore stakeholder trust, transparency plays a crucial role. One important mechanism to enhance transparency is anti-corruption disclosure, which serves as a means for companies to communicate their commitment, policies, and actions in preventing corruption. Although the Financial Services Authority (Otoritas Jasa Keuangan) has issued POJK RI No. 12 of 2024 concerning the implementation of anti-fraud strategies for Financial Institutions, specific disclosures related to anti-corruption practices in Indonesia remain largely voluntary. This is because SEOJK No.32/SEOJK.04/2015 adopts a comply or explain approach without administrative sanctions, resulting in varying levels of disclosure compliance among banks (OJK, 2015).

Previous studies examining the determinants of anti-corruption disclosure have produced mixed findings. Corporate governance, particularly Good Corporate Governance (GCG), is theoretically expected to enhance transparency. Previous research found that board independence positively influences anti-corruption disclosure (Tirtasari & Hartomo, 2019). However, other studies (Carrillo et al., 2019; Indarto, 2023) reported that certain governance mechanisms do not significantly affect anti-corruption disclosure, suggesting that governance practices may primarily reflect administrative compliance rather than substantive transparency.

In addition to corporate governance, firm size is considered a key factor influencing voluntary disclosure. Based on Stakeholder Theory, larger firms face greater public scrutiny and stakeholder pressure, while also possessing more resources to support extensive disclosure practices (Freeman, 2015). Empirical evidence shows that banks with larger assets tend to disclose anti-corruption information more comprehensively in accordance with GRI 205 standards (Purba, 2024). Supported by other studies (Rissdiana & Riduwan, 2023; Tyas & Rahmawati, 2023) stated that firm size has a positive effect on anti-corruption disclosure.

Based on the urgency of transparency in the banking sector and the inconsistencies in prior research findings, this research aims to analyze the effect of corporate governance and firm size on anti-corruption disclosure among banks listed on the Indonesia Stock Exchange (IDX) during the period 2019–2023.

B. Method

This research adopts a quantitative explanatory research design to examine the effect of corporate governance and firm size on anti-corruption disclosure. The research utilizes secondary data sourced from the annual reports of banking companies published on the official website of the Indonesia Stock Exchange (IDX). The observation period spans five years, from 2019 to 2023. The population in this study includes all banking companies listed on the IDX. The sampling technique used is purposive sampling to ensure the data is representative of the research (Sekaran & Bougie, 2016). Selecting banks that consistently published annual reports and financial statements during the observation period resulted in 47 banks with a total of 235 observations.

The dependent variable is Anti-Corruption Disclosure (ACD), measured using content analysis based on the Global Reporting Initiative (GRI) 205: Anti-Corruption (2016) standard. This standard comprises 14 disclosure items, including anti-corruption policies, employee training, and reported corruption incidents (GRI, 2018). Each item is scored 1 if disclosed and 0 if not disclosed. Adapted from the previous study, the anti-corruption disclosure index is calculated using the following formula:

$$CBIj = \frac{\sum_{t-1}^{n_j} X_{ij}}{n_j} \quad \text{... (1)}$$

Where CBIj represents the Anti-Corruption Disclosure Index of company j; nj enotes the expected number of disclosure items ($n \leq 14$); and Xij indicates the disclosure score of item (i) for company (j) (1 if disclosed, 0 otherwise) (Carrillo et al., 2019; Muttakin & Khan, 2014).

The independent variables consist of Corporate Governance (GCG) and Firm Size (FS). Corporate governance is measured using the self-assessment score of Good Corporate Governance implementation based on OJK regulations, as disclosed in the banks' annual reports. The composite rating ranges from 1 (Very Good) to 5 (Not Good). Company size is measured by the natural logarithm (Ln) of total assets at the end of the fiscal year.

C. Result and Discussion

Initial Findings

Based on the data processing using EViews 12, the descriptive statistics of the variables are presented in Table 1. The average value of Anti-Corruption Disclosure (Y) is 0.469, indicating that the level of disclosure is still moderate (approx. 47%). Meanwhile, Firm Size (X2) shows a high variation with a standard deviation of 1.76.

Table 1. Descriptive Statistical Analysis Results

	X1	X2	Y
Mean	2.055319	31.31452	0.469605
Median	2.000000	30.85928	0.500000

	X1	X2	Y
Maximum	4.000000	35.31545	0.857143
Minimum	1.000000	27.29642	0.000000
Std. Dev.	0.444726	1.767309	0.137368

Source: Eviews 12 results, 2025

Corporate Governance

Based on Table 1, the Corporate Governance variable (X1) has an average value of 2.05, indicating that, on average, banks in Indonesia are categorized as having "Good" governance quality (Score 2). The minimum value of 1 indicates that several banks achieved a "Very Good" governance rating, such as Bank Mandiri and Bank BCA, which consistently maintained high governance standards. Meanwhile, the maximum value of 4 indicates that at least one bank was assessed as having "Not Good" governance quality, namely Bank Pembangunan Daerah Banten in 2020. The decline in governance quality during that year is likely attributable to the impact of the COVID-19 pandemic, which disrupted managerial oversight and internal control effectiveness. However, governance conditions gradually improved in subsequent years, as reflected in higher governance scores.

Firm Size

The Firm Size variable (X2), measured using the natural logarithm of total assets, has an average value of 31.31. When converted into nominal terms, the average total assets of banks during the 2019–2023 period amounted to approximately IDR 185.9 trillion. A substantial disparity between the smallest and largest banks is evident, as indicated by the minimum value of 27.29 and the maximum value of 35.31. Bank Aladin Syariah recorded the smallest asset value at the beginning of the observation period, amounting to IDR 715.62 billion, while Bank Mandiri emerged as the largest bank by the end of 2023, with total assets reaching IDR 2,174 trillion. The standard deviation of 1.76 indicates a relatively high level of variation in firm size among banks during the research period.

Anti-corruption Disclosures

The Anti-Corruption Disclosure variable (Y) has an average value of 0.469, or approximately 47%. This finding indicates that anti-corruption transparency in the Indonesian banking sector remains moderate and has not yet become a primary focus for all banks. The minimum value of 0 suggests that some banks did not disclose any anti-corruption items in accordance with the GRI 205 standard, such as Bank Bisnis Internasional in 2019. Conversely, the maximum disclosure score of 0.857 (86%) was achieved by Bank Rakyat Indonesia in 2023, reflecting a relatively high level of commitment to anti-corruption transparency.

Regression Analysis Results

To examine the relationships among variables, this research employs panel data regression analysis. Based on the results of the Chow Test and Hausman Test, the Fixed Effect Model (FEM) was selected as the most appropriate estimation model. Furthermore, the multicollinearity test results indicate that the correlation coefficients among independent variables are below 0.8, suggesting that the regression model is free from multicollinearity issues and suitable for further analysis.

Multiple Regression Analysis

Table 2. Multiple Regression Analysis Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.021055	0.415321	-4.866243	0.0000
GCG	0.010727	0.018550	0.578242	0.5638
FIRM_SIZE	0.078833	0.012950	6.087482	0.0000

Source: Eviews 12 results, 2025

Based on table 2 of the Eviews 12 data processing results, the multiple linear regression equation formed is as follows:

$$ACD = -2.021055 + 0.010727(\text{GCG}) + 0.078833(FS) \quad \text{... (2)}$$

Where ACD is Anti-Corruption Disclosure; GCG is Good Corporate Governance; and FS is Firm Size.

The regression equation indicates a constant value of −2.021055, suggesting that when Corporate Governance and Company Size are at relatively low levels, the predicted level of Anti-Corruption Disclosure also tends to be low. The negative constant reflects a baseline condition in which anti-corruption disclosure is limited in the absence of adequate organizational resources and effective governance mechanisms.

The coefficient of GCG is positive at 0.010727, indicating that for every one-unit improvement in governance quality (i.e., a decrease in the GCG score, since lower scores indicate better governance), the level of Anti-Corruption Disclosure increases by 0.010727, assuming other variables remain constant. Meanwhile, the coefficient of Firm Size is 0.078833, which implies that a one-unit increase in the natural logarithm of total assets leads to an increase of 0.078833 in Anti-Corruption Disclosure. This finding suggests that larger banks tend to disclose more anti-corruption information.

Simultaneous Test (f-test)

Table 3. Simultaneous Test Results

Root MSE	0.060341	R-squared	0.806222
Mean dependent var	0.469605	Adjusted R-squared	0.756215
S.D. dependent var	0.137368	S.E. of regression	0.067825
Akaike info criterion	-2.360597	Sum squared resid	0.855636
Schwarz criterion	-1.639237	Log likelihood	326.3701
Hannan-Quinn criter.	-2.069778	**F-statistic**	**16.12209**
Durbin-Watson stat	1.394945	**Prob(F-statistic)**	**0.000000**

Source: Eviews 12 results, 2025

Based on Table 3, the F-statistic value is 16.12209 with a probability value of 0.000000, which is lower than the significance level of 0.05. This result indicates that the null hypothesis (H_o) is rejected, and the alternative hypothesis (H_a) is accepted. Therefore, Corporate Governance and Firm Size simultaneously have a significant effect on Anti-Corruption Disclosure in banks listed on the Indonesia Stock Exchange during the 2019–2023 period.

Partial Test (t-test)

Table 4. Partial Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.021055	0.415321	-4.866243	0.0000
GCG	0.010727	0.018550	0.578242	0.5638
FIRM_SIZE	0.078833	0.012950	6.087482	0.0000

Source: Eviews 12 results, 2025

Based on Table 4, the test results for the Corporate Governance (GCG) variable show a regression coefficient of 0.010727 with a probability value of 0.5638. Since this probability value exceeds 0.05, the first hypothesis (H1) is rejected. This indicates that Corporate Governance does not have a statistically significant effect on Anti-Corruption Disclosure. In other words, the level of governance ratings achieved by banks does not necessarily determine the extent to which anti-corruption information is disclosed in their annual reports.

Meanwhile, the Firm Size variable has a probability value of 0.0000, which is lower than 0.05, leading to the acceptance of the second hypothesis (H2). This result indicates that Firm Size has a positive and significant effect on Anti-Corruption Disclosure. Banks with larger total assets tend to be more transparent in disclosing anti-corruption policies and incidents to the public.

Coefficient of Determination

Table 5. Coefficient of Determination Results

Root MSE	0.060341	R-squared	0.806222
Mean dependent var	0.469605	**Adjusted R-squared**	**0.756215**
S.D. dependent var	0.137368	S.E. of regression	0.067825
Akaike info criterion	-2.360597	Sum squared resid	0.855636
Schwarz criterion	-1.639237	Log likelihood	326.3701
Hannan-Quinn criter.	-2.069778	F-statistic	16.12209
Durbin-Watson stat	1.394945	Prob(F-statistic)	0.000000

Source: Eviews 12 results, 2025

Based on Table 5, the Fixed Effect Model estimation yields an Adjusted R-squared value of 0.756215. This result indicates that approximately 75.62% of the variation in Anti-Corruption Disclosure can be explained by Corporate Governance and Company Size. The remaining 24.38% is influenced by other factors not included in this research model.

Analysis and Discussion

The Effect of Corporate Governance on Anti-Corruption Disclosure

The hypothesis testing results indicate that Corporate Governance does not have a significant effect on Anti-Corruption Disclosure in Indonesian banks. Statistically, this suggests that high governance ratings do not guarantee broader or more transparent disclosure of anti-corruption information. This finding supports prior studies by (Carrillo et al., 2019) and (Indarto, 2023), which argues that corporate governance mechanisms may function primarily as instruments of mandatory administrative compliance, rather than as drivers of voluntary transparency initiatives.

The Effect of Firm Size on Anti-Corruption Disclosure

Differently, Firm Size is found to have a positive and significant effect on Anti-Corruption Disclosure. This finding confirms that banks with larger total assets tend to disclose anti-corruption information more extensively. Large banks, such as Bank Mandiri and Bank Rakyat Indonesia, are subject to greater public scrutiny and stakeholder pressure, while also possessing sufficient resources to support comprehensive disclosure practices.

The result is consistent with the findings of (Tyas & Rahmawati, 2023) and (Rissdiana & Riduwan, 2023), which identify Firm Size as a key determinant of voluntary disclosure. Conversely, smaller banks tend to limit their disclosures to mandatory requirements due to resource constraints and lower levels of media and public attention, particularly when compared to banks classified under Core Capital Bank Group (KBMI 4)..

D. Conclusion

This study concludes that corporate governance (GCG) does not have a significant effect on the level of anti-corruption disclosure in Indonesian banks. The findings indicate that high or low corporate governance scores primarily reflect administrative compliance with mandatory banking regulations, rather than genuine voluntary transparency initiatives related to corruption issues in annual reports. In contrast, firm size shows strong evidence of having a positive and significant effect on the extent of anti-corruption disclosure. Larger banks tend to disclose anti-corruption information more extensively, which may be attributed to greater resource availability, higher public visibility, and stronger pressure from stakeholders.

This study is subject to limitations related to the observation period, which was conducted before the enactment of regulations that strengthen anti-fraud reporting requirements. Therefore, future research is encouraged to update the observation period using annual report data after 2024, to assess the effectiveness of POJK No. 12 of 2024 concerning the Implementation of Anti-Fraud Strategies for Financial Services Institutions. In addition, future studies may expand the research scope to non-financial sectors with high corruption risk, thereby providing a comparative perspective on the implementation of anti-corruption transparency in Indonesia.

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