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THE ROLE OF CORPORATE GOVERNANCE IN PREVENTING BUSINESS CRIME IN ASEAN PUBLIC COMPANIES

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ABSTRACT

Objective: This study aims to analyze the role of corporate governance in preventing business crime in Indonesian public companies, comparing it with corporate governance practices in Malaysia and Thailand as regional benchmarks.

Research Design & Methods: This study uses a qualitative approach with a systematic literature review method of regulatory documents, international agency reports, and academic studies related to corporate governance and corruption in the ASEAN region. The focus of the study is on three pillars of governance: shareholder rights, board structure, and external control mechanisms such as accounting and auditing standards.

Findings: The study shows that Indonesia still faces major challenges in effectively implementing corporate governance principles, particularly in terms of transparency, protection of minority shareholders, and oversight of related-party transactions. Indonesia's score on the ASEAN Corporate Governance Scorecard and corruption perception index is low compared to Malaysia and Thailand.

Implications & Recommendations: Institutional reforms are needed, including strengthening oversight functions, compliance reporting requirements, restrictions on directors' terms of office, and protection for whistleblowers. Indonesia could also adopt the comply or explain principle, which has been successfully implemented in Malaysia and Thailand, to improve accountability and transparency.

Contribution & Value Added: This study makes an important contribution to filling the gap in the literature on the relationship between corporate governance and business crime in developing countries, and offers a relevant regional perspective for formulating policies based on institutional comparisons.

Keywords: Corporate Governance, Business Crime, ASEAN, Ownership Structure, Transparency.

JEL codes: G38, K42

Article type: research paper

INTRODUCTION

In recent years, the ASEAN region has seen a significant increase in various types of business crimes such as fraud, corruption, and insider trading, especially those involving public companies. This phenomenon indicates serious challenges in implementing effective corporate governance, which directly impacts investor confidence, disrupts capital market stability, and threatens the sustainability of the national economy. In Indonesia, insider trading practices by internal company

parties have undermined the principles of transparency and fairness in stock trading, thereby encouraging potential capital flight and reducing the credibility of the country's financial system (Sitorus, 2018).

The high pressure management faces to achieve profit targets and performance-based bonus incentives, exacerbated by weak internal and external control systems, has created ample room for financial irregularities, such as financial statement manipulation and misuse of company assets (Kirani et al., 2023). Major cases such as the PT Asuransi Jiwasraya scandal are clear evidence that corporate crime not only causes losses at the company level, but also creates systemic effects that harm the state's finances and erode public trust. In this case, collusion between high-ranking officials and private parties in managing investment funds caused the state to suffer losses of trillions of rupiah (Desturi, 2021).

Preventive measures through whistleblowing mechanisms have been introduced. However, their implementation in many companies in ASEAN, including Indonesia, remains weak due to a lack of legal protection for whistle-blowers and available incentives (Sathyanarayana and Balachandran, 2015). Weak corporate governance has been shown to contribute significantly to economic and social vulnerability in the region. Several previous studies have confirmed that strong corporate governance practices play an important role in protecting countries from potential financial crises, while supporting the development of more accountable and transparent institutions (Baek et al., 2004; Johnson et al., 2000; Mitton, 2002). Successful governance reforms have been shown to promote political stability, improve government effectiveness, create a healthier investment climate, and strengthen oversight structures in the corporate sector.

The government has also been actively promoting the implementation of good corporate governance principles in the public sector. For example, the Ministry of Finance has established a Corporate Governance Committee to oversee the implementation of good corporate governance principles in state-owned enterprises (Fayad et al., 2022). However, the effectiveness of these reforms still requires strengthening of structures, law enforcement, and a deeper culture of transparency in order to prevent systematic business crime.

A decade after the financial crisis, Indonesia has shown progress in corporate governance practices, particularly in the financial and capital markets, supported by a strengthened legal and regulatory framework. However, this formal progress has not significantly reduced the level of corruption, which remains chronic compared to neighboring Southeast Asian countries (Wijayati et al., 2016). Data from Worldwide Governance Indicators does show a positive trend in corruption control in Indonesia, but Indonesia still ranks below countries such as Malaysia and Thailand (Wijayati et al., 2016). This shows that strengthening institutional governance structures has not effectively curbed corruption.

One of the main forms of corruption that is a cause for concern is bribery, especially when businesspeople carry it out to public officials to obtain certain benefits (Tanjung, 2019). This study focuses on the role of business actors as bribe givers. Based on agency theory, bribery is seen as opportunistic management behavior that can be suppressed by implementing a strong corporate governance system. Corporate governance itself encompasses a set of formal and informal mechanisms that regulate the relationships between shareholders, directors, management, and other stakeholders such as employees, business partners, and the wider community (Wangania et al., 2024).

To understand the effectiveness of such governance, it is important to consider the institutional context in each country. Institutions play a crucial role in determining the efficiency of economic resource allocation, as explained by Acemoglu et al. (2005), who argue that countries with strong legal systems, including protection of property rights and investor interests, tend to be more prosperous and economically stable. In the corporate world, variations in investor protection, the quality of the legal system, and enforcement of rules will have a direct impact on the size of the capital market, ownership structure, governance practices, and company performance (Djankov et al., 2008; Doidge et al., 2007).

The importance of an effective governance system has become increasingly apparent in the context of economic decentralization, which Indonesia has been implementing since 1999. By giving greater authority to local governments, deregulation aims to create a competitive climate that encourages economic growth (Arifin et al., 2015). However, decentralization does not automatically improve investment quality without adequate governance improvements (Kessing et al., 2007). Meanwhile, market liberalization and increased competition have also encouraged foreign investors to enter the market, requiring local companies to maintain high levels of transparency and accountability (Negara and Hutchinson, 2021). This makes the existence of a good governance system an absolute necessity to maintain competitiveness and market confidence.

Decentralization also expands business activities to new areas outside economic centers, allowing local businesses to grow and develop. The institutional mechanisms that promote accountability and regulate business behavior are super important to ensure everyone has fair and inclusive access to the economy (Setiawan et al., 2022). Strong corporate governance is necessary to ensure that value creation focuses not only on shareholder interests but also takes into account public interests and social sustainability.

Various literature has shown a positive relationship between effective governance and corporate sustainability (Aras and Crowther, 2008; Jamali et al., 2008). Corporate governance also contributes to economic growth by ensuring that resources are allocated efficiently. Companies with good governance tend to appoint competent and independent boards of directors, implement transparent reporting systems, and have mechanisms in place to control management irregularities (Wijayati et al., 2016). Reliable and timely information is crucial for investors in their decision-making, and information disclosure has been proven to increase market confidence and encourage broader business expansion.

Specifically, transparency is key in curbing corrupt behavior (Lindstedt and Naurin, 2010; Peisakhin and Pinto, 2010). When corporate information is disclosed openly and accurately, the opportunities to conceal illegal activities such as bribery and manipulation are reduced. However, due to the hidden and complex nature of corruption, companies with low transparency levels are more vulnerable to such misconduct. Strong governance can provide the necessary oversight framework, but it is still not widely known how such a governance framework can effectively reduce corruption.

To address these challenges, this study will focus on two main questions: First, how can a strengthened corporate governance framework reduce corruption? Second, how does the effectiveness of Indonesia's corporate governance framework compare with that of Malaysia and Thailand? In answering these questions, this study will highlight three main aspects of governance, namely two internal control mechanisms (shareholder rights and board structure) and one external control mechanism (accounting and auditing standards). In addition, transparency and disclosure will be analyzed as important determinants in forming a governance system capable of systematically and sustainably reducing corruption.

LITERATURE REVIEW

Corporate Governance

Corporate governance is defined by the framework and procedures used to direct and manage a corporation. It governs the interaction between shareholders, the Board of Directors, management, and other stakeholders to ensure the corporation achieves its objectives (Wijayati et al., 2016). More importantly, corporate governance is characterized by a system establishing control mechanisms between different entities and participants. However, corporate governance does not stand alone; it is integrated into a political and economic framework in which laws, rules, and regulations apply. The Organization for Economic Cooperation and Development (OECD) states in its corporate governance framework that the corporate governance framework should promote transparent and efficient markets, in line with legal principles, and clearly define the division of responsibilities among various supervisory bodies, regulators, and law enforcement agencies (Woodward, 2009).

Corporate governance research relies heavily on agency theory, which highlights the conflict between owners (principals) and managers (agents), particularly as a result of information asymmetry (Payne and Petrenko, 2019). Managers who control operational information tend to act in their interests, such as providing excessive compensation or concealing material information detrimental to shareholders (Albrecht et al., 2004). This model is commonly found in dispersed ownership structures, such as Anglo-American companies. However, in countries with concentrated shareholdings, including many Asian countries, the agency conflict shifts to a conflict between majority and minority shareholders, where controlling owners may abuse power to disproportionately expropriate corporate profits (Young et al., 2008).

Good governance center on the principles of integrity, accountability, and responsibility. Corporate governance establishes checks and balances mechanisms to help prevent companies from engaging in illegal activities, such as bribery. This section will discuss how corporate governance frameworks can reduce, though not completely eliminate, incidents of corruption. Specifically, this research will focus on four components of corporate governance that can help reduce opportunities for corruption: shareholder rights, the Board of Directors, accounting and auditing standards, and transparency.

Shareholder Rights

Different from the classic agency conflict model between managers and shareholders, developing countries such as Indonesia, Malaysia, and Thailand face more conflicts between shareholders, especially between majority and minority shareholders (Young et al., 2008). This conflict is known as principal-principal conflict, where controlling shareholders, generally families, utilize pyramid ownership structures and cross-holdings to control the company without full ownership. In such situations, the rights of minority shareholders are often violated and sidelined in important decision-making (Subagiyo et al., 2024), especially when informal institutions such as culture and social networks also reinforce the dominance of the majority (Sauerwald and Peng, 2013). Consequently, bribery and misuse of company resources become easier to commit, especially in concentrated ownership structures that allow owners to hide non-transparent transactions (Jiang and Peng, 2011). The dominance of the majority can encourage excessive control of cash and be detrimental to overall company performance, although the presence of institutional investors can help limit overly dominant power (Butt et al., 2024).

Board of Directors

A company's Board of Directors (BoD) has a mandate from shareholders to direct, supervise and monitor management, and ensure that all company activities comply with legal requirements (Wijayati et al., 2016). They must ensure that the interests between shareholders and management, as well as the interests between majority and minority shareholders are aligned.

Accounting and auditing standards

Accounting and auditing standards are very important instruments in disciplining corporate behavior through external mechanisms. Accounting standards provide guidance in reporting economic transactions in a systematic and transparent manner, while audits serve to ensure that the company's financial statements are in accordance with applicable standards. Some studies show that the quality of accounting information has a negative correlation with the level of corruption in a country (Picur, 2004; Riahi-Belkaoui and AlNajjar, 2006). The existence of clear accounting and auditing standards can increase the transparency, accuracy, and comparability of financial information, making it difficult for corrupt practices. According to Malagueño et al. (2010), high standards in accounting and auditing encourage management to be more transparent in the use of organizational assets, thereby reducing the likelihood of irregularities. However, the key issue lies not only in the existence of such standards, but also in the extent to which they are effectively applied. The appointment of independent auditors, the setting of audit fees, and the evaluation of audit quality are practices that support the strengthening of corporate governance.

Transparency

Transparency is a fundamental principle in corporate governance that requires the disclosure of accurate, timely, and publicly accessible information related to material aspects such as financial condition, ownership, and management structure (Woodward, 2009). Within the framework of agency theory, transparency reduces information asymmetry between management and owners, thereby reducing the potential for conflicts of interest and deviant behavior such as corruption or bribery (Brennan and Solomon, 2008). The availability of open information on directors' remuneration, leadership selection processes, and conflicts of interest allows stakeholders to more effectively monitor the company's behavior (Gisbert and Navallas, 2012). The higher level of transparency, the greater the accountability and public trust in corporations, which in turn encourages the creation of a healthy investment climate and sustainable economic growth.

METHODS

This research uses a qualitative method that uses a literature review as the approach applied in this research. The literature review involves a series of efforts related to the process of collecting literature data, reading, and recording, as well as processing the material to be analyzed related to Good Corporate Governance and Fraud Prevention. The data source for this research comes from secondary data. There is no need to double-check the validity and reliability of this data, as its use and publication can be guaranteed. Previous research, books, news articles, and other relevant references are the data sources for this study. Research conducted by Wijayati et al. (2016) has the main focus and secondary reference for this research.

This study compares Indonesia's governance framework with that of two other Southeast Asian countries with similar characteristics, namely Malaysia and Thailand. The three countries were chosen due to their shared history of economic development, including the significant impact of the 1997 Asian financial crisis that exposed fundamental weaknesses in their corporate governance systems. In addition, Malaysia and Thailand are now considered more advanced in implementing governance principles that refer to international standards such as the OECD and G20.

RESULT

Based on the Corruption Perceptions Index (CPI) data for Southeast Asia from 2012-2024, it can be seen that the level of corruption perception in the region shows a fluctuating trend with an average score that tends to stagnate or decrease in recent years. Southeast Asia's average score in 2012 was 37.82 and reached its peak in 2019 with a score of 41.91, but fell back to 39.20 in 2024, indicating that efforts to eradicate corruption regionally have not been optimal. In particular, Indonesia experienced a moderate improvement from a score of 32 in 2012 to 37 in 2024, but the improvement tends to be slow and inconsistent. This improvement still places Indonesia below the Southeast Asia and Asia Pacific averages, and far behind countries such as Singapore, which consistently ranks among the highest in the region with scores above 80, albeit declining from 87 (2012) to 83 (2024).

Table 1. Southeast Asia CPI scores 2012-2024

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Brunei Darussalam	55	60		58	62	63	60	60					
Cambodia	22	20	21	21	21	21	20	20	21	23	24	22	21
Indonesia	32	32	34	36	37	37	38	40	37	38	34	34	37
Laos	21	26	25	25	30	29	29	29	29	30	31	28	33
Malaysia	49	50	52	50	49	47	47	53	51	48	47	50	50
Myanmar	15	21	21	22	28	30	29	29	28	28	23	20	16
Philippines	34	36	38	35	35	34	36	34	34	33	33	34	33

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Singapore	87	86	84	85	84	84	85	85	85	85	83	83	84
Thailand	37	35	38	38	35	37	36	36	36	35	36	35	34
Timor-Leste	33	30	28	28	35	38	35	38	40	41	42	43	44
Vietnam	31	31	31	31	33	35	33	37	36	39	42	41	40
Southeast Asia average	37.82	38.82	37.20	37.10	40.45	41.27	41.00	41.91	41.55	40.00	39.50	39.00	39.20
Asia Pacific average	42.64	43.04	42.70	42.56	43.87	44.39	44.39	44.87	45.29	45.10	45.13	44.52	44.48
Global average	43.15	42.55	43.16	42.60	42.95	43.07	43.12	43.17	43.34	43.27	42.98	42.97	42.66

Source: (Leonardo, 2025).

Malaysia also shows fluctuations, with the highest score in 2014 of 52, but declining to 50 in 2024, indicating political and institutional challenges that have not been systematically resolved. Thailand and the Philippines stagnate in the 33-38 score range, indicating very limited improvement. Myanmar regressed significantly from a score of 15 in 2012 to only 16 in 2024, reflecting a political crisis and deteriorating governance. Vietnam and Laos, meanwhile, recorded slow improvement trends, but will remain below a score of 40 until 2024. The Asia Pacific region average CPI also shows a slight decline from 45.29 (2020) to 44.68 (2024). The global average has also remained relatively stable in the range of 42-43 over the past decade. This indicates that corruption is still a global challenge, but Southeast Asia seems to be lagging behind in improving governance integrity compared to the global and regional averages.

From this analysis, it can be concluded that Indonesia, although showing some progress, still faces serious challenges in strengthening the anti-corruption system and improving public perceptions of the integrity of the public and private sectors. A more significant improvement in the CPI score is only possible through institutional reforms, strengthening oversight, increasing transparency, and eradicating conflicts of interest in the public sector and public companies. Indonesia's lagging behind certain ASEAN countries can be explained by a number of factors. One of them is institutional weakening in the fight against corruption, which is evident from the revision of the KPK Law in 2019, which was widely criticized for reducing the independence of the institution. In addition, strong political influence in law enforcement and structured corrupt practices, especially in the public procurement sector and in State-Owned Enterprises (SOEs), are serious obstacles to the implementation of clean governance. The low effectiveness of the internal control system and the powerlessness of the whistle-blower mechanism in protecting whistleblowers also exacerbate this condition.

Governance Dynamics and Succession Challenges in Southeast Asian Companies

Family firms remain a key pillar in Southeast Asia's business structure, with around 60% of publicly listed companies in Indonesia, Malaysia, the Philippines, and Thailand controlled by families, either through majority shareholding, key executive positions, or strategic positions such as chairman of the board (Nikkei Asia, 2024). Within the context of family firms that dominate the business landscape in Southeast Asia, corporate governance plays a pivotal role in preventing business crime. Around two-thirds of public companies in the region are family-controlled, which positions them as long-term stewards, but also has the potential to create conflicts of interest if not coupled with strong oversight structures (Stewart Investors, 2017). One prominent example is Thai Summit Group, a family-owned automotive parts manufacturer in Thailand, which, despite securing an important contract with a Chinese electric vehicle maker, has chosen not to list on the stock exchange due to considerations of internal governance stability and clarity of leadership succession (Nikkei Asia, 2024). The dilemma faced by the next generation reflects the general tension between the desire to maintain family control and the demands of transparency and public accountability.

Intergenerational transition is a structural challenge in maintaining the sustainability of family businesses. Many companies face the risk of ownership fragmentation as heirs grow, which

can reduce strategic control and open up opportunities for internal conflict and external takeover if not anticipated through succession planning (Cater, 2004). Studies show that without a clear succession mechanism, family firms are vulnerable to impairment, as was the case with SJM Holdings in Hong Kong after the founding family's internal conflicts (Nikkei Asia, 2024). However, companies like IOI Group in Malaysia show how early succession planning, including a structured division of roles between the founder's children, can create a smooth and stable leadership transition (Sukamdani, 2023).

To deal with the complexities of third-generation management, many conglomerates such as Thailand's Central Group have begun to implement family charters that regulate decision-making structures, terms of employment of family members, and procedures for remuneration and appointment of leaders. According to Christian Stewart, founder of Hong Kong-based consultancy Family Legacy Asia, this practice is also supported by the establishment of family councils and the inclusion of external professionals to strengthen governance and managerial competence (Nikkei Asia, 2024). Family firms in the Asia Pacific show higher financial performance than non-family firms, with better return on assets due to long-term orientation and continuity of leadership.

However, the existence of strong governance in family firms is still debatable. While there is a trend towards strengthening disclosures during crisis periods in an effort to preserve the family's reputation, governance practices such as dual-class shares and the low proportion of independent directors on the board remain a challenge (Nikkei Asia, 2024). Experts suggest that family companies increase the role of independent directors to bridge the relationship between active and passive family members in the business, as well as to maintain a balance of interests with minority shareholders. The case of Anthoni Salim in Indonesia shows how competent leaders from the next generation are able to take family companies to a global level, such as Indofood becoming the world's largest producer of instant noodles, while preparing the fourth generation to continue the legacy of the business (Sihombing and Pratomo, 2024). As global economic and market challenges become more complex, the future of family firms in ASEAN will depend on their capacity to structure adaptive succession systems, strengthen inclusive governance, and create space for cross-generational innovation (LeCounte, 2024).

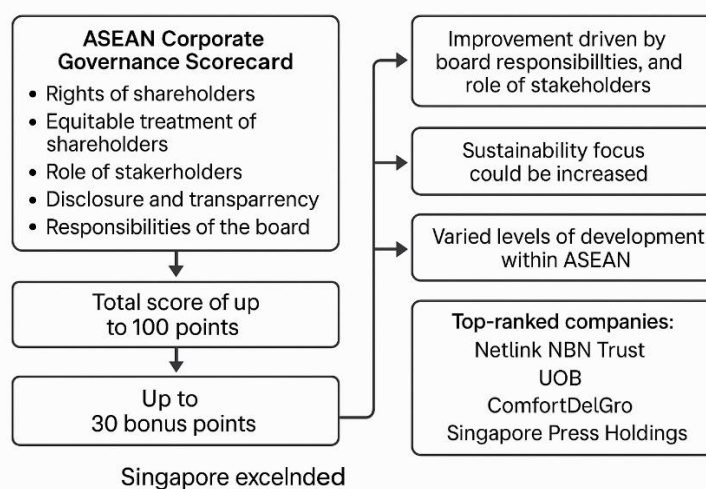


Figure 1. ASEAN Corporate Governance Scorecard Overview

The ASEAN corporate governance scorecard provides an evaluation framework based on five key components: shareholder rights, fair treatment, stakeholder role, transparency, and board responsibility, with a total score of 100 points and an additional bonus of up to 30 points for excellent practices. Among ASEAN countries, Singapore showed significant progress in the aspects of board responsibility and stakeholder engagement, but stagnated on the protection of minority shareholder rights (Lim J, 2022).

DISCUSSION

Comparative Corporate Governance Institutional Framework

The analysis of institutional frameworks for corporate governance in Indonesia, Malaysia, and Thailand shows that the formal regulatory structures are similar, but with different levels of quality and effectiveness in implementation. All three have established key legal tools governing corporate governance practices through limited liability company laws, capital market regulations, stock exchange rules, and corporate governance codes of conduct. In Indonesia, the legal framework is based on Act No. 40 of 2007, while Malaysia and Thailand use the Companies Act 2007 and Public Limited Companies Act No. 3/2008, respectively. Institutionally, all three countries have capital market authorities that serve not only as financial sector supervisors, but also as implementers of public corporate governance policies, namely BAPEPAM-LK/OJK in Indonesia, Securities Commission in Malaysia, and Securities and Exchange Commission in Thailand (Wijayati et al., 2016).

However, when these legal and institutional frameworks are analyzed in the context of implementation, Indonesia appears to face greater challenges than the other two countries. Despite formally adopting the principles of Good Corporate Governance (GCG), implementation is often not optimal due to a weak law enforcement system, lack of internal supervisory capacity, and strong political intervention in the structure of public companies. This is in contrast to Malaysia and Thailand, which, despite their challenges, tend to show more consistent governance performance in improving accountability and transparency in the corporate sector.

This finding reinforces the argument that the success of corporate governance is not only determined by the existence of a regulatory framework, but is highly dependent on institutional capacity and consistency of rule enforcement. Therefore, the differences in governance scores and effectiveness between ASEAN countries need to be viewed more comprehensively by considering the socio-political context, legal culture, and the dynamics of the relationship between the public and private sectors in each country. In the context of Indonesia, this indicates the need to strengthen implementation aspects, including in terms of the protection of minority shareholders, improving the quality of the board of directors, and transparency of financial reports, so that corporate governance can function as a real mechanism for preventing business crime.

Table 2. Comparison of Corporate Governance Frameworks in Indonesia, Malaysia, and Thailand

Aspects	Indonesia	Malaysia	Thailand
Board System	Two-tier board (Board of Directors & Commissioners) (Niki, 2001)	Unitary board system (single-tier)	Generally unitary; sometimes semi-two-tier, depending on sector.
Main Regulations	- Company Law No. 40/2007 - Capital Market Law No. 8/1995 - OJK, IDX listing rules - Kode GCG KNKG (2006, voluntary)	- Companies Act 2016 - Capital Markets and Services Act 2007 - MCCG (revision 2000, 2007, 2012, 2017, 2021) - Bursa Malaysia listing rules	- Public Limited Companies Act 1992 - Securities and Exchange Act 1992 - SET Principles of Good CG (2012) - OIC regulation for insurance.
Regulator & Supervision	OJK (since 2014) integrates Bapepam LK and BI; focuses on supervision and CG roadmap	SC Malaysia, SSM (Suruhanjaya Syarikat Malaysia), Bursa Malaysia, and specialized enforcement divisions	SEC Thailand, SET, OIC (insurance), has a number of independent regulatory agencies.
Non-Regulatory Codes & Guidelines	KNKG GCG Code (voluntary, compliant, or non-compliant), OJK GCG Guidelines	Malaysian Code on CG (MCCG) and Stewardship Code for institutional investors	Principles of Good CG SET (2012); OIC sectoral guidelines.

Aspects	Indonesia	Malaysia	Thailand
Enforcement & Sanctions	Enforcement by OJK, but limited effectiveness due to voluntary GCG Code	Enforcement Division Bursa Malaysia; heavy sanctions through Companies Act & CMSA	The enforcement mechanism through SEC/SET is not as strong as in Malaysia, but there is a sectoral approach.
Rating ASEAN CG Scorecard (ACGS)	Scores are relatively lower than those of other ASEAN countries	ACGS scores are quite high; often a regional benchmark	ACGS scores above Indonesia, close to the ASEAN average

The institutional frameworks of corporate governance in the three major ASEAN countries of Indonesia, Malaysia, and Thailand show significant differences in terms of structure, regulation, and implementation effectiveness. Indonesia adopts a two-tier board system, which separates oversight and management functions between the Board of Commissioners and the Board of Directors. Despite having a number of regulations, such as the Limited Liability Company Law No. 40 of 2007 and the GCG Code by the KNKG, implementation remains voluntary and lacks consistent enforcement by authorities such as the OJK ([Wijayati et al., 2016](#)). Weaknesses in law enforcement and a low compliance culture are key challenges in preventing abusive business practices.

Instead, Malaysia demonstrates a more advanced and consistent governance structure. With a single board system and strong support from the Malaysian Code on Corporate Governance (MCCG), the country has managed to set high governance standards through a stricter comply or explain approach ([Tanujaya, 2022](#)). Regulation is also reinforced by regulatory bodies such as the Securities Commission (SC) and Bursa Malaysia, which have specialized enforcement divisions. This makes Malaysia the country with the highest ASEAN CG Scorecard score in the region and is often used as a benchmark for governance in Southeast Asia.

Thailand occupies an intermediate position. While most of its companies adopt a single board structure, some sectors, such as insurance, follow a semi-two-tier model. Capital market authorities such as the Securities and Exchange Commission (SEC) of Thailand and the stock exchange (SET) actively encourage the application of CG principles through the guidelines of the Principles of Good Corporate Governance ([Limpaphayom and Connelly, 2004](#)). However, like Indonesia, law enforcement against CG violations still needs to be strengthened outside of highly regulated sectors such as insurance and finance. The absence of a compliance reporting mechanism indicates a gap between the policy structure and implementation of governance in Indonesia, which may be one of the reasons for the low governance scores and high risk of business crime in public companies. Thus, these differences in institutional approaches suggest that the effectiveness of the implementation of corporate governance principles is not only determined by the existence of codes of conduct, but also by the institutional strength and monitoring mechanisms inherent in each country's capital market system. From this comparison, it can be concluded that Malaysia has the most mature and effective CG institutional framework, followed by Thailand, which is still developing sectorally, and Indonesia, which is lagging behind in the implementation aspect.

Differences in institutional structure and reporting mechanisms between Indonesia, Malaysia, and Thailand have a significant impact on corporate compliance with governance principles and investor perceptions of capital market integrity. Malaysia and Thailand require reporting on compliance with GCG codes, including explanations for non-conformances, thus creating a transparent and accountable oversight system and increasing investor confidence. In contrast, Indonesia still faces institutional weaknesses, particularly in the integration between governance codes and formal oversight systems, which allows companies to avoid accountability for poor governance practices. Non-reporting worsens stakeholders' ability to evaluate governance, lowers Indonesia's score on the ASEAN Corporate Governance Scorecard, and increases the risk of business crimes such as corruption and insider trading. Therefore, future policy reforms need to place governance codes within the capital market regulatory framework on a mandatory basis and strengthen reporting mechanisms and compliance audits of publicly listed companies.

Shareholder Rights

One major problem in corporate governance in the Southeast Asian region, particularly Indonesia, Malaysia, and Thailand, is the type II agency problem, which is a conflict between majority and minority shareholders arising from the high concentration of shareholdings by families or controlling groups (Che-Ahmad and Mustafa, 2017). In Malaysia, more than 70% of public companies are controlled by family owners who utilize pyramid structures and golden shares to maintain control over strategic decisions despite owning only a fraction of the economic capital (Che-Ahmad and Mustafa, 2017). A similar situation is also found in Indonesia, where share ownership levels by majority holders exceeding 70% have proven to have a negative impact on company performance, reflecting an unhealthy dominance in strategic decision-making (Majid, 2021).

The consequence of this dominance is the lack of effective participation of minority shareholders in the governance process, including in voicing opinions at the General Meeting of Shareholders (GMS) (Somadiyono, 2020). While all three countries allow proxy voting, the shareholding threshold for proposing agenda items at the GMS is still high in Thailand (33%) compared to Malaysia (5%) and Indonesia (10%), making it difficult for minority shareholders to access corporate deliberation space. These limitations reflect structural barriers that weaken the protection of small investors' rights.

In response to this problem, some countries have begun to establish more participatory oversight institutions. Malaysia has been proactive with its Minority Shareholders Watchdog Group (MSWG), which actively monitors management, educates investors and fights for transparency at AGMs (Ishak and Omar, 2010). Meanwhile, Thailand adopted an institutionalized approach by issuing best practice guidelines since 2006 to strengthen the formal mechanism for minority shareholders to express their aspirations. However, in Indonesia, despite the existence of regulations that require reasonable summoning of GMS, the implementation of legal protection for minority shareholders is still not optimal.

The study by Jatiningrum et al. (2022) shows that the high concentration of ownership in Indonesia is inversely proportional to the quality of financial information disclosure, weakening the role of external control and increasing opportunities for report manipulation by management under the control of dominant shareholders. This fact shows that the legal and regulatory framework has not been fully effective in translating into investor protection practices, especially in the context of conflicts of interest that are often invisible in formal financial reports (Jatiningrum et al., 2022). Therefore, improving governance in the region needs to emphasize more on checks and balances mechanisms, the establishment of minority shareholder advocacy bodies, and ownership structure reforms to create fairness and accountability in corporate decision-making.

Agency conflicts and majority shareholder dominance, as well as the issue of related party transactions (RPTs), further illuminate the tangible forms of expropriation of minority shareholder rights in Southeast Asia. In this context, RPTs are often utilized by controlling shareholders to transfer corporate resources to entities they personally own, often through inter-company transactions within the group at unfair prices, or unsecured loans, to the detriment of minority shareholders' interests (Majid, 2021). This situation reflects a type II agency conflict, where the majority owner uses his power for personal gain, while the supervisory mechanism against this kind of practice is inadequate.

A comparison of RPT regulations in Indonesia, Malaysia, and Thailand shows that Indonesia is in the weakest position in terms of institutional protection. While Indonesia normatively requires independent shareholder approval for RPTs exceeding 0.5% of paid-up capital, the absence of an obligation to engage an independent appraiser or an explicit statement from the board of directors and audit committee leaves a large gap for potential abuse (Somadiyono, 2020). Instead, Malaysia has a threshold of 5% of Net Tangible Assets (NTA) and requires approval from independent shareholders. Plus, the presence of the Minority Shareholders Watchdog Group (MSWG) which actively provides external oversight of RPTs makes Malaysia's investor protection system much more robust (Ishak and Omar, 2010). Thailand applies an even stricter threshold of 3% of NTA, and

is complemented by the active intervention of the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET) in assessing potential losses to minority shareholders.

Board of Directors

The highly concentrated ownership structure of family groups or controlling shareholders in Southeast Asia, particularly in Indonesia, has created a strong tendency towards appointing directors from insiders such as family members or business associates. This undermines the principle of board independence, which is supposed to be a counterweight to executive power. In Thailand, family firm value decreases significantly when owner dominance is not matched by an adequate number of independent directors, but increases substantially when the board composition is more independent and the CEO position is separated from the board chairman (Buachoom and Amornkitvikai, 2022). This underscores the importance of governance that favors a balanced and autonomous board structure.

Another issue that has surfaced is CEO duality, where the CEO doubles as chairman of the board of directors. This phenomenon increases the risk of weak managerial oversight and decreases the accountability of strategic decisions. Cross-country studies in Indonesia, Malaysia, and Thailand reveal that CEO duality consistently has a negative impact on firm performance, especially in firms with concentrated ownership structures (Ramdani and Witteloostuijn, 2010). Malaysia has progressively addressed this issue by prohibiting the practice of CEO duality through the Malaysia Code on Corporate Governance (MCCG), while Indonesia and Thailand do not yet have regulations that strictly limit the practice.

Another aspect that affects board effectiveness is the length of tenure of independent directors. Malaysia since 2012 has adopted a maximum term limit of nine years to maintain objectivity and prevent too close a relationship between directors and management, which may interfere with the supervisory function (Lim et al., 2014). In Indonesia, there are no similar restrictions, so an individual can serve as an independent director indefinitely, potentially weakening independence in the long term and obscuring the oversight role.

Not only that, but board effectiveness is also compromised by the practice of multiple directorships, which is when one person serves as a director in many companies at once. In Indonesia and Thailand, this phenomenon is quite common and casts doubt on the ability of the board to optimally perform its fiduciary function. In contrast, Malaysia sets a maximum limit of five directorships in listed companies, as regulated by Bursa Malaysia, and has proven to improve the quality of supervision and board performance (Goh et al., 2014).

Finally, in terms of competency and training, Malaysia again shows a high commitment by requiring continuous training and development for all board members as part of the corporate accountability system. In Thailand, this provision is only a voluntary recommendation, while in Indonesia there are no mandatory regulations related to training for directors, which creates a competency gap and strengthens the perception that the quality of public company governance in Indonesia is still lagging behind its ASEAN neighbors (Goh et al., 2014).

Accounting and Auditing

Since January 1, 2012, Indonesia and Malaysia officially adopted the International Financial Reporting Standards (IFRS) in full, followed by Thailand, which implemented the convergence approach in 2013. This policy is expected to improve the transparency, quality, and comparability of financial statements at the regional and global levels, in line with the demands of international capital markets and cross-border investors (Fauzizah, 2023). However, while the IFRS-based regulatory framework has been formally adopted, implementation practices on the ground are far from ideal, particularly in sectors with weak oversight or dominance of majority shareholders (Nurunnabi, 2021; Suciati, 2017). IFRS adoption has not consistently improved reporting and audit quality, as many companies still maintain internal interest-based and less transparent reporting practices.

Perhaps the most fundamental obstacle to the effectiveness of IFRS in ASEAN countries is the lack of independence of external auditors, who should serve as the primary watchdog over the accuracy and fairness of financial statements. In Indonesia, regulations have stipulated audit firm rotation every six years and audit partner rotation every three years, to prevent too close a relationship between auditors and clients that could potentially lead to conflicts of interest (Junaidi et al., 2016). In contrast, in Thailand, the rules only apply to individual auditors, not firms, while Malaysia still does not have a formal auditor tenure restriction policy, despite growing discourse on reforms (Hia and Khomsiyah, 2024). This policy inconsistency creates loopholes for audit accountability and weakens the oversight function in the corporate governance system.

Research in Indonesia and Malaysia shows that an audit fee that is too high can actually impair auditor objectivity, as financial dependence on the client paying for audit services can create pressure not to disclose negative findings in the financial statements. Fourati et al. (2021) noted that post-IFRS adoption, audit fees in Malaysia increased significantly, along with the increased complexity of audit procedures required by the new standard. Ironically, however, the increase in audit fees in Indonesia correlates with an increase in discretionary accruals, i.e., management's adjustment of accounting profit, which is an indicator of deteriorating audit quality (Soedaryono, 2017). Another factor that worsens the situation in Indonesia is the lack of a sufficient number of professional accountants to support audit quality. Based on data from the ASEAN Federation of Accountants, Indonesia only has around 71 Chartered Accountants per one million population, far less than Malaysia (1,270) and Thailand (867) (Khan et al., 2023). This imbalance reflects the weak capacity of human resources to effectively perform financial oversight functions, which in turn opens up a large space for financial statement manipulation, fraud, and corrupt practices within public companies. The imbalance between the high standards of IFRS and the limited capacity of audit professionals creates a compliance gap, where regulations cannot be translated into high-quality practices.

Transparency

Transparency has long been considered one of the most effective disciplinary mechanisms in corporate governance, especially in the context of developing countries such as Indonesia. Honest, accurate, and timely disclosure of information not only strengthens internal accountability but also enables external stakeholders, especially investors, to make decisions based on relevant data. In this framework, transparency and mandatory disclosure play a vital role in enforcing corporate legal discipline (Cahaya and Yoga, 2020). Hamzah and Wajdi (2019) study shows that transparency plays a central role in the implementation of Good Corporate Governance (GCG) in Indonesia, although OJK's efforts to enforce information compliance are still administrative in nature and not yet supported by strict enforcement mechanisms.

However, in addition to mandatory disclosure, voluntary disclosure also makes a major contribution to strengthening corporate governance. Research by Mardinah et al. (2013) found that the structure of GCG in Indonesia, such as the high proportion of independent commissioners and the involvement of quality auditors, is positively correlated with voluntary disclosure. However, as there is no formal obligation for companies to report compliance with GCG codes, important information such as directors' remuneration, conflicts of interest, and related party transaction policies is often not disclosed in annual reports. This suggests that without binding regulations, the disclosure of important information is highly dependent on the goodwill of companies, which in many cases remains low.

In contrast, Malaysia and Thailand excel in promoting corporate transparency and accountability. Both apply the comply or explain principle, whereby companies are required to comply with GCG provisions or provide reasons in writing if they do not comply. Malaysia has even gone so far as to require board members to disclose their involvement in related party transactions, cross-ownership, and political positions that could trigger conflicts of interest (Ghazali, 2010). In Thailand, the rules are further strengthened by mandatory disclosure of directors' fees, audit fees, and the company's code of conduct, which sends a strong signal to the public about the standards of accountability being practiced (Fongsiri, 2015).

Ironically, empirical evidence shows that corporate transparency in Indonesia still lags far behind neighboring countries. A study by Cahaya and Yoga (2020) shows that the level of voluntary disclosure among Indonesian public companies is only around 26%, a very low figure when compared to global and regional standards. This suggests that corporate awareness of the importance of disclosure is still not growing as a whole, even among large companies. This lack of transparency has serious implications for corruption risks and investor confidence. When disclosure is voluntary and not accompanied by an effective sanction mechanism, corporate management has ample room to hide non-arm's length transactions that are not conducted on the basis of fairness or market principles. This increases the opportunity for manipulation, abuse of power, and corporate corruption, especially in a country like Indonesia that still has weaknesses in its governance and law enforcement system (Arisanti et al., 2021).

CONCLUSION

Weak corporate governance practices in Indonesia contribute to the rise of business crimes such as corruption and insider trading. Although reforms have been implemented, their effectiveness remains limited without strengthened oversight, whistleblower protection, and information transparency. This study emphasizes the importance of strengthening shareholder rights, the role of the board of directors, and auditing and accounting standards in curbing corruption. Therefore, a comparison with Malaysia and Thailand is conducted to identify governance practices that are more effective in creating an accountable and sustainable business climate.

Based on a qualitative study with a literature review approach comparing corporate governance practices in Indonesia, Malaysia, and Thailand, it can be concluded that the effectiveness of governance in Indonesia still lags behind the two ASEAN countries. Although Indonesia has adopted regulatory frameworks such as the Limited Liability Company Law and implemented IFRS standards, implementation has not been optimal due to weak supervisory capacity, low protection of minority shareholders, and strong intervention of controlling owners in strategic decision-making. This is reflected in Indonesia's low score in the ASEAN Corporate Governance Scorecard and the stagnation of the Corruption Perception Index (CPI) score in the last decade. Governance issues such as related party transactions, majority shareholder dominance, low role of independent directors, and weak transparency and audit quality are the main sources of vulnerability to business crime.

The implications of these findings emphasize the need for institutional reforms that focus on strengthening internal and external oversight mechanisms, improving the quality of transparency and disclosure, and regulating ownership structures to make them more accountable. The government and capital market authorities in Indonesia need to set binding reporting standards, strengthen board and auditor independence regulations, and establish a legal protection system for whistleblowers and minority shareholders. In addition, lessons from Malaysia and Thailand show that the implementation of the comply or explain principle, restrictions on directorships, and strict supervision of related party transactions can improve corporate accountability. In the context of family firms dominating the ASEAN business landscape, it is important to build adaptive succession systems and inclusive governance to address cross-generational challenges and maintain business sustainability. With comprehensive improvements to these aspects, Indonesia has the opportunity to systematically strengthen governance integrity and reduce the risk of business crime.

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