



GOVERNANCE FAILURE AS A TRIGGER OF FRAUD IN INVESTMENT MANAGEMENT: A CASE STUDY OF PT ASABRI

KEGAGALAN TATA KELOLA SEBAGAI PEMICU FRAUD DALAM PENGELOLAAN INVESTASI : STUDI KASUS PT ASABRI

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DOI: <https://doi.org/10.62567/micjo.v3i1.1772>

Abstract

This study aims to analyze how governance failure became a trigger for fraud in investment management at PT ASABRI. The research employs a literature study approach. The results indicate that fraud at PT ASABRI was driven by the weak implementation of corporate governance principles, particularly in terms of transparency, accountability, and independence. In addition, violations of the prudential principle and weak internal controls led to investment decisions being made without adequate risk considerations and opened opportunities for collusion between internal and external parties of the company. The findings of this study emphasize that fraud is a direct consequence of governance system failure rather than merely the actions of individuals. Therefore, this study recommends the need for comprehensive governance reform through strengthening risk management, enhancing the transparency of investment reporting, and implementing independent oversight mechanisms to prevent similar cases in the future.

Keywords : Fraud, Risk Management, Internal Control.

Abstrak

Penelitian ini bertujuan menganalisis bagaimana kegagalan tata kelola menjadi pemicu terjadinya fraud dalam pengelolaan investasi pada PT ASABRI. Penelitian menggunakan pendekatan dengan metode studi literatur. Hasil penelitian menunjukkan bahwa fraud pada PT ASABRI dipicu oleh lemahnya penerapan prinsip tata kelola, terutama pada aspek transparansi, akuntabilitas, dan independensi. Selain itu, pelanggaran prinsip kehati-hatian (prudential principle) dan lemahnya pengendalian internal membuat keputusan investasi dilakukan tanpa pertimbangan risiko yang memadai dan membuka ruang kolusi antara pihak internal dan eksternal perusahaan. Temuan penelitian ini menegaskan bahwa fraud merupakan konsekuensi langsung dari kegagalan sistem tata kelola, bukan sekadar tindakan individu. Oleh karena itu, penelitian merekomendasikan perlunya reformasi tata kelola secara menyeluruh melalui penguatan manajemen risiko, transparansi laporan investasi, dan penerapan mekanisme pengawasan independen untuk mencegah kasus serupa di masa depan.

Kata Kunci : Fraud, Manajemen Risiko, Pengendalian Internal.



1. INTRODUCTION

Public fund management companies must implement a robust governance system to ensure that every investment decision is carried out transparently, remains free from conflicts of interest, and is fully accountable (Amir et al., 2024). The implementation of Good Corporate Governance (GCG) plays a vital and active role as the core mechanism for preventing fraud or misconduct through segregation of duties, adequate risk control systems, and effective oversight. Reynold Ticoalu et al., (2021) It is explained that corporate governance is a key instrument in ensuring financial integrity and protecting stakeholder interests. In the context of pension fund organizations, good governance is crucial because it concerns public trust in the continued welfare of its participants. When governance is executed properly and effectively, the risk of fraud can be minimized through control mechanisms, supervision, and an objective risk assessment system.

One of the largest corporate scandals in Indonesia that demonstrates the damaging impact of fraud is the case that occurred at PT. Asuransi Angkatan Bersenjata Republik Indonesia (Persero), or what we know as PT. ASABRI, which is a State-Owned Enterprise (BUMN) in the insurance and pension fund sector. In the research conducted by Christian et al., (2024), Christian et al.,(2023)&Isnaini et al., (2024) It is mentioned that this case involved fraudulent practices and manipulation of financial reports, carried out through collusion between high-ranking company officials (the Board of Directors) and external parties, particularly in the management of stock and mutual fund investments. The losses incurred in this case were massive, estimated to reach Rp. 22.78 Trillion for the state. These losses not only damaged the company's reputation but also threatened overall market stability. Furthermore, the findings conducted by Kejaksaan Agung (2021) stated that weak internal controls, lack of independence of investment authorities, and inadequate oversight by the investment committee allowed the fraud to persist for years.

Therefore, this research is important to conduct because it can provide a scientific mapping of the governance components that caused the fraud in the Asabri case and offer suggestions on how to strengthen governance to prevent such cases from recurring. Most existing research still portrays the impact of fraud and its chronology, without elaborating on how governance failures created space for investment deviations that lasted for years. Thus, research is needed that positions fraud as a consequence of weak oversight structures, unclear accountability mechanisms, and the absence of risk management in investment management.

2. RESEARCH METHOD

This study uses a qualitative approach with a literature review method because the objective of this research is to gain a better understanding of the fraud phenomenon at PT Asabri by combining data and results from previous studies (Nugraha, 2025). A literature review is utilized to systematically collect, evaluate, and analyze various scientific sources to obtain a theoretical and empirical overview related to governance failure as a trigger for fraud in investment management (Amelia et al., 2023). The data used is secondary data obtained



from indexed national and international journals, scientific books, official reports from government institutions, and credible news relevant to the PT Asabri case. Data collection was performed through systematic searching on the Google Scholar and Sinta databases."

3. RESULT AND DISCUSSION

a. Overview of the PT ASABRI Investment Fraud Case

PT ASABRI (Asuransi Sosial Angkatan Bersenjata Republik Indonesia) is a State-Owned Enterprise established on August 1, 1971, with the primary task of managing social insurance programs and pension benefit services for TNI soldiers, Polri members, and ASN within the Ministry of Defense and Police (Cristian et al., 2023). Cristian et al., (2023) also explain that the formation of this body aimed to improve the welfare of defense and security members through professional and sustainable pension fund management. However, this initial idealism faced a serious challenge when indications of fraud emerged in the company's investment management. In early 2020, the Supreme Audit Agency (BPK) found irregularities in the company's financial statements, where financial performance showed a drastic downward trend and the investment portfolio appeared abnormal and yielded negative figures. These initial findings led to further investigation, which subsequently, on February 8, 2021, uncovered fraudulent practices by the management in the company's investment activities (Christian et al., 2024).

A more in-depth investigation revealed that the fraudulent practices had occurred during the 2012 to 2019 period and involved the ranks of PT ASABRI's board of directors, including the President Director, Investment Director, Finance Director, and Head of Investment Division, who collaborated with external parties (Isnain et al., 2024). The modus operandi consisted of placing the company's investment funds in poorly performing stocks or the category of "pump and dump" stocks (saham gorengan), which were then engineered through price manipulation to display a portfolio performance that appeared good and liquid. This scheme was carried out by controlling stock transactions so that prices rose artificially and appeared stable, although they did not reflect the real value of the stock-owning companies. Such manipulation was intended to cover up financial losses while presenting a positive image of the investment portfolio (Baeha et al., 2022). Consequently, PT ASABRI suffered losses estimated at Rp 22.78 trillion, making it one of the largest corruption and governance failure scandals in Indonesia, and directly impacting the pension funds of TNI and Polri members who are the company's main participants.

b. Governance Failure as a Trigger for Fraud

The investment fraud case at PT ASABRI illustrates a significant failure in the implementation of governance principles, which should be fundamental in managing large sums and involving state social interests. One of the most striking aspects is the weakness of accountability in the organizational governance structure. (Christian et al., 2024; Cristian et al., 2023; Isnain et al., 2024) state that this event is an important lesson for every company to implement a sound control system to manage employee and organizational performance, as



well as to improve governance and investment management. The fact that fraud could persist for years undetected indicates that the management accountability mechanism was not functioning, severely weakening the oversight space for investment decision-making. The absence of accountability allowed the board of directors to carry out speculative and manipulative actions in portfolio management without effective control from the company's governance structure (Cristian et al., 2023).

Furthermore, the aspect of transparency was also not carried out as it should have been. The practice of financial reporting that was not prepared transparently and accurately created an information gap between management and stakeholders. (Christian et al., 2024) emphasizes the importance of transparent reporting as part of public oversight and investor protection, and states that the findings of the PT ASABRI case revealed major weaknesses in the cash flow monitoring and reporting system. The lack of openness regarding investment data and portfolio performance reports opened up opportunities for manipulation and concealing the true facts about the company's financial condition. This situation was exacerbated by the weak role of the board of commissioners and the audit committee, which should have carried out independent oversight functions but failed to detect the fraud scheme that lasted for years. This failure in the oversight function clarifies that the governance structure within ASABRI was not effective in carrying out its strategic control role (Cristian et al., 2023).

Another crucial dimension in the governance failure is the violation of the prudential principle and risk management in investment decision-making. (Isnaini et al., 2024) asserts that the prudential principle is an essential instrument in running a company and is the basis for decision-making that considers risk. In fact, legal provisions explicitly state that directors who violate the prudential principle, thereby causing losses, are responsible for the resulting financial damage. In practice, PT ASABRI's management actually placed investment funds in stocks and high-risk instruments without adequate feasibility analysis. In reality, investment decisions should refer to the directors' obligation to consult with professional investment consultants and objectively calculate risk. These three studies highlight how governance failure in the PT ASABRI case was not just a technical violation of investment procedures, but also a systemic failure reflecting a weak organizational culture, weak oversight structure, and the absence of discipline in the management of a public company. Therefore, reform efforts should not only focus on punishing the individual perpetrators but must emphasize comprehensive governance reform to prevent the recurrence of similar cases in the future.

c. Governance Reform from the PT ASABRI Case

In addition to the legal process dedicated to the individual perpetrators involved, the resolution of the case demands systematic efforts to strengthen corporate governance, especially internal control, risk management, and reporting transparency mechanisms to prevent the recurrence of fraud. (Cristian et al., 2023) stated the importance of improving governance and investment management, including strengthening the internal oversight system, the board of commissioners, and the audit committee so that investment performance can be monitored objectively and free from conflicts of interest. The company must enhance



the implementation of good governance practices and strict law enforcement to prevent similar events in the future and ensure healthy economic sustainability (Christian et al., 2024). (Isnaini et al., 2024) stated that reform is strengthened through the implementation of mandatory adherence to the principles of prudence, transparency, accountability, responsibility, professionalism, and fairness in all investment processes as regulated in the provisions for the management of insurance companies.

4. CONCLUSION

The fraud case in the investment management of PT ASABRI represents a form of systemic governance failure. The weak implementation of governance principles, particularly transparency, accountability, and independence, caused the investment process to be inadequately supervised, thus providing room for the manipulation of investment portfolios through collusion between the board of directors and external parties. This resulted in massive losses for the state and severely damaged public trust in pension fund management. Consequently, the resolution of this case not only requires law enforcement against the perpetrators but also comprehensive governance reform through the improvement of the oversight system, transparency in financial reporting, and the enforcement of stricter risk control mechanisms.

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