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Governance Analysis of PT Asuransi Jiwasraya from the Perspective of Good Corporate Governance and Public Trust in Indonesia

Deny Tri Hendarto
Sekolah Tinggi Ilmu Ekonomi Indonesia Jakarta, Indonesia
Email: denytrihendarto81@gmail.com

Abstract
The financial scandal involving PT Asuransi Jiwasraya has become emblematic of systemic governance failure within Indonesia's insurance sector, triggering a public trust crisis toward state-owned financial institutions. This study aims to analyze the relationship between the implementation of Good Corporate Governance (GCG) principles and public trust levels, using Jiwasraya as a case study, while also evaluating the effectiveness of regulatory oversight in the insurance industry. Employing a narrative literature review combined with a case study approach, this research draws on secondary data sourced from open-access scholarly literature published within the last five years. The synthesis reveals that violations of transparency, accountability, and independence within Jiwasraya's governance structure were the primary triggers for risky investment practices and financial report manipulation. It also finds that weak regulation and ineffective external oversight intensified the governance failure's impact, resulting in a broader public trust crisis in the national insurance industry. This research contributes conceptually by highlighting that GCG must be implemented not only structurally but also socially to establish institutional legitimacy. Its practical implications emphasize the need to enhance regulatory capacity, improve public information disclosure, and develop more adaptive regulatory reforms to address reputational risks and the dynamic nature of Indonesia's financial sector.

Keywords: *good corporate governance, public trust, Jiwasraya, corporate governance, insurance industry*

INTRODUCTION

The insurance industry plays a strategic role within both global and national financial systems, due to its core function in providing risk protection and serving as a vehicle for mobilizing public funds. However, the sector is highly vulnerable to trust crises resulting from governance failures. In Indonesia, one of the most striking cases undermining public confidence in the industry was the financial scandal involving PT Asuransi Jiwasraya. This state-owned enterprise failed to meet its policyholder obligations, resulting in estimated losses amounting to trillions of rupiah. This failure was not solely attributable to market dynamics. However, it was the consequence of deeply flawed corporate governance, fraudulent financial reporting, and high-risk investment practices that were systematically embedded within the company's operations. (Baethge et al., 2019; Hidajat, 2021). The incident triggered a domino effect on public perception, eroding the credibility of the national insurance sector as a whole. (Saptono & Purwanto, 2022).

The Jiwasraya scandal reflects a substantial gap between the regulatory framework and the practical implementation of Good Corporate Governance (GCG) principles. Despite the existence of regulatory instruments, such as Law No. 40 of 2014 on Insurance and various regulations from the Financial Services Authority (OJK), supervisory efforts remain inadequate. The absence of early detection mechanisms to identify governance deviations illustrates the insufficiency of these frameworks in preventing moral hazard (Falihah et al., 2020). Furthermore, few academic studies have explicitly linked governance failure to erosion of public trust in the insurance sector, indicating a significant gap in both conceptual and practical knowledge (Alimirruchi & Chariri, 2023).

This article draws upon the theoretical framework of GCG as defined by the OECD and IFC, emphasizing five core pillars: transparency, accountability, responsibility, independence, and fairness. These principles form the foundation for maintaining organizational integrity, operational efficiency, and sustainability in the face of external and internal pressures. (Wandari & Djazuli, 2022). Regarding public trust, this study applies institutional trust theory, which emphasizes the importance of societal perceptions regarding an institution's integrity and ability to fulfill its commitments (Nugraheni & Fauziah, 2019). The Jiwasraya case thus serves as a relevant subject to examine how the collapse of GCG principles directly affects institutional legitimacy in the public eye (Widiyani & Wijayati, 2021).

This article aims to analyze the impact of implementing Good Corporate Governance on public trust in Indonesia's insurance industry, with a focus on the Jiwasraya case. The specific research questions explored are: (1) How were GCG principles implemented at Jiwasraya? (2) How did governance failure contribute to high-risk investment practices and financial manipulation? (3) To what extent did negative customer experiences influence collective trust erosion? Moreover, (4) How effective were regulatory and supervisory responses in preventing such failures? Through a systematic examination of these questions, this study seeks to provide a deeper understanding of the nexus between (Pradana, 2021).

The scholarly contribution of this article lies in its effort to construct a comprehensive conceptual framework that links GCG implementation with public trust, grounded in the Jiwasraya case. This area has been largely unexplored in the Indonesian academic context. It also provides practical insights for regulators, policymakers, and industry players in developing governance strategies and rebuilding public trust. Additionally, the findings of this review can serve as a reference for future regulatory reform and supervisory improvements, helping to build a more resilient and transparent insurance sector. (Abbas et al., 2023) (S et al., 2024).

RESEARCH METHODS

This study adopts a narrative literature review approach combined with a case study strategy to analyze the implementation of Good Corporate Governance (GCG) and its influence on public trust, using the Jiwasraya case as the central analytical unit. The narrative review methodology was chosen to facilitate a comprehensive and interpretive synthesis of findings across a range of academic literature relevant to the phenomenon under investigation (Baethge et al., 2019). The Jiwasraya case study serves as a focal point for deep exploration of both the practical challenges and the conceptual implications of governance failure within the insurance sector (Hyett et al., 2014).

All data utilized in this study are secondary sources, drawn from academic literature including nationally indexed journals (SINTA 1 and 2), reputable international journals, regulatory documents, and open-access government publications. The data span a publication window from 2019 to 2024, ensuring both relevance and timeliness. The literature was collected using scholarly databases, such as DOAJ, Garuda, and Google Scholar, as well as AI-powered search systems that index peer-reviewed open-access content. The review focused on documents discussing GCG, insurance governance, public trust, Jiwasraya, and financial sector regulation. (Gusenbauer & Haddaway, 2020).

The data collection process followed a systematic search protocol that combined manual screening with AI-assisted retrieval. Search terms included: "Good Corporate Governance," "Jiwasraya," "public trust," "insurance governance," "financial scandal," and "Indonesia." Strict inclusion and exclusion criteria guided the selection of literature. Inclusion criteria consisted of: (1) peer-reviewed academic literature published in the last five years, (2) direct relevance to GCG or public trust in the financial or insurance sectors, (3) availability through open-access sources, and (4) publications in English or Bahasa Indonesia. Exclusion criteria included: (1) non-academic or opinion-based articles, (2) editorials without empirical foundations, and (3) literature of low scholarly quality based on journal reputation and author credibility (Siddaway et al., 2019).

The unit of analysis in this study comprises the conceptual and empirical content of selected literature discussing the correlation between GCG implementation and public trust, as well as relevant governance failure cases, notably the Jiwasraya scandal. While the research does not involve human subjects, the unit of analysis remains context-specific and theoretically grounded by the principles of structured literature reviews (Ferrari, 2015).

Data analysis was conducted using content analysis and narrative synthesis methods. The process involved three stages: (1) thematic identification from the content of selected literature, (2) classification of conceptual dimensions based on the pillars of GCG and indicators of public trust, and (3) narrative synthesis to construct causal links, pattern recognition, and research gaps across studies. To facilitate this process, reference management software such as Zotero was used, along with Excel-based spreadsheets for thematic categorization and literature tracking (Heyvaert et al., 2013).

This methodological design enables a thorough exploration of the dynamics between corporate governance and public perception within the framework of systemic failure, while offering a solid foundation for formulating evidence-based recommendations. It aligns with contemporary research trends in the social sciences that emphasize the importance of synthesizing diverse sources of knowledge to inform policy interventions in the financial and public sectors.

RESULTS OF ANALYSIS AND DISCUSSION

The findings of this study are based on a narrative synthesis of scholarly literature examining the implementation of Good Corporate Governance (GCG) and its impact on public trust, using the case of PT Asuransi Jiwasraya as the primary analytical focus. Through the application of defined inclusion criteria, a total of 24 qualified academic publications were selected for analysis. These comprised both nationally indexed journals (SINTA 1 and 2) and international peer-reviewed open-access journals published between 2019 and 2024. The literature reviewed spans various disciplinary perspectives, including financial management, corporate governance, legal studies, and public policy.

Regarding publication characteristics, most studies analyzed documents and investigative reports related to the Jiwasraya case, supported by descriptive and normative-legal analyses of governance and regulatory failures. A portion of the literature employed empirical quantitative approaches to assess how specific GCG dimensions affect firm performance and customer satisfaction in the insurance sector. One study utilized an Autoregressive Integrated Moving Average (ARIMA) model to forecast industry trends following the governance crisis. (Abbas et al., 2023).

Four primary thematic categories emerged from the synthesis. The first is the failure of GCG implementation at Jiwasraya, cited across almost all reviewed literature. The company's governance was marked by ineffective application of transparency, accountability, and independence principles. Widespread evidence of window dressing and financial manipulation exemplifies systemic flaws in internal governance mechanisms. (Hidajat, 2021). Several sources also likened the JS Saving Plan product to a Ponzi scheme, violating fundamental prudential standards in financial services. (Prasetyo & Setiadi, 2023).

The second theme is the impact of the Jiwasraya crisis on public trust, as reflected in reduced public participation in insurance products, an increase in policyholder complaints, and a decline in policyholder awareness of their rights. Some studies have reported that this erosion of trust extended beyond Jiwasraya, resulting in systemic reputational damage to Indonesia's insurance industry. (Gultom et al., 2024). Other studies have highlighted that trust deterioration is driven by poor customer service experiences, particularly during the claims process, as well as a lack of transparency in corporate communications. (Pradana, 2021).

The third theme addresses the ineffectiveness of regulatory enforcement and weak institutional oversight, particularly by the Financial Services Authority (OJK). Although the legal framework, such as OJK Regulation No. 73/2016, was already in place, regulatory responses were reactive rather than preventive. Several sources indicated that oversight actions were only initiated following media exposure and public outrage, suggesting severe delays in detecting financial irregularities. (Vincent et al., 2023). Moreover, evidence suggests that OJK failed to address red flags that had been visible since as early as 2014 (Qimyatussa'adah et al., 2021).

The fourth theme emphasizes the interconnection between GCG and public perceptions of institutional credibility, supported by multiple studies that demonstrate a significant correlation between transparency and accountability and customer loyalty and satisfaction, particularly in the Islamic insurance sector (Nugraheni & Fauziah, 2019). Conversely, the absence of effective governance mechanisms tends to elevate reputational risks and diminish public confidence in previously trusted institutions (Kudrat et al., 2023).

Additionally, a methodological pattern was observed across the reviewed literature. Quantitative studies have predominantly employed linear regression or panel data analysis to assess the influence of GCG variables on financial performance (Wandari & Djazuli, 2022). In contrast, normative legal studies have focused on interpreting statutory frameworks and the implications of regulatory enforcement (Salim, 2022). On the institutional side, several sources emphasized the importance of insurance brokers and third-party advisors in promoting transparency and improving public literacy as part of long-term industry recovery efforts (Gultom et al., 2024).

These findings provide a comprehensive understanding of the interplay between governance practices, regulatory dynamics, and public sentiment, all of which contribute to a systemic understanding of the Jiwasraya crisis and underscore the need for institutional reform in Indonesia’s insurance sector.

Discussion

This study reaffirms that the failure of Good Corporate Governance (GCG) implementation at PT Asuransi Jiwasraya is strongly associated with the erosion of public trust in Indonesia’s insurance sector. The findings demonstrate that breaches of transparency, accountability, and independence created opportunities for financial mismanagement, including report manipulation and high-risk investments, which ultimately led to massive policyholder losses and reputational collapse. These outcomes directly address the core research questions by illustrating how weak governance structures can facilitate systemic misconduct and how ineffective regulatory oversight failed to correct these deviations promptly.

Within the theoretical framework proposed by the OECD and IFC, effective governance depends on the consistent application of five core pillars: transparency, accountability, responsibility, independence, and fairness. In Jiwasraya’s case, the breakdown of transparency was evident through financial window dressing and misleading reporting practices. (Hidajat, 2021). The lack of board accountability and independence further undermined ethical oversight and decision-making. These findings align with institutional trust theory, which asserts that legitimacy is shaped by public perceptions of an institution’s credibility and reliability in fulfilling its obligations (Nugraheni & Fauziah, 2019). Jiwasraya’s governance collapse ultimately damaged this legitimacy and fostered widespread distrust.

Compared to previous studies, this research strengthens existing claims that inadequate GCG practices are key contributors to institutional collapse within state-owned enterprises. For example, Abbas et al. identified financial statement distortions as critical threats to growth and reputation in Indonesia's insurance sector (Abbas et al., 2023).

On the other hand, studies on Islamic insurance firms suggest that consistent implementation of GCG enhances customer loyalty and satisfaction, highlighting the importance of trust-based governance. (Firmansyah & Devi, 2019). However, some research, such as that by (Wandari & Djazuli, 2022), noted that GCG variables do not always significantly affect financial outcomes unless complemented by sound ownership structures (Wandari & Djazuli, 2022). These findings underscore the importance of institutional and cultural contexts in shaping governance effectiveness.

This article contributes to the literature by integrating the domains of corporate governance and public trust through a case-based analysis of a nationally significant governance failure. The study expands the discourse by conceptualizing GCG not merely as a compliance tool but as a critical mechanism for maintaining institutional legitimacy and stakeholder confidence. This perspective is particularly important for developing countries like Indonesia, where institutional capacity and regulatory responsiveness often lag behind the complexities of modern financial systems. As such, this research enriches theoretical debates on governance in state-owned enterprises and provides a conceptual lens for analyzing trust erosion in financial institutions.

Methodologically, the limitations of this study lie in its exclusive use of secondary sources, which restricts direct observation of public perceptions. The narrative review format also introduces potential bias in literature selection and interpretation, despite the use of rigorous inclusion criteria. Additionally, the absence of regulatory voices or stakeholder interviews limits the institutional depth of the analysis. Nonetheless, the study's strength lies in its systematic thematic synthesis, which integrates legal, financial, and sociological perspectives into a cohesive framework for understanding the Jiwasraya scandal.

The practical implications of this research include the urgent need to strengthen regulatory oversight mechanisms, particularly through proactive and risk-based supervision by the Financial Services Authority (OJK). It also highlights the necessity of enhancing internal board capacity, implementing independent auditing systems, and improving corporate transparency and responsiveness to public concerns. For future research, primary data collection through surveys or interviews with policyholders, regulators, and industry actors could provide richer insight into trust dynamics. Comparative studies involving similar cases from other developing economies may also reveal best practices and policy innovations in GCG and institutional recovery. (Vincent et al., 2023) (Saptono & Purwanto, 2022)(Qimyatussa'adah et al., 2021).

CONCLUSION

This study concludes that the governance failure at PT Asuransi Jiwasraya stemmed from the ineffective implementation of key Good Corporate Governance (GCG) principles, particularly in the areas of transparency, accountability, and independence. These deficiencies enabled the occurrence of high-risk investment decisions and financial reporting manipulation, which not only led to substantial losses for policyholders but also triggered a broader crisis of public trust in Indonesia's insurance industry. The findings confirm that weak regulatory enforcement and inadequate institutional oversight exacerbated the governance collapse, allowing misconduct to persist unchecked over several years. The study's main contribution lies in offering a conceptual integration of governance and public trust, using Jiwasraya as a critical case to demonstrate the socio-institutional consequences of systemic governance breakdowns. It emphasizes that GCG should not only function as a compliance mechanism but must also serve as a strategic tool to uphold institutional legitimacy and foster sustained public confidence. These insights are particularly relevant for policymakers, regulators, and industry actors seeking to strengthen ethical standards, supervisory frameworks, and corporate transparency across the financial services sector. For future research, this study recommends the use of primary data to capture public perceptions more directly and accurately. It suggests comparative case studies across developing economies to enrich the global understanding of governance crises. Practically, the findings support the development of more proactive oversight systems, enhanced corporate accountability measures, and public communication strategies as key components of institutional reform and public trust recovery in the insurance industry.

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