

The Satyam Scandal and Creative Accounting: An Analysis of Impact, Causal Factors, and Lessons for Corporate Governance in Indonesia

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ABSTRACT

The Satyam Computer Services Limited accounting scandal is one of the largest financial frauds in India, exposing extensive creative accounting practices that undermined financial reporting integrity. The case involved the manipulation of financial statements through fictitious revenues and false cash balances, reflecting weaknesses in internal controls, ineffective board oversight, and inadequate external audit performance. This study aims to analyze the Satyam scandal using the fraud triangle framework and to identify its implications for corporate governance and audit quality, particularly for developing capital markets such as Indonesia. This research employs a descriptive qualitative method using library research. Data were collected from academic literature, audit reports, regulatory documents, and credible media sources, and analyzed using content analysis based on the fraud triangle theory. The findings indicate that the fraud was driven by strong financial pressure to maintain company performance, opportunities arising from weak governance and control systems, and rationalization by management to justify unethical actions. The Satyam scandal demonstrates that corporate fraud is not only an accounting failure but also a governance and ethical failure. The study highlights the importance of strengthening corporate governance, improving audit quality, and enhancing transparency to prevent similar cases in emerging markets such as Indonesia.

Keywords: *Audit Quality, Corporate Governance, Creative Accounting, Fraud Triangle, Financial Reporting, Satyam Scandal.*

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INTRODUCTION

The accounting scandal at Satyam Computer Services Limited was one of the largest financial scandals in India, severely damaging the credibility of corporate governance practices (Kumar et al., 2012; Bhasin, 2013). The scandal was revealed in January 2009 when Ramalinga Raju, the founder and chairman of Satyam, confessed to manipulating the company's financial statements over several years. The magnitude of the fraud was estimated at more than USD 1 billion, making it one of the most significant accounting frauds in corporate history (PwC India, 2009). This case highlighted serious weaknesses in governance structures, internal control systems, and audit oversight mechanisms within large corporations operating in emerging markets.

This phenomenon is widely associated with creative accounting practices, which refer to the manipulation of financial reporting through the exploitation of accounting standards' flexibility or loopholes. Although such practices may not always directly violate legal regulations, they distort the true financial condition of a company (Mulford & Comiskey, 2005; Jones, 2011). Creative accounting is often used to inflate profits, conceal liabilities, or present a stronger financial position to attract investors, secure financing, or maintain stock market valuation (Baskaran et al., 2020; Debbarma & Roy, 2023; Anisykurlillah et al., 2025). In the Satyam case, such practices were systematically applied, reflecting how accounting discretion can be misused in the absence of strong governance and ethical restraint.

JIAKES

The impact of the Satyam scandal extended beyond financial misstatement, as it significantly undermined investor confidence and damaged the reputation of India's rapidly growing information technology sector (Mishra et al., 2021). The Indian stock market experienced substantial pressure following the exposure of the fraud, reflecting how critical trust is in financial reporting systems (Rediff, 2009; Times of India, 2009). However, despite the magnitude of the scandal, similar governance failures and earnings manipulation cases continue to emerge in various developing economies. This indicates a phenomenon gap, where weaknesses in oversight, audit quality, and ethical compliance remain persistent issues even after major corporate scandals have been exposed.

From a theoretical perspective, financial fraud such as the Satyam case can be explained through the fraud triangle framework proposed by Cressey (1973), which consists of pressure, opportunity, and rationalization. In the Satyam case, pressure to maintain continuous profit growth and market valuation acted as a key driver of fraud. Meanwhile, weak oversight by the board of commissioners and ineffective external auditing created significant opportunities for manipulation (Mulford & Comiskey, 2005; ACFE, 2022). Additionally, rationalization by management, as admitted by Raju regarding the gradual escalation of manipulation, further justified unethical financial behavior (Bloomberg, 2009). These three elements demonstrate a strong interrelationship between governance failure and fraudulent financial reporting practices.

Despite extensive discussion of the Satyam case in global literature, there remains a research gap in integrating fraud triangle analysis with broader implications for emerging capital markets such as Indonesia. Prior studies have largely focused on descriptive fraud analysis without sufficiently linking it to governance reform needs in developing economies. Therefore, this study provides novelty by contextualizing the Satyam scandal as a comparative lesson for Indonesia's capital market development, particularly in strengthening corporate governance, audit quality, and financial reporting accountability (Rotinsulu, 2016; Nasir et al., 2019; Indonesian Institute of Accountants, 2021; Gupta, 2023). Furthermore, it emphasizes the educational importance of fraud cases in shaping ethical awareness among future accountants and auditors (Jones, 2011; Majeed et al., 2021; ACFE, 2022).

Based on this background, the problem formulation of this study is how the Satyam financial scandal can be analyzed using the fraud triangle framework and what lessons can be drawn to improve corporate governance and financial reporting integrity in emerging markets such as Indonesia. Accordingly, the objectives of this study are to analyze the role of pressure, opportunity, and rationalization in the Satyam fraud case and to identify its implications for strengthening governance systems and preventing creative accounting practices in developing capital markets.

LITERATURE REVIEW

Creative Accounting

The term "creative accounting" became prominent in accounting literature in the 1980s and refers to the use of flexibility within accounting standards to present financial statements in a way that benefits certain parties while potentially misleading users of financial information. Mulford and Comiskey (2005) define it as the exploitation of accounting discretion to enhance reported outcomes, even when the resulting information reduces reliability. This practice is commonly found in publicly listed firms facing strong pressure to meet earnings expectations and sustain market performance (Jones, 2011; Torukie et al., 2024).

Schipper (1989) describes creative accounting (earnings management) as deliberate intervention in external financial reporting to achieve private gain. Although not always illegal, it often falls within a gray area where compliance with standards does not guarantee faithful representation. Healy and Wahlen (1999) similarly argue that such practices can distort economic reality and weaken the decision-usefulness of financial statements. Common techniques include overstating revenues through fictitious or premature recognition, understating expenses by deferring costs, using off-balance sheet

financing to hide liabilities, and creating “cookie jar reserves” to smooth earnings across periods (Stolowy & Breton, 2004; Mulford & Comiskey, 2005). These methods collectively reduce transparency and can significantly mislead stakeholders regarding firm performance.

The Satyam Computer Services scandal is an extreme case of creative accounting that escalated into large-scale fraud (Bhasin, 2016). The company manipulated financial statements by reporting fictitious revenues and non-existent cash balances, substantially overstating its financial position over several years (Bloomberg, 2009; PwC India, 2009). This case demonstrates how creative accounting, when combined with weak governance and oversight failure, can evolve into systemic financial fraud that severely undermines investor trust and market integrity.

Fraud Triangle

The explanation of fraud in accounting is commonly framed using the fraud triangle model developed by Cressey (1973), which identifies three key elements that drive fraudulent behavior. The first element, pressure, refers to incentives or pressures that motivate individuals to commit fraud, such as financial difficulties, aggressive profit targets, or the need to maintain stock market performance (ACFE, 2022). The second element, opportunity, arises from weaknesses in internal control systems that allow fraud to occur and persist without timely detection or prevention (Wells, 2014; Pasaribu et al., 2025). The third element, rationalization, involves the psychological justification used by perpetrators to legitimize their unethical actions, such as believing the fraud is temporary or done for the benefit of the company (Healy & Wahlen, 1999). Together, these three elements explain how and why financial statement fraud can occur within organizations.

The Satyam Computer Services case is highly relevant when analyzed through the fraud triangle framework. Ramalinga Raju admitted that significant pressure to sustain the company’s growth and maintain investor confidence was a major driver behind the manipulation of financial statements (Apanđi, 2018). In addition, weak internal control systems and excessive reliance on internal data by external auditors created substantial opportunities for fraud to be carried out over an extended period without immediate detection (Bloomberg, 2009; Donelson et al., 2017; ACFE, 2022).

Corporate Governance

Corporate governance is a system of mechanisms designed to ensure that a company is directed and controlled in the interests of its stakeholders (Dwinanda & Utama, 2025). The OECD (2015) defines corporate governance as “the procedures and processes by which an organization is directed and controlled.” Its fundamental principles include transparency, which emphasizes open disclosure of information to enable external parties to assess company performance; accountability, which clarifies roles and responsibilities within the organization; responsibility, which ensures compliance with laws and regulations; independence, which requires decision-making free from conflicts of interest; and fairness, which ensures equitable treatment of all stakeholders (OECD, 2015; Indonesian Institute of Accountants, 2021).

The Satyam Computer Services scandal revealed serious weaknesses in corporate governance implementation. The company’s board of commissioners was widely criticized for lacking independence and functioning largely as a formality rather than an effective oversight body. In addition, PricewaterhouseCoopers, acting as the external auditor, failed to detect or prevent significant financial misstatements, thereby undermining the reliability of financial reporting (Rediff, 2009; ACFE, 2022). These failures illustrate how weak governance structures can enable large-scale accounting fraud to persist undetected.

In Indonesia, corporate governance principles are formally regulated, including through Financial Services Authority Regulation Number 21/POJK.04/2015 concerning the Implementation of Governance in Public Companies (Financial Services Authority, 2015). However, the Satyam case highlights that regulatory frameworks alone are

insufficient without effective enforcement and active oversight mechanisms in practice. Therefore, this case serves as an important lesson for Indonesia to strengthen not only formal governance regulations but also their implementation to ensure greater accountability and financial reporting integrity (Indonesian Institute of Accountants, 2021).

RESEARCH METHODS

This research employs a descriptive qualitative approach to provide an in-depth and comprehensive understanding of the financial scandal at Satyam Computer Services Limited. This approach is considered appropriate because it enables the exploration of complex phenomena such as creative accounting practices and corporate governance failures through contextual and interpretive analysis (Bungin, 2011; Creswell & Creswell, 2017). The study focuses on systematically examining how the scandal occurred, the mechanisms of financial statement manipulation, and its implications for accounting practice and corporate governance, particularly as a learning reference for Indonesia.

The research method used is library research, which relies on secondary data obtained from relevant and credible sources. This method allows analysis to be conducted based on existing theories, prior studies, official reports, and documented empirical evidence without direct interaction with research subjects (Zed, 2004). Data sources include academic books, peer-reviewed journal articles, regulatory reports, investigative audit documents, and reputable international and national media publications. Key references such as “The Financial Numbers Game” by Mulford and Comiskey (2005) and “Creative Accounting, Fraud, and International Accounting Scandals” by Jones (2011) are used to understand financial manipulation techniques, while the fraud triangle framework by Cressey (1973) and its extension by ACFE (2022) are applied to analyze fraud behavior.

In addition, official documents such as the PwC India (2009) investigative report on the Satyam case, publications from the Securities and Exchange Board of India, OECD (2015) governance guidelines, and reports from Bloomberg and the Times of India are used to construct a chronological and factual understanding of the case and its impact on capital markets. These sources are selected to ensure credibility, relevance, and consistency in data interpretation. Data collection is conducted through systematic document identification, selection, and review. Relevant literature is collected based on thematic keywords such as creative accounting, corporate fraud, fraud triangle, and corporate governance failure. Each source is then critically reviewed to extract relevant information regarding fraud patterns, governance weaknesses, and audit failures. The collected data is organized and classified according to analytical themes to ensure structured interpretation.

Data analysis is carried out using content analysis, which involves systematic coding and interpretation of textual data to identify patterns and relationships within the case (Krippendorff, 2018). The analysis focuses on three main themes: financial manipulation techniques, factors driving fraud based on the fraud triangle, and failures in internal and external oversight mechanisms. Findings are interpreted by linking empirical evidence with theoretical frameworks from corporate governance principles of the OECD and regulatory perspectives from the Financial Services Authority. To ensure validity, source triangulation is applied by comparing information across academic literature, audit reports, and credible media sources. This strengthens the reliability of findings by reducing bias from single-source interpretation (Flick, 2022). This methodological approach ensures that the analysis is comprehensive, systematic, and grounded in multiple verified sources, thereby enhancing the transparency and robustness of the research process.

RESULTS

Chronology of the Satyam Scandal

Satyam Computer Services Limited was founded in 1987 by Ramalinga Raju in Hyderabad, India, and developed rapidly into one of the most prominent information technology companies in the country. Over the course of the 1990s and early 2000s, the

company experienced substantial growth, expanding its client base to include numerous multinational corporations, including Fortune 500 companies, and establishing itself as a key player in India's global IT industry (Bloomberg, 2009; Rediff, 2009). During this period, Satyam was widely perceived as a success story of India's economic liberalization and technological advancement, supported by consistently strong financial performance reported in its public financial statements.

Despite this strong external image, serious irregularities in financial reporting began to emerge behind the scenes in the early 2000s. The management, led by Ramalinga Raju, systematically engaged in fraudulent accounting practices designed to inflate the company's financial position and performance. These practices included the recording of fictitious revenues, the creation of artificial cash flows, and the manipulation of operating expenses to present higher profit margins than were actually achieved in reality (PwC India, 2009). Over time, these manipulations became increasingly extensive and entrenched, allowing the company to continuously project an image of financial stability and growth while its actual financial condition diverged significantly from reported figures.

The fraudulent activities eventually culminated in a major disclosure on January 7, 2009, when Ramalinga Raju submitted a formal confession letter to the Board of Directors and the Securities and Exchange Board of India (SEBI). In this statement, he admitted that the financial statements of Satyam had been falsified over a prolonged period and that the reported cash balances of the company were significantly overstated. Specifically, he revealed that more than 50 billion rupees, equivalent to approximately USD 1 billion, recorded as cash and bank balances in the company's financial statements did not actually exist (Bloomberg, 2009; ACFE, 2022). This admission exposed one of the largest corporate frauds in India's history, leading to an immediate collapse in investor confidence, severe market reactions, and triggering extensive regulatory intervention and restructuring efforts within the company.

Table 1. Chronology of the Satyam Scandal

Year	Incident
1987	Satyam was founded by B. Ramalinga Raju.
1991	Listing on the Bombay Stock Exchange (BSE).
2001-2008	The manipulation of financial reports began systematically.
Des 2008	The announcement of the planned acquisition of Maytas Infrastructure sparked investor suspicion.
7 Jan 2009	Raju's scandalous confession, manipulation value > USD 1 billion.
2009	The Indian government appointed a new board of directors for the process of rescuing the company.
2012	Raju was sentenced to prison.
2015	Satyam was acquired by the Mahindra Group and merged into Mahindra Satyam.

Table 1 presents the chronological development and eventual collapse of Satyam Computer Services Limited, illustrating its transition from a rapidly growing IT company to one of India's largest corporate fraud cases. Founded in 1987 by B. Ramalinga Raju, Satyam expanded significantly after its listing on the Bombay Stock Exchange in 1991. However, between 2001 and 2008, the company systematically manipulated its financial statements, which went undetected for years. Investor concerns emerged in December 2008 following the proposed acquisition of Maytas Infrastructure, which raised suspicions about governance practices. The scandal reached its peak on January 7, 2009, when Raju confessed to financial fraud exceeding USD 1 billion. This was followed by government intervention and the appointment of a new board to stabilize the company. Raju was later sentenced to prison in 2012, and in 2015, Satyam was acquired by the Mahindra Group and merged into Mahindra Satyam, effectively ending its existence as an independent entity.

Satyam's Form of Creative Accounting

The Satyam Computer Services scandal demonstrates a broad range of creative accounting practices that ultimately constituted fraudulent financial reporting, as discussed in prior accounting and auditing literature (Healy & Wahlen, 1999; Association of Certified Fraud Examiners, 2022). One of the primary techniques involved the inflation of revenues through the recording of fictitious invoices, which enabled the company to significantly overstate its income and present a misleading picture of strong and consistent profitability. This practice created an artificial growth narrative that was not supported by actual business transactions, thereby distorting stakeholders' understanding of the company's financial performance (Mulford & Comiskey, 2005).

Beyond revenue manipulation, Satyam also engaged in the overstatement of cash balances by reporting non-existent funds in its financial statements. These inflated cash figures were used to reinforce the perception of strong liquidity and financial stability, which played a key role in maintaining investor confidence. However, the external audit process failed to uncover these irregularities, as PricewaterhouseCoopers reportedly relied on photocopied bank documents provided by management without performing independent confirmation directly with financial institutions (PwC India, 2009). In addition, the company systematically understated its liabilities by delaying or omitting the recognition of operational expenses, accounts payable, and tax obligations, resulting in a financial position that was significantly overstated compared to its actual economic reality (Stolowy & Breton, 2004).

Another significant manipulation method involved round-tripping transactions conducted through subsidiary entities. In this process, company funds were cycled through related parties and then recorded as legitimate revenue, creating the illusion of genuine business activity (Jones, 2011). This practice further strengthened the appearance of financial growth while concealing the absence of real economic substance behind the transactions. Collectively, these fraudulent techniques persisted over several years without detection, exposing serious weaknesses in both internal control systems and external audit procedures. The failure to identify such extensive manipulation raised fundamental concerns regarding audit effectiveness and corporate governance quality within the organization (PwC India, 2009).

Financial, Market, and Institutional Impact

The scandal had a significant impact, both financially and reputationally, as it triggered one of the most severe market reactions in India's corporate history. According to a 2009 Bloomberg report, Satyam's market capitalization dropped sharply from around USD 7 billion to less than USD 500 million within just a few days after the fraud was revealed, reflecting a rapid erosion of investor confidence and market trust in the company's financial reporting integrity.

Table 2. Estimated Financial and Economic Impact of the Satyam Scandal

Types of Losses	Estimated Value (USD)
Fictitious income	>1.04 billion
Fake cash balance	>1.00 billion
Decrease in market capitalization	>2.50 billion
Foreign investor losses	>1.50 billion
Total estimated economic impact	>6.04 billion

Table 2 illustrates that the Satyam scandal caused substantial and systemic financial and economic damage. The largest losses stemmed from fictitious revenues and fake cash balances, each exceeding USD 1 billion, indicating the extensive manipulation of the company's financial statements. In addition, the sharp decline in market capitalization of more than USD 2.5 billion reflects a rapid collapse of investor confidence following the disclosure of the fraud. Foreign investors also suffered significant losses amounting to over USD 1.5 billion, highlighting the global impact of the scandal. The total estimated

economic impact of more than USD 6.04 billion demonstrates that the case not only affected the company itself but also severely undermined investor trust and broader capital market stability.

Other significant impacts of the Satyam scandal include a widespread loss of international investor confidence in the Indian capital markets, which weakened trust in corporate reporting practices. The Indian government was also compelled to intervene to rescue the company and prevent total bankruptcy, reflecting the systemic risk posed by the scandal. In addition, the reputation of the Indian technology industry suffered considerably, as Satyam had previously been viewed as a symbol of the sector's rapid growth and success (Rediff, 2009). In response to these failures, regulatory reforms were strengthened, including the enactment of the Companies Act 2013, which introduced stricter oversight requirements for financial reporting in public companies (OECD, 2015; Financial Services Authority, 2015).

Audit Failure, Corporate Governance Weakness, and Lessons for Indonesia

Many questions have been raised regarding how a scandal of such magnitude could escape the scrutiny of external auditors for an extended period. According to Mulford and Comiskey (2005), creative accounting is often difficult to detect due to several inherent limitations in audit practice, including auditors' excessive reliance on management-provided data, the lack of truly independent third-party confirmation procedures, and the existence of potential conflicts of interest between auditors and their clients. In the Satyam case, these weaknesses were clearly evident, as PricewaterhouseCoopers (PwC) India admitted that it did not independently verify cash balances with banks and instead relied on documents supplied by management (PwC India, 2009). This situation has been widely criticized as a failure in audit quality and professional skepticism, raising concerns about the effectiveness and integrity of external auditing practices (Kesimli et al., 2019; Gunawan & Lestari, 2025).

The case also reflects a broader failure in corporate governance, as the Satyam Board of Commissioners was considered ineffective in performing its oversight function and ensuring proper accountability within the company (OECD, 2015). Weak governance structures, combined with inadequate audit procedures, created an environment in which financial manipulation could persist undetected for years. This highlights the interconnected role of internal governance mechanisms and external assurance functions in preventing corporate fraud.

For Indonesia, the Satyam scandal provides an important lesson in strengthening both regulatory and institutional frameworks. As more Indonesian companies go public, the risk of creative accounting practices also increases, making effective oversight essential. Capital market regulations must therefore be supported by strong enforcement mechanisms rather than remaining merely formal requirements (Financial Services Authority, 2015). In addition, public auditors in Indonesia need to enhance their professionalism and maintain a high level of professional skepticism in conducting audits. Corporate governance education is also crucial for management, auditors, and investors to build awareness of fraud risks and ethical responsibilities. Supporting this concern, a study by the Indonesian Institute of Accountants (2021) indicates that creative accounting remains a significant threat in Indonesia's capital market, particularly in sectors such as property, construction, and finance. Therefore, the Satyam case should be widely adopted as a key case study in accounting and auditing education in Indonesia.

DISCUSSION

The Satyam Computer Services scandal can be effectively explained using the fraud triangle framework proposed by Cressey (1973), which identifies pressure, opportunity, and rationalization as the key drivers of occupational fraud. In the Satyam case, pressure emerged from the company's need to sustain its image as a leading Indian IT firm and meet high expectations from both domestic and international investors, particularly after its global market expansion, including listing in international markets (Bloomberg, 2009).

This pressure was intensified by competitive dynamics in the IT industry, where continuous revenue growth was essential to maintain investor confidence and market valuation (Jones, 2011). Opportunity existed due to weak internal control systems and ineffective oversight by the board of commissioners, combined with significant audit failures by Price Waterhouse Coopers, which did not independently verify key financial information such as cash balances (PwC India, 2009; Jhunjhunwala, 2023). This lack of scrutiny created an environment where financial manipulation could persist undetected for years. Rationalization was also evident, as Ramalinga Raju initially justified the manipulation as a temporary measure to protect the company during difficult financial periods, which later escalated into large-scale fraud under the belief that it was necessary to preserve the company's reputation and employee welfare (Healy & Wahlen, 1999; ACFE, 2022).

The role of external auditors in the Satyam case represents one of the most critical governance failures. PwC India was found to have relied heavily on management-provided documents without conducting independent verification, particularly in confirming bank balances, which is a fundamental audit requirement under international standards such as ISA 240 (IFAC, 2020). This reflects a breakdown in professional skepticism and audit rigor. As Mulford and Comiskey (2005) note, creative accounting and fraud often evade detection when auditors overly trust management and fail to recognize coordinated manipulation schemes. The case subsequently triggered widespread criticism of the auditing profession and contributed to global discussions on audit reform, including proposals for mandatory auditor rotation to reduce long-term auditor-client familiarity (OECD, 2015; Harber & Maroun, 2020).

From a corporate governance perspective, Satyam exposed severe structural weaknesses in board effectiveness and oversight mechanisms. The Board of Commissioners failed to function as an independent monitoring body, allowing management to dominate financial reporting decisions (PwC India, 2009). According to OECD (2015) principles, effective governance requires independent board members, a strong audit committee, and transparent disclosure practices. However, Satyam's case demonstrated that formal compliance alone is insufficient without genuine enforcement and ethical commitment. This issue remains relevant for Indonesia, where governance quality in several public companies is still developing, despite regulatory frameworks such as POJK Number 21/POJK.04/2015 (OJK, 2015).

The systemic impact of the scandal extended beyond the firm itself, as evidenced by a more than 90% decline in Satyam's share price within days, a sharp decline in foreign investor confidence, and reputational damage to India's IT sector (Times of India, 2009; Bloomberg, 2009; Rediff, 2009). The estimated total losses exceeded USD 6 billion, highlighting the broader economic consequences of corporate fraud (ACFE, 2022). These outcomes reinforce global lessons identified in prior literature, including the importance of independent audit skepticism, strong governance structures, whistleblower protection, and improved investor literacy in financial statement analysis (Healy & Wahlen, 1999; Jones, 2011; Murhaban, 2025).

For Indonesia, the Satyam case serves as a critical warning as capital markets expand. Research by the Indonesian Institute of Accountants (2021) indicates that sectors such as property, banking, and manufacturing are particularly vulnerable to creative accounting risks. Therefore, strengthening enforcement, improving audit quality through technology-based procedures, and fostering a culture of integrity are essential. Ultimately, the Satyam scandal demonstrates that regulatory frameworks alone are insufficient without effective implementation, ethical governance, and continuous investor education.

CONCLUSION

The Satyam Computer Services scandal represents a prominent case of systematic creative accounting conducted by top management, revealing critical weaknesses in internal control systems, board oversight, and external audit effectiveness. The prolonged manipulation of financial statements demonstrates how pressure to sustain financial

performance, combined with inadequate governance mechanisms, created significant opportunities for fraud. Management's rationalization to "save" the company further escalated unethical practices, ultimately resulting in large-scale corporate collapse. The consequences extended beyond the firm, severely affecting investor confidence, destabilizing India's capital market, and undermining trust in the accounting and auditing professions, which in turn prompted regulatory and governance reforms.

The Satyam case concludes that effective corporate governance cannot rely solely on formal regulations but requires strong ethical commitment, transparency, and active oversight from all stakeholders. It highlights the need for robust internal controls, independent audit functions, and greater professional skepticism among auditors. For regulators, continuous monitoring of governance implementation and strengthening audit independence, including auditor rotation and investigative audits, are essential. For companies and professionals, embedding integrity and ethical awareness into organizational culture is critical, while investors must enhance financial literacy to critically evaluate financial reports beyond audit opinions.

This study is limited by its reliance on secondary data and a single case analysis, which may restrict broader generalization to other contexts. Future research may adopt comparative studies across multiple corporate fraud cases or utilize empirical approaches to examine the effectiveness of governance reforms and audit regulations in preventing creative accounting practices, particularly in emerging markets such as Indonesia.

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