

Good Corporate Governance Measurement Of Regional-Owned Enterprises In The Province Of South Sumatera, Indonesia

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ABSTRACT

The implementation of Good Corporate Governance (GCG) at regional-owned enterprise will obviously affects the sustainability of that company, hence the improvement of society's economic and welfare in that region will be achieved. This research aims to measure GCG implementation of regional-owned enterprises in South Sumatera Province, Indonesia using the assessment instrument in which its indicators and sub-indicators are the combination of GCG assessment of national state-owned company and OECD. The indicators cover: 1) The infrastructure of GCG; 2) transparency; 3) accountability; 4) responsibility; 5) independency; and, 6) fairness. There are 5 companies participated as the sample with 3 organs of each became the respondents. In collecting the data, this instrument of assessment was designed and developed by the researchers in a 5-Likert scale with the options from 'Strongly Disagree' (1) to 'Strongly Agree' (5). Gathered data were analyzed through descriptive statistics method, i.e., presenting the data in the form of percentages and followed by description. The analysis data revealed that: 1) regional-owned enterprises in Sumatera Selatan Province 'moderately' fulfilled the indicator of 'Infrastructure of GCG', evidenced by the highest response given by the majority of respondents to this indicator fell into the scale of "Adequately Agree". Meanwhile, the implementation of the other 5 indicators of GCG was 'very good' in which the most choice given by the respondents to these indicators was on 'Strongly Agree'. These findings suggest that as enterprises which serve public, the stakeholders need to ensure good governance of all regional-owned enterprises has been well-carried out..

Keywords GCG assessment indicator, infrastructure of GCG, healthy company; corporate governance

1. INTRODUCTION:

Effective implementation of Good Corporate Governance (GCG) will enhance the sustainability of corporate performance hence stakeholder's trust will also increase (Hussain, et al., 2018; Tjahjadi, et al., 2021). "Good corporate governance enhances the association between financial performance and firm value" (Dewi, et al., 2024, p. 433). In Indonesia, the implementation of GCG in all public enterprises, both state-owned and regional-owned ones is strongly supported by the government. The implementation of GCG in state-owned enterprise is referred to The Ministry of State-Owned Enterprise Decree No. 117/M-MBU/2002 about "The Implementation of Good Corporate Governance Practice on State-Owned Enterprise", Regulation of The Ministry of State-Owned Enterprise No. Per-01/MBU/2011 about "The Implementation of Good Corporate Governance",

and The Decree of Coordinating Minister for Economic Affairs No. KEP/49/M.EKON/11/2004 which forming "The Committee of National Governance Policy" (<https://ekon.go.id>). Meanwhile, GCG in regional-owned enterprise does not have any legal and official regulation from the government yet.

According to the Constitution No. 23/2014, Chapter XII, article 331, verse 4, the purposes of establish regional-owned enterprise by regional government are to give benefit to the development of regional economic in general; carrying out public benefits by providing quality goods and or services to fulfill the needs of all society in accordance with condition, characteristics and potentials of the respective region based on good corporate governance and getting profits. Thus, it is expected that Regional-Owned Enterprise (In Indonesian language it is called 'Badan Usaha Milik Daerah' --- BUMD) can

become a motor of economy which encourages economic growth of the region, provide goods and services that are not supplied by other parties, and become one of locally-generated revenue sources of the region. Therefore, the existence of BUMD is also expected to create wider job vacancies so that the poverty can be decreased. However, these goals seem difficult to achieve due to corruption issues in BUMD done by board of directors and management.

Indonesian Anti-Corruption Commission reported in 2022 that from 2004 until 2023, corruption reached up to 129 cases or 11.78% from the existence case. Annual report 2021 of Audit Board of the Republic of Indonesia stipulated that during the period of 2005 until 2021, there was total amount of IDR 20.850.000.000 of compensation settlement to the state had not being followed up yet. Amdanata, et al. (2019) reported in their study that out of totally 113 BUMDs, most of them were experiencing losses. Besides, they also found that in terms of 'transparency', one of GCG principles, there were 35 BUMDs of 61%, out of 57 BUMD being investigated, did not have official website yet. Meanwhile, from 35 BUMDs which had website only 21 enterprises which presented their annual report and only 20 of them which updated their website. These findings led trust issues from stakeholders and society to BUMD.

The more updated data from Indonesia Central Bureau of Statistics mentioned that in 2022 there were totally 1.133 BUMDs in Indonesia in which 1.084 of them were actively operated and the rests of 49 were temporally closed. Specifically in South Sumatera province, there were 47 BUMDs with 44 of them were active and the other 3 were non-active. One of the causes which make an enterprise cannot carry out its business is the ineffective implementation of GCG. It is very possible the 3 non-active enterprises above will close-down and or among the 44 active enterprises will become non-active if the management finds difficult to operate the companies due to financial issues. The implementation of GCG gives positive impacts to the management of a company, such as improving in efficiency, performance and professionalism, so that it can increase its value for a-long run term by (Estuti, et al., 2022; Tijow & Hayat, 2021). In line with this opinion, Mahrani and Soewarno (2018) found in their study that GCG positively influenced financial performance. Additionally, Platonova, et al. (2018) and Harun, et al. (2020) in their studies also invented that corporate governance positively and significantly affected values of the companies.

According to Yuniar (2021), some factors which can cause big losses of a company or an enterprise are including: 1) incompetent managers; 2) lack of experiences in organizing, managing, and integrating the operational of the company; 3) lack of financial control; 4) failed in carrying out the plans; 5) the location of the business which is not strategic and or not representative; 6) lack of control over the equipment so that they are used both ineffectively and inefficiently; 7) having no strong will to run the business; 8) not flexible to face changes or business transition. At the same vein, Azre (2017) opined that in today's global market, BUMDs have great challenges to exist and one of them is internal issue related

to management. Further he added that some problems face by BUMD are: 1) *inefficiency*, many BUMDs are not efficient in running their business, such as for example, still using old equipment which cause burden in terms of maintenance costs that are higher than profit gained; 2) *intervention and bureaucracy*, in which BUMDs, under the authority of government, often find difficult in doing their business because the response from the respective regional government is very slow; 3) *controlling and supervising*, as part of the people from governmental, board of commissioners are mostly busy with their formal position hence they cannot fully all the operations and developments of BUMD.

In order to anticipate problems and obstacles, the solution is to implement GCG. This implementation does not only increase values of company but more than that, to attract investors' interest. Moreover, if the BUMDs become open enterprises which have clear plan then the implementation of GCG becomes much more important. Afrilia (2024) asserted that optimum implementation of CGC based on the principles will obviously give benefits to the company, i.e., 1) improving efficiency and business productivity; 2) improving the operational and responsibilities to public; 3) lowering the conflict of interest and collusion, corruption, and nepotism practices; 4) supporting more democratic organization, accountable, and transparent; 5) enhancing clearer and healthier company's image.

There was plethora of prior studies in regards to GCG implementation on BUMDs. These studies were dominated by analysis studies on how GCG was being implemented both in financial institutions and non-financial institutions in the certain areas in Indonesia (Pangestu & Paripurna, 2024; Meldyawati, 2023; Hilmie, 2022; Kesumah, 2021). From these previous researches, the ones which discussed the instrument which can be used to measure GCG implementation in BUMDs covering all components from the possessing of GCG guidance and all its supporting documents still remains silent. Thus, this study aims to fill this gap by scrutinizing the implementation of GCG on several BUMDs in South Sumatera Province, Palembang, Indonesia, and measuring how effective the applied GCG was and how business leaders and respective government in that area played their roles and responsibilities toward the applied GCG. This research was guided by two research questions as follows: 1) How does the instrument of GCG measurement for BUMDs being formulated? 2) By using that instrument, how does the implementation of GCG on BUMDs in South Sumatera Province, Indonesia?"

The researchers believe that the results of this study will give beneficial contributions not only to business enterprises both the state and private ones, but also to the stakeholders to ensure that corporate governance has been being well implemented. Good company management especially the ones belong to public will obviously affects financial stability of a nation by having a good control on bribery or fraud practices, then the well-being of the people will be guaranteed. As Bagiana (2022) reported that in the beginning of year 2000, most of giant public enterprises in several big countries bankrupt due to lack implementation of GCG. The bankruptcy of several big government enterprises was responded by USA

government with the issuing of Sarbanes Oxley Act which requires all business corporations to transparency report their financial report, use independent auditor, and apply standard auditing according to US Public Accounting Oversight Board (PCAOB). USA does not have any regional-owned enterprise but it has state-owned enterprise called 'Government Sponsored Enterprise (GSE) as a private company established by USA Federal and rent as the purpose of public policy.

In England, GCG has been being managed since 1991 by the committee formed the government, namely: Cadbury Committee and Hampell Committee. These committees ensure that all companies in this country should be transparent in terms of: 1) the payment for the executives; 2) the roles of executive directors and non-executive directors; 3) the methods taken to improve the interests of institutional investors. In reviewing GCG implementation of all companies, the principles should refer to American Law Institute (ALI). Other country like Singapore applies 'comply and explain' method as the guidance for GCG. Even though the implementation of GCG is just a voluntarily, all companies are required to report to the government the reasons if they do not apply GCG which should cover several aspects, namely: 1) the scope of the guideline for GCG; 2) the scope of corporate governance; 3) board matters; 4) remuneration matters; 5) accountability and audit; 6) communication with stakeholders, and 7) disclosure of corporate governance arrangements. Code of Corporate Governance was firstly introduced in 2001 and being updated in 2018. The last updated was made again on January 2023 in terms of hard-coding which determines 9 years period for independent Director.

As well as Singapore, the implementation of GCG in Malaysia is also 'comply and explain', hence there will be no obligation for the company to implement GCG. The Malaysian Code on Corporate Governance was issued by Malaysian Stock Exchange in 2007 as the revised version of the previous guideline. Meanwhile, in Philippine, the implementation of GCG is managed by Securities Commission through Resolution No. 133, Series 4, April 2002 in which it applies to all registered branches and subsidiaries operated in Philippine. Any violations made toward GCG guideline as determined by the company, after the deadline and or due-date will cost 100.000.000 in Philippine currency. This various policy of every country related to GCG implementation indicates that the study regarding GCG is worth to research.

In Indonesian context, the urgency of having this research due to two reasons: 1) the increasing number of corporate crime and fraud; 2) there are no instruments yet to measure GCG implementation in regional-owned enterprises. This instrument was formulated by the researchers by combining the principles of GCG used by state-owned enterprise and GCG principles of Organization for Economic Co-Operation and Development (OECD).

2. METHODS OF THE RESEARCH

This research applied qualitative method and carried out for about one year. As previously described, the purposes of this research were: first, to describe how does the

instrument to measure the implementation of GCG on BUMDs was designed; and, second, to report the implementation of GCG on BUMDs measured by using the designed instrument, that was in the form of questionnaire.

To collect the data, the researchers used two instruments, namely: documents and questionnaire. The documents used were GCG principles according to Organization of Economic Co-operation and Development (OECD), and National Committee for Governance Policy (*Komite Nasional Kebijakan Governance* --- KNKG), Decree 16 of the Ministry of State-Owned Enterprise, and Government Regulation Number 54/2017, article 29 and 30. These documents were used to refer to the principles of GCG implementation. The way this instrument was designed answered the first objective of the research. The instrument was designed into the form of questionnaire used to measure GCG implementation on BUMDs in South Sumatera Province, Indonesia. The results of the measurement responded to the second objective of the research.

The participants of this study were selected based on the aforementioned Government Regulation Number 54/2017, article 29 and 30 which explain that BUMD organ consists of Ownership rights, Commissioners, and Board of Directors. It was stipulated on the regulation that 'Ownership rights are those who hold the highest power in a BUMD and they have the rights to represent half of the General Meeting of Share-holders; 'Commissioners are those who supervise and give guidance/advice to Board of Directors; and, Board of Directors are those who responsible to carry out BUMD. There were 18 persons from six BUMDs involved as respondents of this research in which every three of them represented one BUMD. Those three were one Ownership rights, one Commissioner, and one Director. The six BUMDs with the three organs for each was selected by using convenience sampling technique.

Six BUMDs which became this research participants were four Local Water Supply Utility, one Petroleum Gas Company, and one Hotel. These enterprises are located in several regions in South Sumatera Province, Indonesia. The 18 participants were required to voluntarily responded to the questionnaire as the instrument designed to measure the implementation of GCG on their own enterprise. The questionnaire was distributed in hard-copy and written by using Indonesian language. It took around two months for the researchers to get the questionnaire returned from all respondents due to their hectic activities.

After the data were all gathered, they were analyzed using triangulation technique of Miles and Huberman (2014), i.e., data reduction, data display, and conclusion. On the first stage, data reduction was done by selecting relevant and important data from the responses given by the participants on the questionnaire to be reported. On the second stage, these data were displayed in the forms of narrative, tables, and graphs, hence they were well organized and easy to understand. On the third stage, the conclusions were made to fulfill the research purposes.

FINDINGS AND DISCUSSION

How the instrument to measure GCG implementation on BUMD was designed

The instrument to assess the implementation of GCG on BUMD was designed by classifying the assessment score into six indicators. The first indicator was related to the 'infrastructure of GCG', namely the basis for BUMD to carry out GCG. Meanwhile, the other five were adopted from GCG principles, namely: transparency; accountability; responsibility; independency; and, fairness. Every indicator was scored 100 or 100%, and each of indicator was elaborated into several sub-indicators. The assessment towards those six indicators became the assessment result of GCG implementation on BUMDs.

The six indicators together with their sub-indicators, adopted and modified from OECD 2004 and Decree 16 of the Ministry of State-Owned Enterprise (*Surat Keputusan 16 Badan Usaha Milik Negara – SK-16 BUMN*), were used as the indicators to design the questionnaire as the instrument of assessing GCG implementation on BUMD. The following Table 1 presents them:

Table 1 Indicators and sub-indicators of GCG measurement

No	Indicators	Sub-Indicators
01	<p>Infrastructure of GCG</p> <p>OECD [Principle 1]: Guarantee the effective basic framework of corporate governance</p> <p>SK-16 BUMN [Aspect 1]: The commitment to implement sustainable GCG</p>	<p>BUMD has policy/guidelines in terms of: 1) GCG or CoCG (Code of Corporate Governance), 2) Board manual, 3) risk management, 4) internal control system, 5) internal supervision system, 6) management of compliance and submission of 'State Official Wealth Report' (<i>Laporan Harta Kekayaan Penyelenggara Negara -- LHKPN</i>), 7) gratification control, 8) report mechanism of whistle blowing system, 9) procurement of goods/service, 10) IT nmanagement, 11) Guidelines for Code of Conduct, 12) Corporate Social Responsibility (CSR);</p> <p>The Policy/Guideline above is periodically reviewed and updated;</p> <p>BUMD carries out GCG guideline consistently; BUMD appoints one member of Board of</p>

		<p>Directors as the person in charge and forms a unit/section or appoints a team to handle compliance with GCG regulations and periodically reports to the Supervisory Board and Board of Directors;</p> <p>BUMD does assessment to the implementation of GCG;</p> <p>The implementation of GCG becomes one of the elements of Key Performance Indicator (KPI) stipulated into management contract.</p>
02	<p>Transparency</p> <p>OECD [Principle 5]: Disclosure and Transparency</p> <p>SK-16 BUMN [Aspect 5]: Information Disclosure and Transparency</p>	<p>BUMD has formal policy which governs public information disclosure to stakeholders;</p> <p>BUMD has media/website as the facilities to deliver the company's information to stakeholders and being periodically updated;</p> <p>Media/website of the company provides important information about the company including:</p> <p>Company Profile (name, information of establishment, company business, etc., according to Regional Regulation/Articles of Association;</p> <p>The guidelines of GCG implementation;</p> <p>Manual Board;</p> <p>The policy/guidelines of risk management;</p> <p>The policy/guidelines for internal control system;</p> <p>The policy/guidelines for internal supervisory system;</p> <p>The policy/guidelines of management of compliance and submission of 'State Official Wealth Report' (<i>Laporan Harta Kekayaan Penyelenggara Negara -- LHKPN</i>);</p>

		<p>Gratification control;</p> <p>Report mechanism of whistle blowing system;</p> <p>Procurement of goods/service;</p> <p>IT management;</p> <p>Guidelines for Code of Conduct;</p> <p>Corporate Social Responsibility (CSR)</p> <p>BUMD prepares financial report and annual report informed on the media/Company's website;</p> <p>The informed financial report has already been being audited by KAP;</p> <p>Financial report that being informed should at least contains the followings:</p> <p>Visions and Missions of the company;</p> <p>Strategies and goals of the company;</p> <p>The organization structure of BUMD's ownership;</p> <p>The profiles of Commissionaires;</p> <p>The profiles of Directors;</p> <p>Appointment and salary system and provision of allowances for members of the Boards of Commissionaires and Directors;</p> <p>Disclosure of share ownership by the Commissioners and Directors and their families in other companies;</p> <p>The amount of meeting and the presence of all members in Commissionaires meeting, Board of Directors meeting, and joint meeting of the Commissionaires and Board of Directors;</p> <p>The description about the supporting structure of GCG;</p>		<p>The efforts of keeping the environmental and social balancing;</p> <p>The reports of GCG implementation;</p> <p>Audited financial report;</p> <p>The results of GCG implementation by independent party;</p> <p>Disclosure of significant material cases of BUMD in annual report and periodically report to the capital owner, such as the claim of materials submitted by stakeholders or the cases in court.</p>
03	<p>Accountability</p> <p>OECD and SK-16 BUMN:</p> <p>Clarity of function, implementation, and organs' responsibilities in carrying out the company effectively</p>	<p>Capital Owner (KPM)/Shareholders (PS)</p> <p>BUMD has the policy regarding the decisions decided by capital owners/shareholders and the rights of decision-making authority delegated to regional apparatus officials;</p> <p>KPM/RUPS meeting held on time;</p> <p>KPM/RUPS Minute of meeting contained the dynamics of the meetings;</p> <p>KPM/RPS establish and implement a formal performance assessment system for the Board of Commissionaires and Directors;</p> <p>KPM/RUPS determine external auditor.</p> <p>Board of Supervisory/Commissionaires</p> <p>Establishing job description among their members and annual report;</p> <p>Guiding and designing RJPP/business plan and RKAP submitted to Directors;</p> <p>Supervising and monitoring Board of Directors' compliance in running the company according to RKT and Business Plan/RJPP.</p>		

		<p>Providing directions on strengthening:</p> <p>Policy/guidelines for risk management;</p> <p>Policy/guidelines for internal supervisory system;</p> <p>Policy and career development;</p> <p>Policy for accounting;</p> <p>Policy for goods/services supply;</p> <p>Policy for IT governance</p> <p>Ensuring the both external and internal audit is carried out effectively in reviewing all reports related to BUMD;</p> <p>Reporting to KPM/RUPS immediately in case there is a significant decreasing of company's performance;</p> <p>If being assisted by the Committee, the Committee of Supervisory/Commissionaires Board carry out routine meeting according to annual work program with the and others assigned by Board of Supervisory/Commissionaires.</p> <p>Boards of Directors</p> <p>Establishing structure/organization structure and job description and responsibility according to the company's needs;</p> <p>Placing the superiors of the company according to their qualifications;</p> <p>Preparing 5 year-work plan on time as the description of business plan;</p> <p>Establishing:</p> <p>Policy/guidelines of internal control system</p> <p>Policy/guidelines of risk management;</p> <p>Policy/guidelines of internal supervisory system;</p> <p>Policy and career development;</p> <p>Policy for accounting;</p> <p>Policy for goods/services supply;</p>		<p>Policy for governing adequate IT internal control system;</p> <p>Policy for gratification control;</p> <p>Policy for the implementation of whistle blowing system;</p> <p>Following up the audit results from both internal and external auditor;</p> <p>Policy related to rights and obligations of employee, customer, supplier, and creditor.</p> <p>Determining work performance measurement system;</p> <p>BUMD decides the policy of developing human resources to support the effectiveness of company's achievement.</p>
04	<p>Responsibility:</p> <p>OECD and SK-16 BUMN:</p> <p>Conformity company management with laws and regulations and healthy corporate principles</p>	<p>Capital Owner (KPM)/Shareholders (PS)</p> <p>Giving approval to:</p> <p>Company long term plan/its revision;</p> <p>Company work plan and budget</p> <p>Giving approval/decision on the proposed actions of the company;</p> <p>Giving approval to annual report including the approval of financial report as well as the supervisory task of Commissionaires/Supervisory Board according to the laws and regulations and or basic budget:</p> <p>Assessing the performance of Directors and Commissionaires/Supervisory Board;</p> <p>Determining salary/fee, allowances, facilities, incentives of work performance for Directors and Commissionaires/Supervisory Board;</p> <p>Deciding the external audit for company financial report;</p> <p>Giving approval to annual report including the approval of financial report and the</p>		

	<p>supervising job of Commissionaires/Supervisory Board;</p> <p>Deciding the use of net profit</p> <p>Implementing GCG according to their rights and responsibilities:</p> <p>Giving directions/coaching on how to implement GCG to Directors and Commissionaires/Supervisory Board;</p> <p>Responding to any information from Directors and or Commissionaires/Supervisory Board about any signal related to decreasing of company performance or significant loss;</p> <p>Board of Supervisory/Commissionaires</p> <p>Giving approval to the draft of RJPP and RKAP submitted by Directors;</p> <p>Giving directions to Directors about the implementation of plan and policy of the company:</p> <p>Company's performance;</p> <p>The strengthen of internal control system of the company, risk management, IT system, HRD policy/career development, financial policy and financial report, goods/services supply policy, quality and service policy.</p> <p>Supervising the Directors:</p> <p>Carrying out the applicable laws and regulations;</p> <p>The compliance towards RKAP/RJPP;</p> <p>Giving approval on the transactions or actions under their responsibilities;</p> <p>Proposing external auditors to KPM/RUPS;</p> <p>Reporting to KPM/RUPS immediately if there is any signal related to decreasing of company performance together with the suggestions</p>	<p>which have been given to Directors to overcome the problems</p> <p>4.11 Controlling and ensuring that GCG is being effectively and sustainably implemented</p> <p>Boards of Directors</p> <p>Running out the programs/activities according to RKAP and taking decisions needed through the analysis and on time;</p> <p>Determining work performance target based on RKAP and delegating it by hierarchy to unit level, sub-unit, and other structural in the organization;</p> <p>Other responsibilities:</p> <p>Professional Directors, Commissionaires Board to the Shareholders;</p> <p>The compliance to basic budget dan applicable laws and regulations;</p> <p>The restrictions of taking personal profit;</p> <p>Internal control</p>
05	<p>Independency:</p> <p>OECD and SK-16 BUMN:</p> <p>A condition where the company is professionally managed without any conflict of interest and influence/pressure from any other parties violated the applicable laws and regulations and corporate healthy principles</p>	<p>Capital Owner (KPM)/Shareholders (PS)</p> <p>Appointing and dismissing Directors;</p> <p>Appointing and dismissing Board of Commissionaires/Supervisory;</p> <p>Not interfere with operational activities which become the responsibilities of the Directors</p> <p>Board of Supervisory/Commissionaires</p> <p>Having conflict of interest policy and consistently implement that policy</p> <p>Boards of Directors</p> <p>Establishing the policy about any mechanism for Directors and structural superiors to avoid any personal or other parties profit taking issues</p>

		and due to the conflict of interest
06	<p>Fairness:</p> <p>OECD and SK-16 BUMN:</p> <p>The fairness in fulfilling equal rights for the shareholders existed due to the agreement and applicable laws and regulations</p>	<p>There are provisions that protect the existence of minority owners/shareholders;</p> <p>Directors treats equal treatment (fairness) in giving the information to KPM/Shareholders and members of Commissionaires Board/Supervisory;</p> <p>There are provisions governing the implementation of KPM/GMS Meetings;</p> <p>Capital owners/Shareholders take active role to hold the meetings of KPM/RUPS:</p> <p>Annual meeting</p> <p>Annual Extraordinary General Meeting</p> <p>Capital owners/Shareholders receive material information about the company on time and regularly;</p> <p>Capital owners/Shareholders actively taking role in determining external auditor and the selection of Commissionaires Board and Directors;</p> <p>The decision of KPM/RUPS meeting held in fair and transparent procedures</p>

The implementation of GCG on BUMDs by using the designed assessment instrument

As it was explained above, the assessment of GCG implementation was measured through 6 elements, i.e., 1) the infrastructure of GCG; 2) transparency; 3) accountability; 4) responsibility; 5) independency; and, 6) fairness. These elements were put into 5-Likert scale questionnaire in which each of the scale was given score in the form of percentage as follows: 'Strongly Disagree' (0%), 'Disagree' (25%), 'Adequately Agree' (50%), 'Agree' (75%), and 'Strongly Agree' (100%). The questionnaire was distributed offline to 18 respondents in which every 3 of them represented one enterprise. They were: one Ownership rights, one Commissionaire and one Director.

Due respondents' activities, the questionnaire could not be distributed as the same time for all participants. The researchers needed to make an appointment first on each

participant's convenience time at their respective office. All statements on the questionnaire were written in Indonesian language to avoid any misinterpretation or misunderstanding. There was no limitation of the time given to every participant to fill in the questionnaire. During the time, the researchers accompanied every respondent to explain and or answer any question addressed by the respondents regarding the statement on the questionnaire.

These closed-statements questionnaire required the respondents to give their opinions related to all aspects of GCG implementation as the indicators and sub-indicators presented on Table 1 above. Figure 1 below displays the results of the responses given by the respondents:

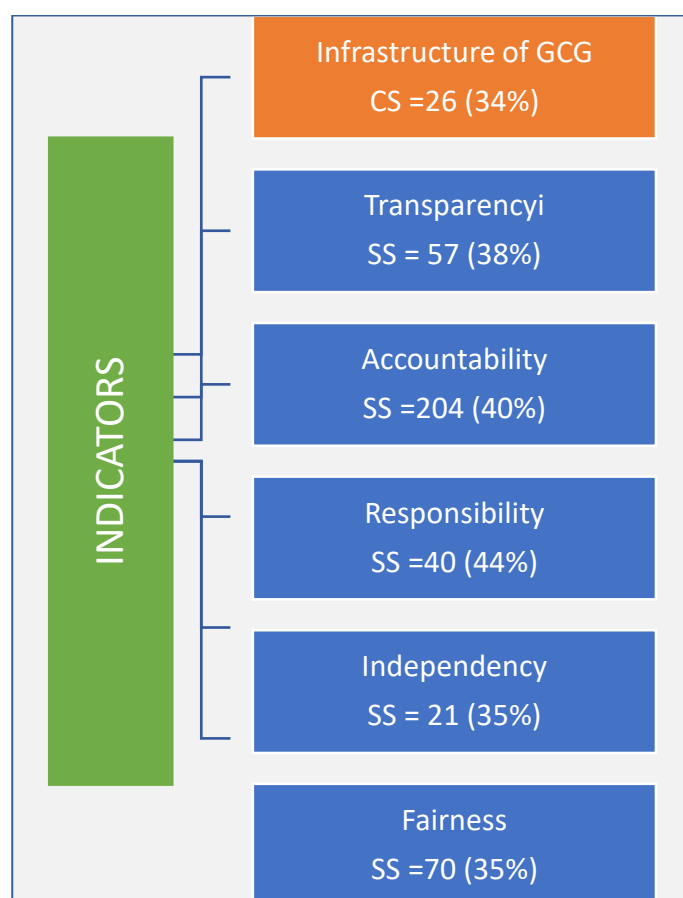


Figure 1 Responses gained on GCG assessment

As it was found in the analysis data, majority of the respondents' responses to the indicator of 'infrastructure GCG' was 'adequate'. Whereas the other five indicators; transparency, accountability, responsibility, independency, and fairness were mostly responded 'strongly agree' by the respondents.

Infrastructure of GCG

There were five sub-indicators under this indicator, namely: a) the availability of GCG guidelines possessed by the company; b) whether or not these guidelines being periodically updated; c) whether or not these guidelines being consistently applied; d) whether or not these guidelines being periodically evaluated; and, e) if these

guidelines become one of the elements in Key Performance Index (KPI).

Manossah (2016, p. 15) defined GCG as “a system that guides and controls a company”.

In a wider definition, Nofrianto, et al (2020) opined that an effective corporate governance can control the company to be balanced so that any of negative opportunities such as abuse of authority, corruption, as well as giving incentives to a certain superior can be as much minimized as possible. Dočekalová, et al. (2015) also said that “effective corporate governance is a key element in achieving long-term success for any company” (p. 57). These all opinions explicitly emphasized that having GCG and carrying it out, and evaluating its implementation periodically to ensure its update are important aspects to determine long-term sustainability of an organization or company, and in this context, BUMDs.

In terms of KPI, a quantitative study of Nazam and Rojuaniah (2024) about the influence of GCG towards job satisfaction and job performance revealed that the implementation of GCG significantly and positively influenced both the human resources' job performance and sustainability of a company or organization.

The analysis results on the aspect of GCG infrastructure on BUMDs on 'adequate' level shows that shareholders should pay attention to the evaluate the elements and or factors that need to improve, hence the related to the purposes of its establishment will be well achieved.

Transparency

The principle of transparency in this study was measured through 10 sub-indicators as stated on Table 1 above. The analysis data showed that majority of the respondents 'strongly agreed' to the principle of transparency in the implementation of GCG on their BUMDs. In terms of transparency, this response confirmed that GCG has been being well-implemented by all BUMDs as the objects in this research work.

Previously, Amdanata, et al. (2019) did a research study on the implementation of GCG on 57 BUMDs in Indonesia. The data of the research were gathered from the internet. Their study reported that among those BUMDs, 20 of them (35%) applied transparency, 15 of them (26%) applied only half of transparency principle, and the rests of 15 BUMDs (39%) did not apply this principle. The indicators they used to assess this principle were the availability of company website, how this website being updated, and how these BUMDs presented their financial report. Low level of this transparency triggered trust issue in the society.

Similar study was also conducted by Hutapea, et al. (2024) who analyzed the implementation of GCG on BUMDs, specifically on Local Water Supply Utility. The focuses of their research were on the principles of 'transparency' and 'accountability'. The findings of their research revealed that from totally 387 Local Water Supply Utilities, there were 52 BUMDs categorized as 'unhealthy enterprises' in terms of the two principles. Based on these findings, they called for local government to reformulate the implementation of GCG principles on those 52 BUMDs. According to Arda, et al. (2023), low

implementation of GCG principles was caused by several factors including nepotism, corruption, and low quality of the human resources.

As it was stipulated on <https://www.hawksford.com> (2024), “Disclosure of material matters concerning the organization's performance and activities should be timely and accurate to ensure that all investors have access to clear, factual information which accurately reflects the financial, social, and environmental position of the organization. Transparency ensures that stakeholders can have confidence in the decision making and management process of a company.” This statement clearly stated that applying transparency is very crucial to carry out a company.

Accountability

The principle of accountability was adopted and modified by the researchers into 34 sub-indicators and all were responded by the respondents as 'strongly agree', and this confirmed that accountability was well implemented by all BUMDs. Pirdaus, et al. (2024) explained that accountability was closely related to the principle of correct company management and seen as the system which controls the relationship among all units in a company by concerning the needs of the investors and other stakeholders to achieve sustainable company performance.

In other study, Harini (2022) who investigated accountability of Local Water Supply Utilities in Surakarta, Indonesia reported that the implementation of GCG on these BUMDs had fulfilled general requirements of National Committee for Governance Policy. However, several problems were found including low competence of the employees so that this principle was not that optimum. A study of Veronica and Nugraeni (2023) which measured how accountability affected budget performance on several institutions in Kulon Progo District, Indonesia. They used questionnaire to collect the data and analyzed these data quantitatively using SPSS. The result an interesting in which accountability did not have any influence on budget performance with the concept of value for money.

This result contradicted the finding of Astuti et al. (2024) study which argued that accountability covered the processes of performance and management as well as financial management dan accountable output quality having a very small chance for violations especially on the financial of government.

Based on these previous studies' results, positive responses of the respondents toward the principle of accountability indicated that BUMDs in South Sumatera, Indonesia had applied this principle well.

Responsibility

The analysis data o revealed that this indicator reached the highest 'strongly agree' percentage responded by the respondents (44%) compared to the other four principles. This result confirmed that majority of the respondents strongly agreed that GCG implemented by BUMDs highly fulfilled the principle of responsibility. Referring to the Regulation of the Ministry of State-Owned Enterprise Number PER-01/MBU/2011 regarding Good

Corporate Governance implemented on State-Owned Enterprise, article 3, “responsibility is the appropriateness of company management towards the regulation constitution and health corporate principles”.

Karsono (2023) opined that in managing an organization or a company, several facets should be taken into account, namely: 1) accepting all risks from any actions which means that the leader and all internal parties in this company are able to take the risks towards any decisions they take in relation to GCG; 2) Do not blame others which explains that any mistakes in a company should not be blamed to others without any valid proof; 3) carrying out all individuals’ works well, this means that all parties in the company, starting from the leaders to staff are able to carry out their tasks and responsibilities well. He further added that if these three aspects are being applied, hence GCG is correctly applied.

On companies in Slovakia, the principle of responsibility researched by Mussa, et al. (2015) gave very important finding in which they reported that there was a correlation between the application of ‘responsibility’ in GCG principle in managing the companies and total debts of the companies. Besides, there was also a correlation between responsible application of corporate governance principles and the amounts of dividends paid to stakeholders. Based on these findings, they concluded that the application of corporate governance principles affected the companies’ financial decision.

Based on the results of this study in which responsibility principle was well-applied on BUMDs as confirmed by the respondents, it became a very good performance of BUMDs in implementing GCG.

Independency

In this research, ‘independency’ was related to professionalism of BUMDs management without any intervention of other parties or conflicting with other interests as well as influencing/pressing from other parties which are not in accordance with the prevailing laws and regulations and or healthy corporate principles. The analysis data also revealed that this indicator was mostly responded ‘strongly agree’ by the respondents showing that all BUMDs had already been being independent in managing the companies.

Two prior studies which investigated ‘independency’ principle on two different State-Owned Enterprises revealed two different results. Estuti, et al. (2022) who scrutinized independently applied by PT. KIW reported that this enterprise had been strictly applying this principle and avoiding any influence and or pressure from other parties and being free from conflict of interests. Meanwhile, Syahbaniar, et al. (2018) who did their research on PT. Agro Medika Nusantara in managing a hospital based on agreement contract with its holding company, PT. Pertamedika, found that this agreement was violated and detrimental PT. Agro Medika Nusantara. The holding company, PT. Pertamedika did not responsible for this loss. This case should be taken as a lesson in building cooperation. Both parties should carefully learn if the agreement only benefits one party. Additionally, terms and conditions of independency principle between parties should be clear.

The result in this study in which all the respondents ‘strongly agreed’ to the statements given related to independency indicator showed that all BUMDs had fulfilled this principle well.

Fairness

As well as the other four previous explained principles, fairness in this research was also responded mostly as ‘strongly agree’ by the respondents. ‘Fairness’ as one of the principles in State-Owned Enterprise is stipulated on article 3 as applying equal fulfillment of rights to all stakeholders based on based on applicable laws and regulations. The application was found by Afrilia (2024) on PT. Kereta Cepat Indonesia Cina (KCIC) which applied fairness and equality principles by fulfilling the rights of stakeholders. These rights were both based on the agreement and applicable laws and regulations. Besides, this company had also been treating all employees equally.

Another study of Hasan, et al. (2016) that aimed to measure the relationship between GCG (in terms of ‘fairness and transparency’ principles) and the performance of Government Employees at General Hospital Natuna, Anambas Island, Riau, Indonesia. This quantitative research explained that the employees who applied the principle of ‘fairness’ were 65.4% proven as having good work performance. This number indicated that more than 50% of the employees’ job performance was affected by the principle of fairness.

As it was previously said, in this study, major responses to ‘strongly agree’ confirmed that all BUMDs had fulfilled the whole aspects of GCG principles. The implementation of GCG aims not only to earn as much profit as possible but also to ensure the company achieves its goals. GCG gives significant impact to the operational of companies to be effective and efficient in which this impact is measured from profit sharing among managers and all shareholders according to reliable and transparent financial report (Alodat, et al., 2022; Farooq, et al., 2022; Bui & Krajcsak, 2024).

3. CONCLUSION

This study highlighted two purposes, i.e., 1) describing how the instrument to assess GCG on BUMDs was designed; and, 2) reporting the results of the assessment using that designed instrument. The analysis data concluded: first, the instrument to measure GCG implementation on BUMDs was adopted and modified from the aspect of GCG belonged to OECD 2004, and Decree 16 of the Ministry of State-Owned Enterprise (*Surat Keputusan 16 Badan Usaha Milik Negara – SK-16 BUMN*). This instrument was designed into a 5-Likert scale questionnaire composing 6 indicators, i.e., GCG infrastructure, transparency, accountability, responsibility, independency, and fairness, each of which had its own sub-indicators. Second, the analysis data resulted that in terms of GCG Infrastructure, majority of respondents chose ‘adequate’, meanwhile in terms of the other five indicators, majority of the respondents responded to ‘strongly agree’.

Those results need to be evaluated by the stakeholders to maximize all elements of GCG on BUMDs. As theories and prior research studies suggested that well implemented of GCG ensures the sustainability of a company and or an organization. Overall, the results of the study confirmed that all BUMDs had fulfilled all principles of GCG, however, they still need to improve this implementation on the aspect of 'GCG infrastructure'.

By referring to the findings above, this study suggests further research under similar topic to use more objects (Regional-Owned Enterprise) to investigate. Besides, it is also suggested to use other instruments such as interviews of FGD to explore the responses given on the questionnaire, hence the analysis results can be wider elaborated

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