

Relationship between the effectiveness of Good Corporate Governance (GCG) policies with the occurrence of corruption cases in the State-Owned Enterprises environment

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ABSTRACT

In the economic system, the role of State-Owned Enterprises is as an implementer of public services, distribution of resources that control the lives of many people, as pioneers/pioneers in the business sector that are not yet desirable by the private sector and as a source of state revenue. This role can be realized if the State-Owned Enterprise in its objectives can implement the principles of Good Corporate Governance (GCG) well. But in reality, it is often difficult to face challenges faced by State-Owned Enterprises managers in implementing good governance. The intervention of State-Owned Enterprises business management with a political-bureaucratic approach that is no different from other government agencies. And at worst there are still a series of corruption cases carried out by the leadership of State-Owned Enterprises to seek personal gain. This is certainly a contradiction with State-Owned Enterprise's governance which is always published. Existing GCG implementation policies are deemed ineffective because they are not adhered to. This illustrates that business governance in State-Owned Enterprises itself has not been going well. Improvement in the application of good corporate governance (GCG) must be carried out immediately and the improvement of the GCG ecosystem of the State-Owned Enterprise itself must receive the attention of the government. Synergy is needed with the government's commitment to forcing State-Owned Enterprises to implement GCG in a transparent and accountable manner, with a high level of professionalism and effectiveness.

INTRODUCTION

Corporate governance is applied to State-Owned Enterprises to improve company performance. The importance of corporate governance is to overcome agency problems by management affecting employee satisfaction and ultimately forming an engagement attitude on Employees (Mochamad Muslih, 2020). By

implementing corporate governance, it is expected to improve performance because company performance is a benchmark of competitive advantage (Winda Widyanty et al., 2020).

If we look at the current state of State-Owned Enterprise It cannot be separated from the accusation of political and bureaucratic restraints although some State-Owned Enterprises already have diverse shareholders. Corporate governance of State-Owned Enterprises is in the spotlight following the continued presence of officials in the state-owned enterprises involved in corruption cases. Seeing the phenomenon of several State-Owned Enterprises caught in corruption cases, there

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should be attention from state-owned companies to improve governance improvements. A series of legal cases faced by State-Owned Enterprises directors seemed to show that state-owned corporate governance had not improved from year to year.

These State-Owned Enterprises corruption cases are all the same cases as our State-Owned Enterprise corruption cases in the past. In the past, our state-owned companies have managed their businesses to be controlled and intervened with a political-bureaucratic approach that is no different from other government agencies, such as funds sourced from the state budget, civil servants, inward-looking programs to bureaucracy, poor services, and entrenched corruption.

The Organization for Economic Co-operation and Development (2005, 2015) illustrates that State-Owned Enterprises have difficulty developing due to excessive state intervention in company management, especially when there is a conflict of interest in leadership multi-levels, many of the goals of shareholders are in line with politicians and bureaucracy's lack of understanding of the direction of progress and State-Owned Enterprise business risk (Ukhiya Rana, 2019).

This demand as a result of the old patterns of governance was felt to be no longer appropriate for the changing social order or in other words the ineffectiveness of governance in addition to the development of the quality of democracy, human rights and public participation in the framework of public services (Muhammad Amirul Haq Muis, 2014).

The many roles that must be carried out by State-Owned Enterprises simultaneously reflect the lack of clarity as to what roles State-Owned Enterprises must do in optimizing public services. The main problem faced by State-Owned Enterprises at the moment lies in governance and professionalism because State-Owned Enterprises' performance is demanded by professionals as well as the private sector.

The practice of bribery between State-Owned Enterprises can be very detrimental to State-Owned Enterprises and is at the same time a very sad practice because it should be with stronger GCG obligations and standards in State-Owned Enterprises that can be an example of corruption prevention practices in the private sector. The Ministry of State-Owned Enterprise, but why do corruption cases still occur so often in the State-Owned Enterprise environment.

THEORY/ LITERATURE REVIEW

Definition of state-owned enterprise

Another definition of State-Owned Enterprise based on Article 1 paragraph 1 of Act No. 19 of 2003 concerning State-Owned Enterprises is "a business which is wholly or most of its capital owned by the state through direct participation from the separated state assets".

Law Number 19 of 2003 concerning State-Owned Enterprises explains that the implementation of the role of business entities is very instrumental in the national economy to optimally optimize the welfare of the community so that the management and supervision must be done professionally based on good corporate governance.

Definition of good corporate governance

An organizational culture based on the values of Good Corporate Government (GCG) can create a conducive work environment and can trigger employee job satisfaction and improve employee performance (Setyo Riyanto et al., 2019).

According to the Cadbury Committee of the United Kingdom (1922), Good Corporate Governance is: "A set of regulations governing the relationship between shareholders, managers (managers) of the company, creditors, government, employees, as well as other internal and external stakeholders related to rights their rights and obligations or in other words a system that directs and controls the company ". Muh. Effendi (2009) in his book *The Power of Good Corporate Governance*, the understanding of GCG is a system of internal control of the company that has the main goal of managing significant risks to meet its business objectives through securing company assets and increasing the value of shareholders' investments in the long term.

According to Monks and Winow in Tricker (2009: 39) in (Myrza Pahlevi et al, 2016), Good Corporate Governance (GCG) is "the relationship among various participants in determining the direction and performance of corporations. The primary participants are the shareholders, the management and the board of directors "(the relationship between various parts within the company in determining the direction and performance of the company, where the main parts are shareholders, management and the board of directors).

From some of the definitions stated above it can be concluded that corporate governance is a system, process and set of regulations that are built to direct and control the company to create a good, fair and transparent relationship between the various

parties involved and have interests (stakeholders) in the company.

Issuance of Decree of the Minister of State-Owned Enterprises Number: KEP-117 / M-MBU / 2002 concerning the Implementation of Good Corporate Governance Practices in State-Owned Enterprises. State-Owned Enterprise Minister Decree No. Kep-117 / M-MBU / 2002 in Article 2 paragraph 1 decides to oblige State-Owned Enterprises in Indonesia to consistently apply GCG principles and / or make GCG principles an operational basis.

The definition of Good Corporate Governance (Good Corporate Governance) according to the Regulation of the Minister of State-Owned Enterprises Number: 01 / MBU / 2011 are "principles that underlie a process and mechanism of corporate management based on laws and business ethics". The principles of Good Corporate Governance referred to in the Regulation of the Minister of State-Owned Enterprises Number: 01 / MBU / 2011 are:

- 1) Transparency ;
- 2) Accountability;
- 3) Responsibility ;
- 4) Independency;
- 5) Fairness

Then made changes to the Regulation of the Minister of State-Owned Enterprises Number PER-01 / MBU / 2011 namely the Regulation of the Minister of State-Owned Enterprises Number PER-09 / MBU / 2012 of 2012 Regarding the Implementation of Good Corporate Governance in Owned Enterprises Country.

METHOD

GCG-related regulations set by the Ministry of State-Owned Enterprises should be able to improve the performance of State-Owned Enterprises. According to (Mochamad Muslih, 2020) Corporate governance should have a positive effect on company performance. Thus the efforts made by the Ministry of State-Owned Enterprises to implement corporate governance in State-Owned Enterprises are not in vain. Corporate governance that has been applied was successful in driving company performance. Following its objectives, governance will improve company performance. Performance can be in the form of profit, an increase in stock prices, and corporate image.

The following table can be used to find out how effective the existing regulations related to the implementation of GCG in the State-Owned Enterprise environment are related to corruption committed by State-Owned Enterprise officials.

Table 1. Corruption Acts by Agency

INSTANSI	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	JUMLAH
DPR dan DPRD	0	0	0	0	7	10	7	2	6	2	2	3	15	9	4	67
Kementerian/Lembaga	1	5	10	12	13	13	16	23	18	46	26	21	39	31	47	321
BUMN/BUMD	0	4	0	0	2	5	7	3	1	0	0	5	11	13	5	56
Komisi	0	9	4	2	2	0	2	1	0	0	0	0	0	0	0	20
Pemerintah Provinsi	1	1	9	2	5	4	0	3	13	4	11	18	13	15	29	128
Pemkab/Pemkot	0	0	4	8	18	5	8	7	10	18	19	10	21	53	114	295
Jumlah	2	19	27	24	47	37	40	39	48	70	58	57	99	121	199	887

Source: <https://acch.kpk.go.id/id/statistik/tindakpidana-korupsi/tpk-berdasarkan-instansi>

Table 2. Criminal Acts Based on Corruption Institutions

INSTANSI	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	JUMLAH
DPR RI					7	10	7	2	6	2	2	3	15	9	4	67
Kementerian/Lembaga	1	5	10	12	13	13	16	23	18	46	26	21	39	31	47	321
BUMN/BUMD		4			2	5	7	3	1			5	11	13	5	56
Komisi		9	4	2	2		2	1								20
Pemerintah Provinsi	1	1	9	2	5	4		3	13	4	11	18	13	15	29	128
Pemkab/Pemkot			4	8	18	5	8	7	10	18	19	10	21	53	114	295
JUMLAH	2	19	27	24	47	37	40	39	48	70	58	57	99	121	199	887

Source: <https://www.kpk.go.id/images/Integrito/LampiranLaptah2019/PENINDAKAN.pdf>

Table 1 and Table 2, if connected with the appeal from the Government regarding the Implementation of Good Corporate Governance in the following regulations:

1. Decree of the Minister of State-Owned Enterprises Number: KEP-117 / M-MBU / 2002 concerning the Implementation of Good Corporate Governance Practices in State-Owned Enterprises. State-Owned Enterprise Minister Decree No. Kep-117 / M-MBU / 2002 in Article 2 paragraph 1 decides to oblige State-Owned Enterprise in Indonesia to consistently apply GCG principles and/or make GCG principles an operational basis. In 2004, there is no State-Owned Enterprise corruption, but in 2005 there was 4 corruption and in 2006 and 2007 there was zero corruption. After 2007 every year there were trends in corruption varying to 2011.
2. Regulation of the Minister of State-Owned Enterprises Number PER - 01 / MBU / 2011 concerning the Implementation of Good Corporate Governance in State-Owned Enterprises. In 2012 there was only 1 corruption.

3.Regulation of the Minister of State-Owned Enterprises Number PER-09 / MBU / 2012 of 2012 Amendment to the Regulation of the Minister of State-Owned Enterprises Number PER-01 / MBU / 2011 Regarding the Implementation of Good Corporate Governance in State-Owned Enterprises. In 2013 and 2014 there was zero corruption but next, there was a corruption that varied until 2018.

RESULTS AND DISCUSSION

The GCG Implementation Regulation has been established by the Ministry of State-Owned Enterprises, but in accordance with the corruption table of the Corruption Eradication Commission, when the regulation was enacted it only had a positive influence at the beginning of its emergence, over time the Gratification and Corruption Practices still occur within the State-Owned Enterprise environment. This means that the implementation of GCG is not going well and the supervision of the implementation is not consistent.

The evaluation of governance should not only be carried out by the State-Owned Enterprise itself. However, the role of the Ministry of State-Owned Enterprises, in this case, the government must be able to conduct detailed evaluations and periodic monitoring related to the implementation of this GCG, while the assessment is carried out by independent assessors who are competent and accountable. Synergy is needed with the government's commitment to forcing State-Owned Enterprises to implement GCG transparently and accountably, with a high level of professionalism and effectiveness. One of them is by the commitment of the Cooperation with the Corruption Eradication Commission to counter corruption and improve the implementation of GCG in the State-Owned Enterprise environment.

CONCLUSION

State-Owned Enterprise plays a role as implementing public services, distribution of resources that control the lives of many people is expected to be a pioneer in the business sector that has not been interested in by the private sector and a source of state revenue. This role can be realized if the State-Owned Enterprise in its objectives can implement the principles of Good Corporate Governance (GCG) well. However, a series of corruption cases committed by State-Owned Enterprise officials occurred, one of which was due to the intervention of State-Owned Enterprise business management.

This is not in line with the regulations established by the Ministry of State-Owned

Enterprise related to the implementation of GCG within the State-Owned Enterprise environment. It is as if the regulation only has the power to regulate at the beginning of its stipulation, but afterward it is not obeyed by State-Owned Enterprise because there is no consistent supervision in its implementation.

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