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GOOD CORPORATE GOVERNANCE (GCG) IN MUNICIPALLY OWNED COMPANY (MOC) IN SOUTH KALIMANTAN

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Abstract

Implementation of GCG in Municipally Owned Companies (MOC) are usually still low, that was indicated by the low GCG score. The purposes of this research are to describe and analyze the implementation of GCG in MOC in South Kalimantan and to analyze the differencess of implementation between tow companies. This research is qualitative research and can be categorized as case study. Two municipally owned companies are selected. Keyperson from two companies are interviewed, with deep interviewed. Key points of GCG implementation are asked to them, include the threat to make good implementataion of GCG. The result, only one of MOC has had GCG formally, the other hasn't. It means one of MOC has the mechanisms, processes and relations by which corporations are controlled and directed at the formal level, and the implementation was improve from time to time. There are many differences in implementation of GCG from two companies. Importance recomendation is issuing Perda to push MOC make implementation of GCG.

Keywords: Municipally Owned Corporations, Good Corporate Governance, Comparison from two MOC

INTRODUCTION

The performance of companies whose shares are mostly owned by local governments or commonly referred to as Regional Owned Enterprises/Municipally Owned Companies (BUMD) is usually not encouraging. It is not exceptional happened South Kalimantan, most of BUMD have performance which is too exalted seen from some indicators such as: customer satisfaction, excellent service and good corporate governance (GCG). GCG in BUMD, in its application is relatively lagging behind, good application of GCG is needed infrastructure and softstructure. GCG infrastructure includes the following: nomination and remuneration committees, risk management committees, GCG committees and Audit committees. Softstructure GCG include: GCG code, manual board for Board of Commissioners/Supervisor and Board of Directors, code of conduct, charter to support GCG and SOP.

GCG Score in Municipally Owned Companies (MOC) is usually still low except in Regional Development Bank (BPD). GCG at the Bank is usually relatively high, this is because the implementation of GCG is closely monitored by OJK. Problems that occur in non-bank MOC, no special agencies that closely monitor the implementation of GCG. The next cause is related to the legal basis. BUMD follow the rules of local regulations while other companies use UUPT or Undang-Undang Perseroan Terbatas.

Regulations related to the implementation of GCG are two, for SOEs GCG rules that can be used is the Regulation of the Minister of State-Owned Enterprises PER 01/MBU/2011 on the implementation of Good Corporate Governance. The legal basis of GCG for BUMD is included in Law No. 23 of 2014 on Municipal Government. This Act contains general application of GCG in BUMD. Article 343 of the Law states that MOC must at least meet the following elements: (a) the procedures for equity participation, (b) the organ and staff, (c) evaluation procedures, (d) good corporate governance, (e) cooperation, (f) the use of profits, (g) local government assignments and (h) loans.

The purpose of this research in general is to produce a strategy to implement GCG in MOC. Specific objectives are twofold: (a) describe GCG implementation in South Kalimantan and (b) differentiate GCG implementation in the two sample companies.

Implementation of GCG in BUMD is actually long enough, but the result is still not maximal. Targeted achievements are often not achieved. This is an indication that GCG has not been applied maximally. This research will produce strategies for efforts to increase the GCG implementation. Hope future BUMD performance will be better.

This research uses qualitative research design using two relatively large sample companies in Banjarmasin. The first company was given the initials PD. A and the second company were given the initials PD. B. The result A has declared implementing GCG since 2016. GCG fulfillment including its document has been implemented from time to time. The longer the better. PD. B on the contrary, there is no leadership commitment to explicitly apply it. Some GCG documents are already owned but not explicitly addressed for GCG fulfillment.

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Good Corporate Governance as a company's internal control system that has the primary goal of managing significant risks to meet its business objectives through securing corporate assets and increasing shareholder value in the long term[1]. The Government of Indonesia and the International Monetary Fund (IMF) introduce the concept of Good Corporate Governance (GCG) in the framework of economic recovery, as a healthy corporate governance. This concept is expected to protect the shareholders and creditors in order to recover their investment[2].

Good Corporate Governance is definitively a system that regulates and controls the company to create value added for all stakeholders. There are two points emphasized in this concept, firstly, the importance of shareholders' right to obtain information accurately and timely, and secondly, the company's obligation to disclose accurately, timely, and transparently to all information company performance, ownership, and stakeholders. In short, there are four main components needed in the concept of GCG is fairness, transparency, accountability, and responsibility. These four components are important because the consistent implementation of GCG has proven to improve the quality of the financial statements, also noting that consistently applied GCG principles can also be constraints to performance engineering activities that result in financial statements not reflecting the fundamental value of the company [3].

The Organization for Economic Co-operation and Development (OECD) of several countries developed the OECD Principles of Corporate Governance in April 1998. The principles of Corporate Governance developed by the OECD cover the following 5 (five) points: (a)) the protection of the rights of shareholders, (b) Equitable treatment of shareholders, (c) the role of stakeholders, (c) the role of stakeholders, d) disclosure and transparency, (e) responsibility of the Board of Commissioners or the Board of Directors (the responsibilities of the board)[4].

Article 3 Regulation of the Minister of State-Owned Enterprises Number: PER-09 / MBU / 2012 on Amendment to the Regulation of State Minister of State-Owned Enterprise Number per-01 / MBU / 2011 on the Implementation of Good Corporate Governance for SOEs , Good Corporate Governance includes:

1. Transparency, ise openness in carrying out the decision-making process and openness in expressing material and relevant information about the company.
2. Independence, a state in which the company is professionally managed without conflict of interest and influence/pressure from any party that is inconsistent with applicable laws and regulations and sound corporate principles.
3. Accountability, namely clarity of functions, implementation and accountability of the organs so that the management of the company implemented effectively.
4. Accountability, ie conformity in the management of the company to the applicable laws and regulations and the principles of the corporation.
5. Fairness, ie justice and welfare in fulfilling the rights of stakeholders arising under the applicable treaty and legislation.[5]

The implementation of GCG concept aims to improve the performance of the organization and prevent or minimize the chance of manipulation practices and significant errors in the management of organizational activities [6]. The application of GCG is very useful. Based on a survey conducted by McKinsey & Company shows that institutional investors are more confident in Asian companies that have implemented GCG. Theoretically, GCG practice can increase the value of the company[7].

The objectives and benefits of implementing GCG are: (a) facilitating access to domestic and foreign investment, (b) obtaining lower cost of capital, (c) provide better decisions in improving the company's economic performance, (d) increase the confidence and trust of the stakeholders of the company, and (e) protect the board of directors and commissioners from lawsuit political s. Adopting GCG system will resolving some of governance difficulties of MOC like opacity of goals due to multiple stakeholder and political interference[8].

There are many ways to understand corporate governance, but the closest way is to understand agency theory first. The agency theory is one of the pillars in theory of finance. The agency theory emphasizes the importance of the company owner (shareholder) handing over the company's management to the power - professionals (called agents) who understand more in running a day-to-day business.

The agency theory provides analytical insight to examine the impact of agent relationships with principal or principal with principal by providing an overview of what matters are likely to occur either between the manager and the shareholders or between shareholders and the lender. In the agency relationship between the shareholders (principal) with the agent (agent), the theory of the agency pointed to the existence of three elements that can avoid the deviant behavior of the agent (agent), namely:

1. Elements of the working of the managerial labor market;

2. The element of capital market operation;
3. Elements of the working of the market for the desire to master and own or dominate the ownership of the company (market for corporate control).

Agent (manager) will not be in the future if the performance is bad so dismissed by shareholders. The managerial labor market will remove the chance of managers who are not performing well and behave in a way that defies the wishes of the shareholders of the company they manage. Company managers are sure to get barriers to do things that can reduce the value of the company from the functioning of the managerial labor market [3]

Asymmetry theory says that the parties to the company do not have the same information about the prospects and risks of the company. Certain parties have better information than others. Managers usually have better information compared to outside parties (such as investors), it can be said there is information asymmetry between managers and investors. Investors, who feel they have less information, will interpret manager behavior[9].

METHODS

This study is categorized as qualitative research, including in case studies. The population in this study is all existing MOC in South Kalimantan. Sampel selected are two MOC. MOC selection is based on convenience sampling. MOC located in Banjarmasin and surrounding areas. Samples selected are PD. A and PD. B.

In qualitative research data can be collected from few sources, first, interview research (people experience, perception, opinion, feeling, knowledge). Second, observation/field work description of activities (behavior, action, conversation, interpersonal interaction, organizational/community process, any other observable human experience plus field note (context). Third, documents (organizational data/document, publication, report, art work, picture, photo, other memorabilia, and diary. This research uses data from in-depth interview.

The data used are secondary data and primary data. Secondary data is obtained from company records on infrastructure and softstructure of GCG in the company. The indicator used to measure GCG is GCG indicator for MOC.. The data is equipped with primary data. Primary data obtained from the process of indept interview on key person at PD. A and PD B.

The analytical tool used is with the following steps. The stages consist of data reduction, data display and conclusions. Reduction of data, data obtained from in-depth interviews the number is quite a lot, for it should be noted carefully and detailed. Data needs to be reduced. Reducing data means: summarizing, choosing the essentials, focusing on the things that matter, looking for themes and patterns and removing unnecessary ones.

Phase two is the data display. Display data in qualitative research can be done in the form: brief description, charts, relationships between categories and flowchart.

The third step is the conclusion and verification. The preliminary conclusions raised are temporary, and will change if there is no strong evidence to support the next stage of data collection.

The conclusions in qualitative research may be able to answer the formulation of problems formulated from the beginning, but probably not, because the problems and problem formulations in qualitative research are still temporary and will develop. The findings can be a description or description of an object that was previously still unclear, so that after investigation becomes clear.

FINDINGS AND ARGUMENTS

Municipal ownership refers to the city's ownership of public utility on behalf of the city authorities. MOC is entitled to govern and perform operation over city property and provide up to date service needed by urban people[10].There are many MOC in South Kalimantan, every local government has it's owned MOC like PDAM. A company that serve dringking water. It also has Saving and Loans Company or Bank Perkreditan Rakyat/BPR and Regional Development Bank.

Two regional-owned companies were sampled as PD. A and PD. B. The first company is PD. A is a Regional Owned Enterprise of South Kalimantan Province, where every company activity is related to government regulations. PD.A administratively has actually implemented a good system long before the implementation of Good Corporate Governance, this is evident from the fulfillment of the entire system of the company. The implementation of Good Corporate Governance is officially implemented in 2016. In the declaration of Good Corporate Governance PD. A is assisted by BPKP, it is also as a coaching function of BPKP.

So far, in the implementation of the company system, officials have not found any problems related to the principles of Good Corporate Governance.Eeach activity is related to government regulations that must be implemented by everyone in the company.

PD. A has a wide service coverage and upholds the quality of service for the community. To improve the quality of service, PD. A builds corporate culture and provides ESQ training, it can maintain and even improve the service quality of the company, in accordance with the purpose of establishment of PD. A is to fulfill the livelihood of people..

Risk Management is part of Good Corporate Governance. PD.A itself does not yet have a specific structure for risk management, but has been generally responsive in dealing with problems, especially when technical problems occur.

PD.A also conducts Health and Safety (K3) to minimize risks in operational activities. PD. A also routinely conducts health check-ups for all employees, and if any employee who has poor health can be treated as soon as possible, because the main supporting health in carrying out the work. Healthy and fit employees can carry out the work and provide the maximum service to the community.

Related to company's health level, PD. A is considered a healthy company. The tough problem with corporate finance is the severity of the installment, but capital investment from the government can help ease interest payments. Good Corporate Governance has been substantially more than 50% implemented, only formal or full GCG evidence does not exist yet. Only support reports are available.The absence of a maximum time limit when GCG should be applied to BUMD makes awareness of GCG implementation is low. Future hope, the rules on applying Good Corporate Governance to BUMD as soon as regulated in Local Regulation so that all MOC have clear legal basis in the implementation of GCG as a whole.

PD. B is a long-established company. For some time its business process had intervened by the authorities. Managers can not be independent in managing the company. Some employees are employees entrusted by the authorities. This makes the company can not run properly. PD. B does not have explicit GCG yet. Currently undergoing a major assessment. This starts with an assessment of employees who have started some time ago. The goal is for the company to run effectively. Awareness of the ranks of the management team on GCG is still low. As a result until now there is no GCG document in the company. The results of comparison, the two regional companies show differences in some respects. First, intent or intentions of company officials.In PD. A has a serious intention to implement GCG, on the contrary in PD. B didn't have serious intention to implement GCG, however some GCG related documents are also owned. The third difference, GCG in PD. A has started and the longer the better the implementation. Conversely in PD. B GCG has not started yet, but with the assistance from BPKP then GCG can start immediately.

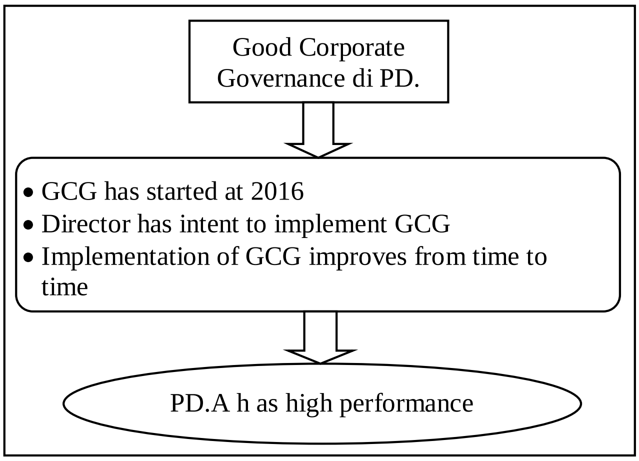

Figure 1.GCG in PD. A

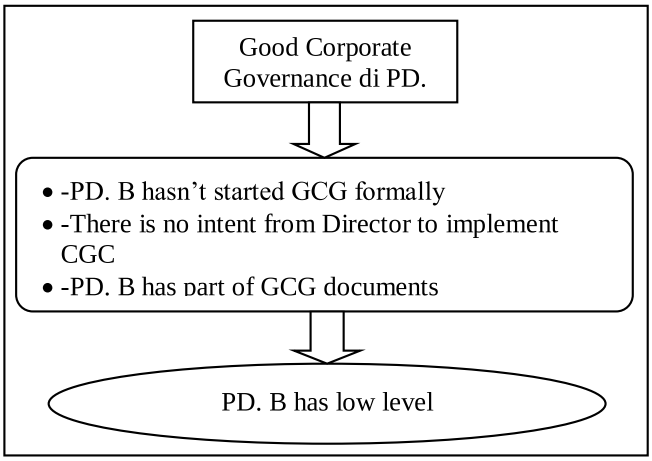

Figure 2. GCG in PD. B

CONCLUSION

The purpose of this study are two that describe the implementation of GCG in South Kalimantan and distinguish the application of GCG in the two sample companies. The results show that the implementation of GCG in MOC not same. Proven in the company sampled shows that there are companies that have applied GCG and the better every time and some are not yet apply at all. This should be the concern of the relevant parties. There should be special rules or regulations that can force MOC to apply GCG.

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