

EXISTENCE OF CORPORATE GOVERNANCE IN INDONESIAN STATE-OWNED ENTERPRISES

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Abstract: The sample consisted of 72 non-financial Indonesian state-owned businesses. The overall corporate governance score in 2020 is based on the annual report. The main goals of this study are to comment on Indonesia's state-owned firm self-assessment system, evaluate the relative importance of various klaster industries, and give extensive information on each corporate governance implementation. The energy, oil and gas klaster, mineral and coal klaster, infrastructure klaster, and logistics klaster are shown to have the strongest predictive value of business results in this study. With a score of above 90, this is a very excellent predictor. The score evaluation results for health, logistics, telecommunications, tourism, and support klaster reveal a score attainment of 85-90 with a very excellent predicate. Manufacturing klaster, tourism klaster, and support klaster all have a positive outlook. Corporate governance has a good and large impact on Indonesian state-owned firms, according to empirical research. Only a sample of Indonesian state-owned firms was used in this study.

Keywords: Corporate Governance, Self-assessment Score, Indonesia SOEs

Abstrak: Sampel terdiri dari 72 badan usaha milik negara non-keuangan Indonesia. Skor tata kelola perusahaan secara keseluruhan pada tahun 2020 didasarkan pada laporan tahunan. Tujuan utama dari penelitian ini adalah untuk mengomentari sistem penilaian mandiri perusahaan milik negara di Indonesia, mengevaluasi kepentingan relatif dari berbagai industri klaster, dan memberikan informasi yang luas tentang setiap penerapan tata kelola perusahaan. Klaster energi, klaster migas, klaster mineral dan batubara, klaster infrastruktur, dan klaster logistik terbukti memiliki nilai prediksi hasil bisnis yang paling kuat dalam penelitian ini. Dengan skor di atas 90, ini adalah prediktor yang sangat baik. Hasil evaluasi skor untuk kesehatan, logistik, telekomunikasi, pariwisata, dan dukungan klaster mengungkapkan pencapaian skor 85-90 dengan predikat sangat baik. Klaster manufaktur, klaster pariwisata, dan klaster pendukung semuanya berpandangan positif. Tata kelola perusahaan memiliki dampak yang baik dan besar bagi perusahaan-perusahaan milik negara Indonesia, menurut penelitian empiris. Hanya sampel perusahaan milik negara Indonesia yang digunakan dalam penelitian ini.

Kata Kunci: Tata Kelola Perusahaan, Self-assessment Score, BUMN Indonesia

INTRODUCTION

In developing nations, state-owned enterprises (SOEs) are an essential part of the economy. Government-owned enterprises (SOEs) are companies in which the government holds at least 51% of the capital. SOE is no different from any other business that needs to improve its governance. Corporate governance include institutional shareholders, boards of directors and commissioners, performance-based compensation, the capital market as the Company's controlling shareholder, ownership structure, financial structure, linked investors, and product rivalry.

State-owned enterprises are created to meet societal needs rather than to maximize profit. However, as the number of stakeholders has increased, governments in a number of countries have made changes to the governance framework for state-owned enterprises in order to enhance performance. (Parker et., all, 2000) Indonesia's state-owned enterprises are expected to play a key role in driving the country's economic development in accordance with global trends. Citizens gain from state-owned businesses because they implement improvements, notably in the infrastructure and transportation sectors. The government controls companies in the oil, gas, mining, and coal industries as a significant source of revenue. SOE paid the Indonesian government IDR 415 trillion in 2019, including IDR 23 trillion in tax revenue, IDR 50 trillion in dividends, and IDR 135 trillion in other non-tax state revenues (PNBP). SOE's profits contribution to PNBP grew from 10% to 19% between 2010 and 2019.

State-owned enterprises (SOEs) continue to play an important role in Indonesia, and government share ownership has not dropped as it has in other rising markets. As a result, in the business climate of state-owned firms, there has been and continues to be cooperation among power holders. SOE must be transparent as a company in order to disclose information in business entities. As a result, the Indonesian government enacted law that governs state-owned businesses that participate in commercial and economic activities. It's linked to agency theory, which states that the Company's corporate governance helps to reduce conflicts of interest. Conflict arises when the management acts as a representative for the firm and his or her interests diverge from those of the owner. Jensen and Meckling (1976) claim that state ownership and management of government-appointed managers are separate because of the agency approach. The agency faces problems when the manager, a hired agent entrusted with representing the owners' best interests, pursues self-interest rather than the owners' best

interests. According to SOE Minister Regulation No. PER-09/ MBU/2012 dated July 6, 2012, on Amendment to SOE State Minister Regulation No. PER-01/MBU/2011 dated August 1, 2011, on the Implementation of Good Corporate Governance in SOE Article 44, companies as SOEs are required to measure GCG implementation through assessments. The Company evaluates its GCG implementation every year to determine its level of appropriateness. Every 2 (two) years, an external assessor performs a Good Corporate Governance (GCG) assessment, which is interleaved with self-assessments done by the Company's internal assessors. The evaluation is carried out on behalf of a third party outside of the Company by an external assessor.

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The Indonesian government can perceive a large committed institutional investor's ownership of state-owned enterprises, according to study conducted by (Chung & Zhang, 2011) on the implementation of corporate governance in Indonesia. Murni and Nengzih (2018) expect that effective corporate governance will boost firm performance in Indonesian state-owned companies. According to Musallam (2020), the greater the shareholders, particularly state shareholders, the better the company's performance in Indonesia. The size of the government's shareholder, on the other hand, has no influence on the investors. Given the importance of SOE corporate governance in supporting state development (this study will focus on three objectives due to the importance of state-owned enterprises in developing countries and corporate governance implementation): Conduct a self-assessment of corporate governance at Indonesian state-owned enterprises (SOEs). Providing extensive information on each corporate governance parameter. The impact of corporate governance on the success of businesses

RESULTS

Factor analysis and identifying the corporate governance practice

Figure 3 depicts the average of each klaster's self-assessment scores. Overall, SOE's corporate governance implementation is good, with an average overall self-assessment score of 88.57. Energy, oil and gas clusters, minerals and coal clusters, infrastructure clusters, and logistics clusters all scored above 90.00. This might be because the four clusters contain BUMNs with high business sizes, some of which have gone public.

The energy, oil, and gas cluster contains two significant corporations, PT Pertamina and PT PLN, which are Indonesia's sole energy companies and can be considered monopolies. Pertamina and PLN have a higher duty in adopting good governance because they are huge corporations. Before establishing a holding company for the mineral and coal business, three firms in the mineral and coal cluster went public. From 11 businesses in the infrastructure cluster, 7 have gone public. Furthermore, the infrastructure cluster is a cluster that supports government infrastructure development activities in Indonesia. Even though there are no enterprises that have gone public in the logistics cluster, it assists the government in carrying out transportation and transportation. SOEs with corporate domination have gone public and have business operations that directly support government programs, causing them to be more concerned about governance implementation.

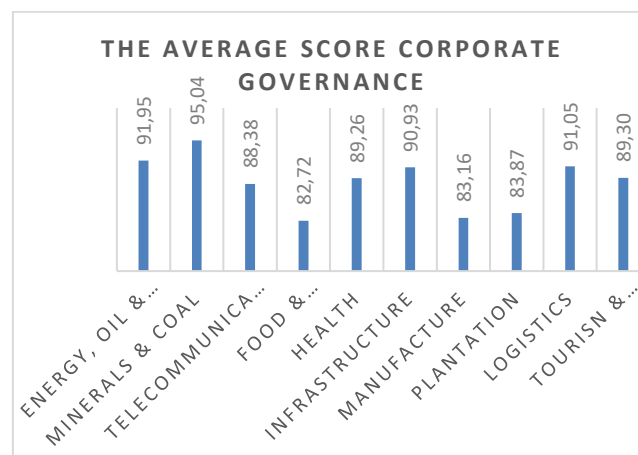


Figure 1 The Average Score Corporate Governance

The analysis of producing the self-assessment score comes next. Six factors or components make up a self-assessment. Table 1 shows the outcomes of the calculations:

Table 1 Incorporate all aspects of corporate governance measurement into your score

Klaster	Aspect 1	Aspect 2	Aspect 3	Aspect 4	Aspect 5	Aspect 6
Energy, Oil & Gas	6,84	8,53	32,92	32,47	7,64	3,54
Minerals & Coal	6,58	8,75	33,90	33,65	8,46	3,70

Telecommunication	6,4	8,07	33,16	34	7	5
Food & Fertilizer	6,23	7,51	29,87	30,02	6,92	2,17
Health	6,73	8,37	31,96	32,84	7,05	2,29
Infrastructure	6,44	8,50	32,50	32,60	7,61	2,81
Manufacture	4,97	6,91	25,57	25,45	5,62	0,31
Plantation	5,62	7,16	26,62	27,17	6,13	1,00
Logistics	6,43	8,27	32,33	32,61	7,93	3,36
Tourism & Support	6,17	8,35	31,79	32,55	7,85	2,59

Table 1 shows an illustration of each aspect:

Aspect 1: dedication to the execution of long-term governance. There were eight klusters of non-financial enterprises with scores more than 6 (equivalent to 85 percent -90 percent performance), demonstrating SOE compliance in this area. Companies develop a GCG code, a code of conduct, and work to improve GCG implementation in the company's activities on a consistent and continuous basis. Two klusters received a score of 6 or 71 percent.

Aspect 2: Shareholders and the General Meeting of Shareholders (GMS); the corporation performs twice as well as the GMS. GMS is held on a regular basis, at least once a year. The approval of the Annual Reports, which must include financial statements, reports on the company's operations, and reports on social and environmental responsibility implementation, is considered at the annual GME of shareholders. Extraordinary General Meetings of Shareholders can be conducted at any time if the Board of Directors, Board of Commissioners, or Shareholders consider it is necessary to address concerns that were not addressed during the Annual General Meeting.

There are eight companies with a score of 7.5 or above (more than 80 percent achievement). This outcome reflects the firms' commitment to adopting corporate governance in accordance with existing laws and regulations.

Aspect 3: Board of Commissioners; The Board of Commissioners is in charge of reviewing and monitoring corporate governance implementation. The Board of Commissioners, which has an independent standing and functions to review policies and management in general, as well as provide advice to the Board of Directors, represents the Shareholders. There are eight businesses with a score of 30 or higher (more than 80 percent achievement). That is to say, the Board of Commissioners' and the rules' obligations to GMS have been met. **Aspect 4:** In line with the rules of the Article of Association, the Board of Directors is totally responsible for

administering the business for the firm's interests and objectives. Prospective members of the board of directors must fulfill formal and material conditions to be appointed as members of the board of directors, according to the Regulation of the Ministry of State-Owned Enterprise. There are eight firms with a score of greater than 30. (more than 80 percent achievement). The Board of Directors of a State-Owned Enterprise has carried out its responsibilities and activities in line with Ministry of State-Owned Enterprises regulations. The GMS is in charge of appointing and dismissing them.

Aspect 5: Information disclosure and openness; the Stated-Owned Enterprise maintains a corporate website that is freely accessible to all stakeholder groups. The firm's website is part of the company's information disclosure process, which ensures that all stakeholders have access to the most up-to-date information about the company. The company's data includes rules for pleasure control, an annual report, and a financial report. There are five businesses with a score of higher than 30. (more than 85 percent achievement). All State-Owned Enterprises have a website that the stakeholders may access, however just 5 klusters have given all necessary information.

Aspect 6, Other Aspects; This aspect demonstrates that SOE has been able to serve as an example for other SOEs; nevertheless, the average accomplishment rate of 50% indicates that many SOEs have yet to serve as examples. The energy, oil, and gas klaster came in first with a score of 71 percent, followed by the minerals and coal klaster with a score of 74 percent.

Long-term governance, GMS, the Board of Commissioners, the Board of Directors, information disclosure and openness, and other factors are all components that must be addressed by BUMN. This is an important step in determining whether or not something has been done correctly.

Figure 2 depicts the percentage of non-financial SOEs that have achieved each element. Aspect 4 has the highest accomplishment score of 90%, showing that the directors have performed their obligations in accordance with their roles and responsibilities in the company. Aspects 1, 2, and 3 all scored 89 percent, indicating that SOE already has a GCG code and code of conduct in place and is constantly updating it, as well as conducting annual GMS for the appointment or dismissal of the Board of Commissioners and Board of Directors, and approving and ratifying the annual report. The Board of Commissioners serves as a supervisor for the Company's operations. The 80 percent achievement of component 5 demonstrates SOE's

capacity to offer information and access to stakeholders, including annual reports and financial reports. As can be seen, all non-financial SOEs now have websites with comprehensive information. With a score of 54 percent, the sixth element received the lowest rating. Large firms or public enterprises carry out SOEs that measure governance implementation. Only 15 major SOEs have gone public, indicating that the number of large SOEs is still low.

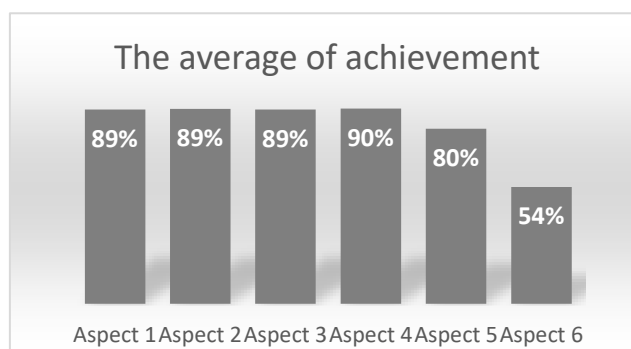


Figure 2 Shows TheAccomplishment Average

The Performance of State-Owned Enterprises and Self-Assessment Corporate Governance

We develop a multivariate cross-sectional model to investigate the influence of self-assessment governance on SOE performance as evaluated by the BSC method. The SOE governance has been defined as an overall self-assessment score based on six (six) aspects: 1) commitment to long-term good corporate governance implementation; 2) shareholders and GMS/capital owners; 3) board of commissioners; 4) board of directors; 5) information disclosure and transparency; and 6) other aspects. The balanced scorecard is used to evaluate SOE's performance (BSC). Kaplan and Norton introduced the balanced scorecard as a performance evaluation technique (1992). IT is becoming increasingly popular as a managerial tool. BSC evaluates performance from several angles, including financial, customer, internal business processes, and learning and growth. Table 2 shows that corporate governance and SOE performance have a positive relationship. (t-value > 1.96; = 0.254; p-value 0.001).

Table 2 Assesment Result

Hypotheses	Path Analysis	p-value	t-value	Conclusion	
Corporate Governance - > SOE	0.254	0.001	4,858	+	Accepted

Performance- BSC					
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According to the findings (table 2), there is a statistically significant positive relationship between the two constructs, showing that the adoption of self-assessment corporate governance has a favorable impact on state-owned enterprise performance as assessed by the balanced scorecard. The results suggest that when businesses can apply all aspects of the minister's regulations, their performance improves. The findings of this investigation matched those previously published (Bai & Xu, 2005).

CONCLUSION

This paper describes the function of the parts of corporate governance from a theoretical standpoint, with the goal of establishing the existence of a governance measuring model for SOE. SOE has a score over 90 in the minerals and coal klaster, energy, oil and gas klaster, logistics klaster, and infrastructure klaster, according to the self-assessment score. Self-assessment scores for plantation klasters and industrial klasters are both below 85. The board of directors is the finest example of corporate governance, followed by a commitment to long-term governance compliance, the GMS, the board of commissioners, information disclosure and openness, and other factors. It's worth noting that, while the board of directors is the primary focus of governance implementation in the literature and self-assessment.

Furthermore, for each klaster, this study raises numerous self-assessment ratings. Klasters who work for major corporations, go public, or support government development have a high self-assessment score. Pertamina Corp and PLN Corp, who have the monopoly on Indonesia's energy and power market, are shown in the energy, oil, and gas klaster. In addition to SOE, the minerals and coal klaster contains four big enterprises, three of which have gone public; this klaster ensures the supply of Natural Resources in Indonesia. The government is concerned about klaster infrastructure and klaster logistics because they assist developers in the infrastructure sector, notably the development of toll roads throughout Indonesia, and the transportation sector, in providing good services when the infrastructure is completed.

The tourism and support klaster is rated as excellent; it backs government initiatives to boost domestic and international tourism. The health klaster consists of three pharmaceutical companies, two of which are SOEs that have gone public in response to the global health sector's trend of disease in developing countries, which necessitates more solutions that have

gone public, and PT Inti is an SOE that is working to develop Indonesia's telecommunications sector, especially during pandemic conditions. Covid-19. Nonetheless, this is distinct from the clusters for food and fertilizer, industry, and plantations. Despite the fact that each self-assessment score is less than 90, it is still categorized as Good. This article has presented the successes of governance implementation by enterprises under the Ministry of Finance from a management perspective.

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