

Implementation of Good Corporate Governance in an Effort to Increase Revenue: a Study at KUD Sumber Makmur Ngantang, Malang, East Java

Mochammad Noerhadi Sudjoni^{1*}, Nikmatul Khoiriyah², Titis Surya Maha Rianti³

^{1,2,3}Department of Agribusiness, Faculty of Agriculture, University of Islam Malang, East Java, Indonesia

*Email: nurhadisudjoni@unisma.ac.id

ABSTRACT

While effective corporate governance (GCG) is critical to a company's performance and revenue growth, there are still a significant number of businesses that lack such governance. The purpose of this study is to show how corporate governance is implemented in an effort to enhance income. The research was conducted at the Cooperative of "KUD Sumber Makmur" Ngantang in Malang, East Java. The descriptive qualitative method was used in this investigation. The study was conducted from March to August 2021. Primary data was gathered through in-depth interviews with key informants such as managers, unit heads, and employees. The results indicated that the "KUD Sumber Makmur" was highly successful in its development. This is demonstrated by a high level of compliance with the GCG's five principles, namely transparency, accountability, independence, responsibility, and fairness. This strong GCG boosts sales and profit growth, ensuring that this KUD expands stably or generates revenue that doubles every five years. To improve GCG, the KUD must develop a Strategic Plan; the contract period must be increased from two years; financial reports must be held more accountable through the development of a Financial Information System (SIK) that makes financial reports faster, more precise, and accurate; and derivative products must be developed. milk, including pasteurized milk regulated by the BPOM, cheese, and Agro Edu Wisata.

Keywords: *Good Corporate Governance, Transparency, Accountability*

INTRODUCTION

Numerous organizations in Indonesia have embraced Good Corporate Governance (GCG) in this digital era. Corporate governance is unquestionably a system for regulating and controlling businesses that bring benefit to all stakeholders (Monks, 2003). This notion emphasizes two points. The first is the critical nature of shareholders' rights to accurate and timely information, and the second is the company's obligation to provide accurate, timely, and transparent disclosures (disclosure). on all information pertaining to the performance, ownership, and stakeholders of a business. Corporate governance is a human-centered framework whose operation is strongly dependent on honesty and commitment. Because sound corporate governance is a universal principle, it may be found in all cultures. What distinguishes p Good Corporate Governance practiced in a country is Good Corporate Governance as a system, since it must always adapt to the legal system, the status and development of progress, as well as the nation's culture (Wibowo, 2010). Numerous research on the implementation of good corporate governance in Indonesia reveal that legal incentives are necessary to effect positive cultural change. However, this is not the only solution to all situations.

A comprehensive approach entails the application of regulations, their consistent implementation, and the imposition of necessary consequences to serve as a deterrent, all of which are backed up by a fair performance rating system that, over time, can influence behavior (Wibowo, 2010). To foster an ethical and well-governed culture, a leader's function as a role model and facilitator of integrity is required. In addition to the critical nature of implementing GCG, the Government is becoming increasingly cognizant of the significance of adopting good governance in the public sector, recognizing that the business world cannot implement GCG without effective public governance and community participation. In light of this, the Government approved the establishment of the National Committee on Governance Policy (KNKG)

in November 2004 via Decree of the Coordinating Minister for Economic Affairs No. KEP/49/M.EKON/11/2004. The KNKG is composed of the Public Sub-Committee and the Corporate Sub-Committee. With the establishment of the KNKG, Decree No. KEP.31/M.EKUIIN/06/2000 of the Coordinating Minister for the Economy annulled Decision No. KEP.10/M.EKUIIN/08/1999 establishing the KNKG. Daniri and Indirawati (2009) assert in (Budiarti, 2010) that the KNKG's General Guidelines for Corporate Governance advocate the establishment of a risk management system and internal control. This is to enable the company to ascertain the risks it faces and their impact, both from individual operational activities and from internal and external variables affecting the company's operations. By being aware of the dangers, we can concentrate our efforts on designing strategies and precise steps for overcoming and mitigating these risks.

The establishment of GCG within the organization is one of the elaborations of the organization's risk management mechanisms, which are implemented through a system meant to identify and assess potential risks, both external and internal, that could impede the organization's operations (Budiarti, 2010). The KNKG (2006) requires companies whose shares are listed on a stock exchange, state-owned enterprises, regional enterprises, companies that collect and manage public funds, and companies whose products or services are used by the broader community, as well as companies that have an impact on environmental sustainability, to adhere to the general guidelines for good corporate governance. The company is hoped to be a leader in applying these GCG rules (Budiarti, 2010).

GCG must be implemented in order for a business to remain viable. According to KNKG's 2006 General Guidelines for GCG Indonesia, this implementation is guided by five principles: transparency, accountability, responsibility, independence, and fairness (fairness or equality). However, not all businesses follow Corporate Governance standards to the letter. For instance, in Indonesia, a Citibank employee, Malinda Dee, embezzled private banking customer cash, resulting in the loss of around 500 consumers (source: detik.com, 06/04/2011). On the other side, when GCG is implemented successfully, it can result in an increase in firm performance and reputation; PT. CIMB NiagaTbk is one such example. PT. CIMB NiagaTbk earned the 2015 ASEAN Corporate Governance Award in two categories, namely the top 50 ASEAN public listed companies and the top three Indonesian public listed companies, based on the ASEAN Corporate Governance Scorecard, for successfully implementing GCG principles and practices, inside a business setting.

According to KNKG (2006), GCG is necessary to promote the development of an efficient, transparent, and legally compliant market. As a result, GCG implementation requires the backing of three interwoven pillars: the state and its regulatory apparatus, the business world as market participants, and the public as consumers of corporate products and services. Meanwhile, each business must ensure that the GCG principles are implemented to all aspects of the business and at all levels. The GCG principles of openness, accountability, responsibility, independence, as well as fairness and equality, are required to ensure the business's sustainability (sustainability) through stakeholder engagement.

Because the phenomena of GCG is critical in the attempt to grow revenue, this study focuses on the implementation of GCG principles in KUD Sumber Makmur Ngantang, Malang, East Java, which operates as a Multipurpose Cooperative. One way in which GCG principles are applied is to determine whether the decision-making process is transparent, financial reports are timely and audited, employee salaries are in compliance with the Regional Minimum Wage (UMK), and suppliers have been handled fairly and fairly

METHOD

The research was conducted at the Multipurpose Cooperative of KUD Sumber Makmur Ngantang, Malang, East Java. From March to August 2021, the study was done. A descriptive qualitative strategy was used in this investigation. In-depth interviews with key informants, including managers, unit leaders, and employees, were conducted to elicit primary data. Additionally, data were gathered using a structured questionnaire to determine the extent to which the GCG, which consists of five components, has been implemented. These components are transparency, accountability, responsibility, independence, and fairness. This data is quantified using a Likert scale with four categories: 4 (exceptional), 3 (acceptable), 2 (acceptable), and 1. (poor). The descriptive qualitative method was employed in the analysis of the data. Table 1 illustrates the GCG measurement indicator instruments.

Table 1. GCG Measurement Indicator Instrument

No	GCG Indicators (Instruments of Good Corporate Governance)
1	Transparency a. The decision-making process is transparent b. Appointing Managers/staff is transparent c. Regular meetings between management d. Regular meetings between management and the manager e. Manager meets with Head of Unit and staff f. Meeting results are documented and disseminated g. Meeting results were not followed up on.
2	Accountability a. Financial reports are submitted on a timely basis b. Financial report preparation utilizing an Accounting Information System c. Financial report internal audit d. Organ e d'audit interne e. D 'audit externe des rapports financiers.
3	Responsibilities include the following: a. Creating a strategy plan b. Internal environment protection program c. Corporate Social Responsibility (CSR) program d. Environmental and waste management program
4	Independence a. Management parties that interfere b. Professional management c. Organs that work effectively and with full accountability d. Financial independence/financial stability e. Capability of members to earn more money.
5	Fairness a. Satisfaction of external parties' (business partners') reasonable and fair rights b. Reasonable pricing policy c. Compliance with all applicable rules d. Satisfaction of internal parties' (salary) reasonable and fair rights.

Source : Author's computation, 2021

RESULT AND DISCUSSION

- Profile of “KUD Sumber Makmur Ngantang”

From 1972 to 1979, an organization called BUUD was established in the Ngantang sub-district. BUUD serves as an economic forum for the national food stock, which consists of approximately 2,307 people. BUUD was formed in accordance with INPRES No: 04 of 1973 and SK. Regent KDH Level II Malang Regency No: D.2075/K-73. Along with the development of the Ngantang community's economic situation and condition, INPRES No: 04 of 1978 was issued, and on July 18, 1980, the B.U.U.D was renamed KUD Sumber Makmur Ngantang, which was a legal entity with an SK. Regional Office of DEPKOPTK I East Java No: 4513.A/BH/II/80, dated June 23, 1980, domiciled in Sumberagung Village, Ngantang District, Mal.

Partners that work with KUD Sumber Makmur Ngantang are PT Nestle Indonesia, PT Sampoerna, PT Bogasari, and PT Java's Blue. For financial institutions, KUD Sumber Makmur Ngantang cooperates with the Unit of Dairy Production, Unit of Livestock Control and Technical Services, Unit for Animal Feeding, Unit for Transportation and Maintenance, Units for Trading, Unit of Savings and Loans, Intensive Care Unit, and Unit SKT 8 (Hand Kretek Cigarettes), and in collaboration with several banks including Bank of the Republic of India, Mandiri Bank, Bank Negara Indonesia Syariah, and BTN Bank.

- Implementation of the GCG

Based on Ministerial Decree KEP-117/M-MBU/2002, which establishes the principles of good corporate governance, including openness, accountability, responsibility, independence, and justice. These tenets are as follows:

Table 2. Implementation of GCG at “KUD Sumber Makmur,Ngantang, Malang

No	Principles of GCG	Average
1	Transparency	3.8
2	Accountability	3.5

3	Responsibility	3.25
4	Independency	3.85
5	Fairness	4
Total		18.4
Average		3.65

Source : Author's computation, 2021

According to Table 1, the implementation of GCG in KUD Sumber Makmur Ngantang is considered to be satisfactory, with an average score of 3.65. The five GCG principles are implemented in the following manner at KUD Sumber Makmur:

- **Transparency**

Transparency can be defined as the disclosure of information, both during decision-making and when providing material and pertinent information about the firm. The Information Disclosure (Transparency) initiative in KUD SM is progressing well, with a score of 3.8. This is demonstrated by the existence of tiered and periodic meetings, beginning with those involving Management, Management, and Supervisors. At least once a month, Manager with Manager. Once a week, or on Mondays, the manager meets with the unit head. Additionally, a weekly meeting between the Head of the Unit and his subordinates. Additionally, if an emergency situation arises, a hasty meeting is called. Minutes and an attendance list are kept for each meeting, and the meeting's results are distributed/informed to meeting participants.

Periodic tiered meetings ensure that the decision-making process is transparent. For instance, when selecting a unit's head, management solicits nominations from the manager. Similarly, the procedure for procuring facilities and infrastructure is clear and open, including the process for deciding the increase in the price of animal feed. Financial management is likewise clear and open, owing to the one-year Expenditure & Revenue Plan that serves as a guide. Monthly meetings between the foundation and the manager address the general management of KUD SM, with a particular emphasis on the planning and implementation of financial conditions. KUD SM's policies are transparent. KUD SM policies are communicated orally, in writing, and at regularly scheduled meetings. The corporation was also honest with the government throughout that time period, paying taxes on a monthly basis.

- **Accountability**

Accountability is the clarity of the functions, structures, systems, and duties of corporate organs in order to facilitate effective management. Organs within the KUD SM organizational structure have operated in accordance with their respective tasks and responsibilities. The development and growth of KUD SM is mirrored by the development and growth of the Organizational Structure's human resources and organs. This is consistent with organizational development theory.

By offering a job description, KUD SM has already established an organizational structure and defined specific roles and responsibilities. Additionally, KUD SM performs performance reviews on its staff. The promotion and relegation system has been implemented effectively. KUD SM now operates eight business units. Accountability Financial statements are accurate and transparent. This is demonstrated by the Supervisor's presence as an Internal Audit organ that has carried out its functions and responsibilities. All abnormalities discovered, particularly in the financial sector, will be reported to the Management and Managers. Additionally, the management enhanced the system and method of KUD SM's financial governance procedures. Additionally, the results of KAP Mr. Matsari's external audit were certified unqualified (WTP), indicating that KUD SM's financial statements are reasonable, realistic, and accountable to the public.

The present issue is that financial statements are still being issued late. Numerous business units generate financial reports manually and submit them in the middle of the month. To address this issue, the Manager attempts to eliminate the delay in his financial reporting by gradually implementing a Financial Information System (SIK).

- **Responsibility**

Corporate responsibility is conformance and compliance with sound corporate principles and applicable laws and regulations in the administration of the business. KUD Sumber Makmur has implemented and conformed with the KUD Sumber Makmur's accountability for tax regulations, BPJS employment, and the environment. Compliance with the provisions of the Director General of Taxes regarding the payment of taxes. Additionally, KUD Sumber Makmur has created CSR (Corporate Social Responsibility) funds to support a variety of social, educational, health, and environmental initiatives.

CSR monies are raised through a 0.5 rupiah per liter of milk surcharge in each village and a 4 million rupiah social fund in each community. On the other hand, KUD SM enhances its internal welfare or human resources by raising both material and non-material wellbeing (comparable to the minimum wage) (equal career opportunities and a conducive work environment).

- **Independency**

Independence exists when a business is professionally managed without conflict of interest and without undue influence or coercion from any party that violates applicable rules and regulations or violates sound corporate values. KUD SM has been administered professionally and autonomously, without external pressure from NGOs, media, or the DPRD, for example. This is demonstrated by the growth and development of KUD SM's revenue and profit, which continue to expand sustainably or increase year after year. Independence of business capital, KUD's ability to meet all banking parties' commitments.

Table 3. The assets and sales (In Billion Rupiah), 2017-2020

Year	Asset	Sales	Sales Growth (%)
2017	129.38	317.33	-
2018	145.88	354.20	11.6
2019	161.72	392.45	10.8
2020	183.76	442.65	12.8
Average			11.7

Source : Author's computation, 2021

In Table 3, the average annual growth rate of sales is 11.7 percent, which is fairly good. The challenge ahead is for KUD administrators and managers to work even harder, wiser, and with greater sincerity in order to sustain or perhaps accelerate this growth. The trick is to constantly analyze and adjust to changes in the company's environment, both internal and external. KUD SM has operated autonomously and professionally without external pressure or meddling. On the other side, SM KUD has met both internal duties to pay employees the minimum wage and external obligations to suppliers, contractor partners, banks, and the government (Health Department and the Director General of Taxes).

- **Equality and justice**

Equality and fairness can be described as the equitable treatment of stakeholders in accordance with agreements and applicable rules and regulations. KUD SM has managed human resources fairly (proportionately and professionally) and equally, which means that each employee has the same potential to advance to the Manager level. Every two years, the contract pattern for managerial employees should be evaluated. In theory, top, middle, and bottom management are the locomotives that propel the organization forward. On the other hand, compensation is paid to employees in accordance with the SM KUD's capabilities and labor standards. With external parties, KUD SM has attempted to adhere to negotiated agreements with partners/contractors.

The project's tender process was open and transparent. At the time of the tender, the committee included representatives from the user and management (Users). The Management is presented with three or four prospective tender winners. After announcing the winner, a Work Order (SPK) is issued. Payment of project funds on the SPK's terms. Weekly meetings between Managers and Unit Heads on Mondays enable identification of the risks that are actually being confronted and their impact. There are dangers involved with hospital surgeries on both an internal and external level. By being aware of the risks, the SM KUD may concentrate its efforts on devising appropriate strategies and actions to mitigate and eliminate the likelihood of these risks occurring. With the establishment of staged meetings (beginning with management, supervisors, managers, and front-line human resources) and on a regular basis (weekly and monthly), based on data and facts, there is always a progress target for resolving problems in stages. This pattern will ensure that the management decision-making process is open and transparent at all levels (upper, medium, and lower).

CONCLUSION

With an average score of 3.65, the KUD Sumber Makmur has successfully implemented all five GCG principles, including: 1) Transparency, specifically through staged meetings (beginning with Management, Supervisors, Managers, and front-line HR) and on a regular basis (weekly and monthly), based on data and facts, so that there is always a target for resolving problems in stages. This design ensures that the management decision-making process is open and visible at all levels (upper, medium,

and lower), 2) Accountability through the assignment of functions to organizational organs. KUD SM has been carrying out its activities and responsibilities in accordance with the law. The establishment of internal and external audits ensures the transparency and trustworthiness of financial statements, 3) Accountability, SM KUD is accountable for compliance with business and labor laws. Compliance with the Director General of Taxes' and BPJS's taxation rules. Additionally, KUD SM has established CSR (corporate social responsibility) funds to support a range of social, educational, health, and environmental initiatives, 4) Independence, KUD SM has been properly and independently managed, without external pressure. This is demonstrated by the expansion and growth of KUD's revenue and profit, which continue to expand or increase year after year, and 5) Justice and Equitable Distribution It has been carried out fairly (proportionately and professionally) and equitably in human resource management, which means that every employee has the same opportunity to advance to the Manager level. On the other hand, personnel are compensated in accordance with the capabilities of UMR & SM KUD and labor legislation. KUD SM has made an effort to be fair to all partners while dealing with external parties. Additionally, attempting to adhere to the terms of the agreement agreed with the partners/contractors.

Suggestions based on the research findings include the following: 1) In order to improve KUD SM's performance, a five-year RESTRA (Strategic Plan) is required, as is the development of a Good Corporate Governance manual. 2) To enhance management performance and that of personnel (managers, unit heads), the contract length should be increased from two to five years. To further enhance financial report accountability, it is required to continue developing a Financial Information System (SIK) that enables financial reporting to be more timely, precise, and accurate, and 3) To increase Sumber Makmur KUD independence, dairy derivative goods such as pasteurized milk with a BPOM permit, cheese, and agro-educational tourism must be developed..

REFERENCES

- Adebayo, M., Ibrahim, A. B., Yusuf, B., & Omah, I. (2014). Good corporate governance and organisational performance: An empirical analysis. *International Journal of Humanities and Social Science*, 4(7), 171-178.
- Andrianto, A. (2020). Penerapan Corporate Social Responsibility Sebagai Pilar Menuju Implementasi Good Corporate Governance pada Rumah Sakit PKU Muhammadiyah Surabaya. *DiE: Jurnal Ilmu Ekonomi dan Manajemen*, 11(02). <https://doi.org/10.30996/die.v11i02.4120>
- Aprilia, R., DP, E. N., & Rofika, R. (2016). *Pengaruh Good Corporate Governance, Budaya Organisasi Dan Penedagialan Intern Terhadap Kinerja Organisasi Dengan Akuntabilitas Publik sebagai Variabel Intervening (Survey Terhadap Rumah Sakit Di Kota Padang)*, [Doctoral Dissertation], Riau : Riau University. <https://media.neliti.com/media/publications/127717-ID-pengaruh-good-corporate-governance-buday.pdf>
- Bhasin, M. (2010). Corporate governance in the Asian countries. *African Journal of Business Management*, 4(10), 1964-1971.
- Brickley, J. A., Smith Jr, C. W., & Zimmerman, J. L. (2003). Corporate governance, ethics, and organizational architecture. *Journal of Applied Corporate Finance*, 15(3), 34-45.
- Budiarti, I. (2011). Penerapan Prinsip-Prinsip Good Corporate Governance (GCG) pada Dunia Perbankan. *Majalah Ilmiah UNIKOM*. <http://jurnal.unikom.ac.id>
- Chandra, C. (2016). Implementasi Prinsip-Prinsip Good Corporate Governance pada Rumah Sakit. *Agora*, 4(1), 869-874.
- Hinuri, H. (2002). The Essence of good corporate Governance, Konsep dan implementasi Perusahaan Publik dan Korporasi Indonesia. *Jakarta: YPPMI & Sinergy Communication*.
- Iqbal, M. (2015). SME governance in Indonesia—a survey and insight from private companies. *Procedia Economics and Finance*, 31, [https://doi.org/10.1016/S2212-5671\(15\)01214-9](https://doi.org/10.1016/S2212-5671(15)01214-9)
- Kaihatu, T. (2006). Good Corporate Governance. *Jurnal Manajemen dan Kewirausahaan*, 8(1), <https://doi.org/10.9744/jmk.8.1.pp.%201-9>
- Nur'ainy, R., Nurcahyo, B., Sri Kurniasih, A., & Sugiharti, B. (2013). Implementation of Good Corporate Governance and Its Impact on Corporate Performance: The Mediation Role of Firm Size (Empirical Study from Indonesia). *Global Business & Management Research*, 5(2/3). 91-104.
- Sudjoni, M. N. (2020). Implementasi Good Corporate Governance di Rumah Sakit Islam X. *JoEMS (Journal of Education and Management Studies)*, 3(4), 13-22.
- Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. *The journal of finance*, 52(2), 737-783.

- Surya, I. & Yustiavandana, I. (2009). *Penerapan Good Corporate Governance*. Jakarta: Kencana.
- Wibowo, E. (2012). Implementasi Good Corporate Governance di Indonesia. *Jurnal ekonomi dan Kewirausahaan*, 10(2).
- Yoga, P. (2015). OJK: Cuma 2 Emiten yang GCG-nya Diakui di Asia Tenggara. *Retrieved Maret, 30, 2016*.
- Zarkasyi, W. (2008). *Good Corporate Governance pada Badan Usaha Manufaktur, Perbankan, dan Jasa Keuangan Lainnya*. Bandung: Alfabeta.