

Implementation of Good Corporate Governance Principles in Bank Syariah Indonesia Nganjuk Sub-Branch

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Article Info	Abstract
<p>Article history: Received October 12, 2023 Revised October 30, 2021 Accepted November 25, 2023 Available online November 29, 2023</p>	<p>Introduction: Insufficient implementation of Good Corporate Governance (GCG) is the cause of financial instability which has an impact on deteriorating bank financial performance and causes failure in GCG implementation. This research aims to find out what factors support and hinder the implementation of GCG in Bank Syariah Indonesia Ahmad Yani Nganjuk Sub-Branch. Research Methods: This research uses qualitative research with a descriptive qualitative approach. The data collection methodology consists of observation, interviews and documentation supported by secondary data sourced from the BSI Syariah website. Result: The results of this research show that the implementation of the five GCG principles can be described as follows: the company is transparent in providing various services, various provisions regarding corporate responsibility have been made and implemented. Fairness indicators have also been given great attention in various aspects. However, in the principles of accountability and professionalism, there are still obstacles, including employees not being punctual and not being disciplined regarding their respective job descriptions. Conclusion: The conclusion of this research is that Bank Syariah Indonesia Nganjuk sub-branch has implemented GCG principles even though there are still several factors that cause some indicators to not be optimal. It is necessary to carry out training, evaluation and work monitoring for employees.</p>
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INTRODUCTION

Banks are business entities that operate in the service sector. Trust from all parties involved is very important, both for bank owners and managers and the public as users of bank services. Examining the role of banks which have the function of collecting funds from the community and channeling funds back to the community, there is a relationship between banks and customers which is based on elements of trust and law (Ansori, 2009). A bank can only carry out activities and develop its bank if the public believes in taking advantage of the banking products offered. Trust from the community is the main capital for banks to be able to mobilize funds from the community (Wadiyah, 2015).

Sharia banks are banks that carry out their business activities based on sharia principles. Banks that operate in accordance with sharia principles mean banks that in their operations follow the provisions of Islamic sharia, especially those concerning Islamic procedures for muamalah. In the muamalah procedure, it is avoided from worrying practices such as containing elements of usury, to be filled with investment activities based on profit sharing and trade financing or business practices carried out during the time of the Prophet or existing forms of business (Al-Arif, 2012).

Inadequate implementation of Good Corporate Governance (GCG) is the root of financial instability which has an impact on worsening banking financial performance (Belanusa, Z. S., dkk, 2020). According to a World Bank report, the economic crisis that hit ASEAN countries and the weakening of banking performance were caused by the failure to implement GCG. Failure to implement GCG is caused by a weak legal framework, lack of supervision by commissioners and auditors, as well as bad banking practices which cause banks to lose public trust (Aprianingsih, 2016).

Corporate governance is one of the key factors for increasing efficiency, profitability and effectiveness and covers various relationships between corporate governance and modern management concepts. Corporate governance also provides a structure to facilitate corporate direction and suggestions for establishing performance monitoring methods for companies with management concepts modern (Rustam, 2018).

The development of the sharia financial industry, especially the banking sector, certainly requires a corporate governance system that can guarantee the achievement of company goals (Hadistya & Hardika, 2021). The management system of Islamic financial institutions takes a different approach to the banking system in general. This is because sharia financial institutions must ensure the implementation of sharia principles in all sharia banking products, operational tools, practices and management. As a financial institution, sharia banking must also integrate GCG into its operations. The principles of GCG include transparency, accountability, responsibility, professionalism and fairness.

Sharia banks are required to be guided by various provisions and requirements related to the implementation of GCG. Apart from that, in implementing GCG, the sharia banking industry must also comply with sharia principles. Incompatibility of bank governance with sharia principles will give rise to various risks, especially reputation risks for the sharia banking industry. The implementation of GCG in sharia banking is not only

intended to obtain bank management that is in accordance with the five basic principles and in accordance with sharia principles, but is aimed at broader interests. This interest includes, among other things, protecting the interests of stakeholders and increasing compliance with applicable laws and regulations as well as ethical values that generally apply to the sharia banking industry. sharia banking (Abdurrahman & Trihantana, 2016).

Research related to GCG is important to examine because the impacts that arise due to the lack of effective implementation of GCG are numerous, not only for institutions, companies but also countries. The researcher chose Bank Syariah Indonesia Nganjuk as the research location because based on pre-observation results, several things had not been implemented optimally by bank employees and to limit the research so that the scope of what was studied was clear. The author focuses this research with the title "Implementation of Good Corporate Governance (GCG) Principles in Bank Syariah Indonesia Nganjuk Sub-Branch"

RESEARCH METHOD

This type of research is field research with a qualitative approach. A qualitative approach is a research method that produces descriptive data about individuals or observed behavior (Moleong, 2007). There are two types of data used including primary and secondary data. The primary data source in this research is all elements of Bank Syariah Indonesia Nganjuk sub-branch. Secondary data sources are sources that do not directly provide information to data collectors (Sugiyono, 2019). The data analysis technique in this research uses a deductive data analysis method (Anwar, 2023). After obtaining research data, the author analyzed the implementation of GCG, the factors that support and hinder the implementation of GCG, and the impact of implementing GCG on Islamic banks to ensure its suitability with the theory used and then draw conclusions.

RESULT AND DISCUSSION

Implementation of Good Corporate Governance (GCG)

The implementation of GCG in the sharia banking sector must be based on five basic principles, the first is transparency, openness in submitting documents and related information and openness in the decision delivery process. Second, accountability is clarity of function in implementing the responsibilities of banking authorities so that management runs effectively. Third, responsibility is the bank management's compliance with applicable laws and regulations and the principles of good banking management (Ningseh, 2021). Fourth, professional, which means competent, objective and immune to influence and pressure from any party and has a strong commitment to the development of sharia banking. Fifth, fairness means equality in the implementation of the rights of related parties based on agreements and applicable law. The Forum for Corporate Governance in Indonesia (FCGI) explains that GCG is a set of regulations that regulate the relationship between shareholders, management, creditors, government, employees, and internal and external stakeholders, other parties regarding their rights and obligations or other matters (FCGI ,

2000). GCG is a process and structure for managing company business and other affairs to improve company welfare and accountability with the main aim of achieving optimal shareholder value in the long term and by taking into account the interests of other stakeholders (Rusdiyanto et al, 2019). GCG is a company management system designed to improve company performance, protect the interests of stakeholders and increase compliance with laws and regulations and generally applicable ethical values (Kusmayadi et al, 2015). The following is the implementation of the five GCG principles that already exist at PT Bank Syariah Indonesia Nganjuk Sub-Branch:

1. Principle of Transparency

The definition of the principle of transparency according to Bank Indonesia regulation number 11/33/PBI/2009 is openness in presenting material and relevant information as well as openness in the decision-making process (Rustam & Rianto, 2018). According to the OECD, the GCG concept must ensure timely and accurate disclosure of every problem related to the company. This disclosure includes information regarding the financial condition, company performance, ownership and management of the company. In addition, the information disclosed must be compiled, audited and presented in accordance with high quality standards (Khanafi & Marsudi, 2023). Management is also required to request an external auditor to carry out an independent audit of the financial statements. The principle of transparency includes disclosure of material information, information must be prepared, verified and disclosed in accordance with good accounting, dissemination of information must be fair, timely and effective. To ask Islamic bank managers to be as responsible as possible for the security of funds entrusted to them by customers (Wibowo, 2009). The aspect of openness at PT Bank Syariah Indonesia Nganjuk sub-branch has been implemented in accordance with applicable regulations, such as reports to the head office have been reported in accordance with procedures and on time according to the established schedule. Customers can also access audited balance sheets and financial reports depending on their desired interests. As well as work systems, policies and performance reports that have been reported to Bank Indonesia, the tax office and the Indonesian Financial Services Authority.

2. Principle of Accountability

According to Bank Indonesia Regulation No.11/33/PBI/2009, the obligation is bank management's compliance with applicable laws and regulations as well as good bank regulations (Wadiyah et al, 2015). According to the OECD, directors are responsible for management, supervision of management and accountability to the company and shareholders. This principle is reflected in the corporate governance framework, which should regulate the recognition of stakeholder rights under the law and encourage active cooperation between the company and its stakeholders. This institution aims to create jobs and protect social and business continuity. By applying this principle, it is intended that companies realize that in their operations they also have a responsible role to stakeholders. Responsibility is compliance with applicable banking laws and

regulations and the principles of good banking management. There is administrative responsibility in management, management control and accountability to the company and shareholders. Companies must realize that they also have a role in their operational activities to be responsible to stakeholders and guarantee stakeholder rights. For the principle of responsibility, PT Bank Syariah Indonesia Nganjuk sub-branch has complied with all regulations given by Bank Indonesia and the Fatwa of the Sharia Supervisory Board, PT Bank Syariah Indonesia Nganjuk sub-branch has strived for the welfare of its employees by providing social and health security facilities and has distributed zakat funds, infaq, alms according to the provisions. For the welfare of employees, PT Bank Syariah Indonesia Nganjuk sub-branch usually makes them as comfortable as possible to work. This means that welfare here is management's responsibility for the work comfort of each employee. Such as adequate facilities in the office, fast internet access, and other facilities.

3. Principle of Accountability

According to Bank Indonesia Regulation No.11/33/PBI/2009, Accountability is the clarity of functions and implementation of responsibilities of agencies in banks for effective management activities (Wadiyah et al, 2015). According to the OECD, the principle can be implemented by clarifying the implementation functions and responsibilities of company organs so that company management can be carried out effectively. The GCG concept must guarantee the company's strategic guidelines, effective monitoring of company management carried out by the Board of Commissioners, and accountability towards the company and shareholders and members of the board of directors must act to represent the interests of the company and shareholders (Pritandhari & Ratnawuri, 2018). If this principle is implemented effectively, there will be clarity of function, authority, duties and responsibilities as well as accountability between shareholders and directors. This principle of accountability includes reminding board members to act on behalf of the interests of the company and shareholders, independence in judgment outside management, and access to relevant, accurate and timely information. In fact, sharia banking must also be carried out in accordance with sharia principles. In this case, the Sharia Supervisory Board plays an important role in supervising sharia banking activities so that they continue to operate in accordance with sharia provisions (Wibowo, 2009).

The principle of accountability at PT Bank Syariah Indonesia Nganjuk sub-branch can be seen from employees who have written job descriptions in accordance with the Code of Conduct (CoC), although in its implementation it is still found that employees who carry out tasks do not comply with the job description. Employees who violate systems and regulations will be subject to sanctions in accordance with the Bank's Service Standards Regulations (SOP) in the form of administrative sanctions. Employees who violate the regulations will be immediately reprimanded or can meet directly with the BSI branch head and receive sanctions ranging from the lightest in the form of verbal sanctions, written sanctions to termination of employment if the mistake is serious.

4. Professional Principles

According to Bank Indonesia Regulation no. 11/33/PBI/2009, professional quality is being able to act objectively and without influence/pressure from any party (independent) and being strongly committed to the development of sharia banking (Wadiah et al, 2015). This principle explains that sharia banking management must be managed professionally or without pressure or influence from other parties to avoid conflicts of interest as much as possible (Dewi, 2020). This is the attitude of all levels of the bank as an independent economic entity, free from one-sided interests, especially those that have the potential to harm stakeholders and capable of making decisions objectively. Regarding the professional aspect at PT Bank Syariah Indonesia Nganjuk sub-branch, everything has been implemented according to existing procedures and has been followed according to the SOP and no fronts have been violated so far. However, employee work discipline is not well maintained, there are still employees who are not punctual in morning roll call and meetings. Then there are still some customers who are late in paying financing so this affects employee performance, such as being late in completing financial reports.

5. Principle of Fairness

Fairness according to Bank Indonesia Regulation no. 11/33/PBI/2009 is justice and equality in implementing stakeholder rights based on agreements and applicable laws and regulations (Wadiah, 2015). This principle demands fair treatment in fulfilling the rights of stakeholders and customers in accordance with applicable laws and regulations. It is hoped that fairness can be a driving factor that can monitor and provide guarantees of fair treatment between various interests in the company. Implementing this principle in companies will prohibit disgraceful practices carried out by insiders that harm other parties. The principle of fairness at PT Bank Syariah Indonesia Nganjuk sub-branch has been implemented well, for example the bank pays attention to all parties starting from stakeholders and also customers regarding the profit sharing ratio. The bank has also considered implementing rewards and punishment for employees. Employees who are proven to have violated the regulations will of course be subject to sanctions. Meanwhile, employees who excel and perform well will be given rewards.

Supporting and Inhibiting Factors for Implementing Good Corporate Governance

The implementation of Good Corporate Governance cannot be separated from several factors that support the smooth implementation and those that become obstacles to the management of each company (Herlyanto, 2020). The following are factors that encourage and inhibit the implementation of GCG. The supporting factor for implementing Good Corporate Governance at PT Bank Syariah Indonesia Nganjuk sub-branch is the bank audit (inspection) system that has been used so far, which is very effective in the company to avoid any irregularities that might occur. This is very necessary for every institution to achieve company goals in achieving targeted margins. The inhibiting factors in implementing

Good Corporate Governance at PT Bank Syariah Indonesia Nganjuk sub-branch include the absence of regular evaluation and monitoring related to employee discipline, there are still few branch offices in each city, ATMs are still limited to only the city area, and there are still many people who still don't really know what sharia banking is so we are still looking for our identity in society, for example by holding events.

The Impact of Implementing Good Corporate Governance at PT Bank Syariah Indonesia Nganjuk Sub-Branch

FCGI has proven that corporate governance brings many benefits to companies such as: Increasing business efficiency through better decision making, increasing the efficiency of business operations and further improving stakeholder services, as well as facilitating cheaper and less rigid financing due to the trust factor which in turn increase company value (Adrian, 2019). By returning investor confidence to invest in Indonesia, shareholders are satisfied with the company's performance because it increases stakeholder value and dividends. It is very important to implement Good Corporate Governance in financial institutions, because GCG can be used as a rule and system in managing and running a financial institution so that it complies with the rules applicable to that institution. If GCG is implemented consistently it will have a positive impact on the sustainability of a financial institution, especially in improving employee performance.

The implementation of GCG at PT Bank Syariah Indonesia Nganjuk sub-branch was able to change employee performance from previously bad to good. This is due to changes in the values contained in the GCG principles which are applied in employees' daily activities. These values influence the behavior of each individual employee and ultimately increase profits. Based on the explanation above, the implementation of GCG at PT Bank Syariah Indonesia Nganjuk sub-branch has a positive effect on employee performance at PT Bank Syariah Indonesia Nganjuk sub-branch. The better the implementation of GCG, the better the employee performance will be. For example, according to the principle of fairness or justice, we give rights to workers proportionally, workers can carry out banking transactions.

CONCLUSION

The implementation of Good Corporate Governance (GCG) at PT Bank Syariah Indonesia Nganjuk sub-branch has been implemented. However, there are several principles that are not optimal, such as the principles of accountability and professionalism. The principles of transparency, responsibility and fairness have worked well in accordance with GCG theory. The implementation of GCG which is quite good at PT Bank Syariah Indonesia Nganjuk sub-branch cannot be separated from several factors, including: Supporting factors such as transparency in creating good communication from all employees, Products at PT Bank Syariah Indonesia Nganjuk sub-branch are complete, Bank Syariah Indonesia has a special attraction for Muslims because it applies procedures in accordance with Islamic law, and internally there is a sophisticated audit system to make work easier for employees and

customer data is safer. Meanwhile, the inhibiting factors are employees who are still doing work that does not match the job description and lack discipline in terms of time. The number of Bank Syariah Indonesia branch offices is still small and only exists in cities, while there are none in villages due to limited locations. Likewise with Bank Syariah Indonesia ATMs which are only in the city. Bank Syariah Indonesia is a new bank so many people don't know it in depth so we are still looking for identity in society, for example by holding events and continuing to innovate in marketing strategies. In the future, it is necessary to carry out regular and meaningful evaluation and monitoring for employees at PT Bank Syariah Indonesia Nganjuk sub-branch so that the principles of accountability and professionalism can be implemented more optimally, like the other three GCG principles.

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