



UNIVERSITAS PENDIDIKAN INDONESIA

# CERTIFICATE

OF APPRECIATION

This certificate awarded to

**ULIL HARTONO**

has presented :

Corporate Governance Quality Assessment  
Based on Internet: Study of State-Owned  
Enterprises and Regional Owned Enterprises  
in Indonesia

in

**The 1<sup>st</sup> UPI International Conference**  
on Economics, Business, Entrepreneurship, and Finance  
Bandung, 19<sup>th</sup>, September 2018



# ICEBEF

International Conference  
on Economics, Business, Entrepreneurship, and Finance



The Chief Committee

ICEBEF

**Dr. Hj. Meta Arief, M.Si**  
NIP : 196402061988032001



Dean Faculty of Economics, and  
Business Education  
Universitas Pendidikan Indonesia

**Prof. Dr. H. Agus Rahayu, M.P**  
NIP : 196206071987031002



Vice Chancellor for Research,  
Partnership, and Business Affairs  
Universitas Pendidikan Indonesia

**Prof. Dr. Didi Sukyadi, M.A**  
NIP : 196706091994031003

# Corporate Governance Quality Assessment Based on Internet:

## Study of state-owned enterprises and regional owned enterprises in Indonesia

Ulil Hartono, Musdholifah Musdholifah

Department of Management  
Universitas Negeri Surabaya  
Surabaya, Indonesia  
ulilhartono@unesa.ac.id

**Abstract**—This study aims to provide the corporate governance quality of State-owned enterprises and regional owned enterprises in Indonesia. Internet based corporate governance (IBCG) rating modified is used as a measure of the corporate governance quality which include five components, namely shareholders, transparency, board of commissioners, boards of directors and technical accessibility. The results show that the corporate governance quality of State-owned enterprises had a higher value average than regional owned enterprises. It indicates the quality of State-owned enterprises better than regional owned enterprises. The implications for regional owned enterprises need to strive to improve the governance quality, especially in terms of increasing the role of board of commissioners and investment in information technology that supports accessibility for increased corporate information transparency on the company website.

**Keywords**—*corporate governance quality; IBCG rating modified; state-owned enterprises; regional-owned enterprises*

### I. INTRODUCTION

According to mandatory regulation, State-owned enterprises and regional owned enterprises have two functions, namely economic and social function. The economic function means those enterprises required to manage its business according to business principles that aim to generate profits and provide prosperity for shareholders. On the other hand, the social function of those enterprises also required to notice social aspects that are often contrary to its economic function. So that both functions can go coincide, then there needs to be an instrument working both of these functions. According to Shleifer and Vishny, a mechanism is needed to convince shareholders that the invested investment earns the appropriate returns [1]. Klapper and Love recommend the implementation of corporate governance because it is believed to provide and increase the value of the company to shareholders, because in the corporate governance there are principles of transparency, accountability, responsibility, independence, fairness and equality that become indicators of good management business [2]. Klapper and Love recommend the implementation of corporate governance because it can provide and increase the company value to shareholders. There are principles of transparency, accountability, responsibility, independence,

fairness and equality that become indicators of good management business in the corporate governance [2].

The recent evolution measurements of the governance quality with Internet-based developed by Musdholifah and Hartono has been overshadowed by the emergence of corporate governance measurement as has been done by Grzybkowski and Wojcik [3,4]. The governance quality measurements using IBCG Rating by Grzybkowski and Wojcik has been implemented by Hartono et al. for companies listed on the Indonesia Stock Exchange [4,5]. However, special assessment for companies were belonging of both central and regional governments have not been done, so this research aims to determine whether there are differences in the corporate governance quality of State-owned enterprises and regional owned enterprises. By knowing the components as shown in the measurement, it can provide additional knowledge to the parties on a comprehensive measure on the corporate governance quality, especially for both State-owned enterprises and local government.

#### A. The Concept of Corporate Governance

Jensen and Meckling in Theory of the Firm have a lot to discuss about managerial behavior, agency costs and ownership structure as well conflict of interest between the various parties, such as shareholders, corporate managers and debt holders [6]. Agency costs arise due to the conflict between managers and shareholders (agency fees on equity) or between shareholders and debtholders (agency fees on loans). Jensen and Meckling define an agency relationship as a contract in which one party (the principal) engage another party (the agent) to perform some service on their behalf [6]. Principals will delegate some or all of the decision-making authority to the agent, as part of this arrangement. In practice, the shareholders of most companies to delegate decision-making authority to the Board of Commissioners (BOC) /Board of Directors (BOD). furthermore, the BOC would delegate powers to the Chief Executive Officers (CEO). Agency problem caused of imperfections every action of the agents that influence the decision of the owned welfare and the principal's welfare. Weisbach and Benjamin proxied commissioners as one component of the implementation of corporate governance [7].

In April 1998, the Organization for Economic Cooperation and Development (OECD) has issued a set of principles corporate governance developed by universally [8]. It is given this principle prepared to be used as references in the various countries that have the characteristics of the legal system, culture, and a different environment. The principles are fairness, transparency, accountability, and responsibility.

The concept of corporate governance of Monk and Minow has evolved over the past 22 years, while the system development and application of management practices has been running more than 100 years [9]. Mizruchi stated that the concept of corporate governance was first developed by Berle and Means [10]. According to Berle and Means in Mizruchi, the development of the company led to the separation of ownership and control of a modern enterprise that requires a mechanism to ensure that management will manage the company in accordance with the interests of the owners [10]. Furthermore, Jensen and Meckling in 1976 developed the theory of agency has been inspired by the thought of Berle and Means in 1934 about the separation of ownership and control over the company.

### *B. IBCG Rating Modified*

Corporate governance quality is measured by using an index governance developed by Musdholifah and Hartono, which is proxied by IBCG Rating Modified [3]. The measurement of the original manuscript IBCG rating was constructed consisting of 120 criteria to 134 criteria, which are divided into five main categories: 1) Shareholders; 2) Transparency, 3) The Boards of Directors; 4) Executive Management; and 5) Technical Accessibility.

Grzybkowski and Wojcik explain the section of Shareholders covers three main subjects were divided into several sub-categories, namely: Disclosure of Rights and Obligations (Company Statute, Articles of association, Shareholding structure, ownership principles, Shareholders department); Key Ownership Functions (Voting procedures, Annual general meetings); Equitable Treatment (Equal access to information, Interactive participation in Annual General Meeting, Shareholder notification tool) [4]. The Section of Transparency consists of the following sub-categories: Transparency Procedures (audited and non-audited information, Retention of information, Validation procedures, Financial calendar, Auditors, Independent accounting expert, non-financial report); Financial Data presentation (Annual Report, Stock price evolution, timing Disclosure, Disclosure on the scope of capital engagement in listed and non-listed companies); and corporate governance procedures (The compliance with selected national codes and corporate governance reports Board of Directors, consisting of five sub-categories, among others: Disclosure on general regulations, Committees of the board, the Composition of the board, Board remuneration, and Board reporting. The fourth structure is executive management. It is designed in such a way so that the list of questions is tailored to the specifications of the existing managerial inputs. Furthermore, at the end of the IBCG Rating is Technical Accessibility, which is related to technological testing to determine the level of web publishing standards,

usability, and matters relating to the presentation of financial data.

## II. METHOD

The research method used in this article is descriptive that explains the results of the assessment of the quality of corporate governance of State-owned enterprises and regional owned enterprises in Indonesia. The object of this research is state-owned enterprises and regional-owned enterprises in Indonesia Stock Exchange are as many as 20 state-owned enterprises and 6 regional owned enterprises. Sources of data in this study in the form of secondary data were collected by company website and annual report in 2016 that retrieved from the website of each sample company. Stages analysis is performed to calculate the value of corporate governance quality of State-owned enterprises and regional owned enterprises by utilizing IBCG Modified rating. The steps to calculate the quality value are as follows:

- View the overall company website to be studied, as well as important points related to the measurement criteria of IBCG Rating Modified.
- Navigate by tracing the website structure built by the company with attention to the question points that must be filled.
- Use sitemaps and try internal search engines to find the necessary pieces of information because there are various variations of efficiency offered by various search engines that exist, the researchers will only use google search as a parameter in limiting the way search of the webpage.
- View the documents, either in the form of pdf file format or word published by the company, including the company's annual report.
- Perform external testing related to web publishing standard by using the World Wide Web Consortium 1 validator. Due to the complexity of the structure of a webpages, then the test will be just on front page of the website. The website testing can be done by visiting the site <http://validator.w3.org/>
- The last step of the testing process will be checked back to each question point set, so if still not get results, then the points for the question is 0, and otherwise.

The rating system of the IBCG Rating is based on 'yes or no responses', where if there is desired information from the required criterion, the points obtained are 1. However, if the desired information does not exist then the points obtained are 0. The following table shows the number of questions and the maximum number of points and the percentages (weighted points) generated for each category [4].

TABLE I. MAIN CATEGORIES OF IBCG RATING

IBCG Category	Max points	Max weighted points
Shareholders	42	30
Transparency	38	30
Board of directors	26	15
Executive management	18	15
Technical accessibility	10	10
Total	134	100

<sup>a</sup>. Musdholifah and Hartono (2016)

The formulation of IBCD Rating as follows (Grzybkowski dan Wojcik, 2006):

$$IBCG \text{ Weighted} = ((\text{score}/\text{max points}) \times 100\%) \times (\text{max weighted points})$$

### III. RESULTS

Table 2 and table 3 present the name list of regional owned enterprises and stated-owned enterprises in Indonesia. There are six regional-owned enterprises that listed on Indonesia Stock Exchange and 20 stated-owned enterprises.

TABLE II. NAME OF REGIONAL-OWNED ENTERPRISES LISTED ON THE INDONESIA STOCK EXCHANGE

No	Name of Regional Owned Enterprises	Code
1	PT Delta Jakarta Tbk	DLTA
2	PT Alakasa Industrindo Tbk	ALKA
3	PT Gowa Makassar Tourism Development Tbk	GMTD
4	PT Bank Pembangunan Daerah Banten Tbk	BEKS

Table 2. Cont.

5	PT Bank Pembangunan Daerah Jawa Barat dan Banten Tbk	BJBR
6	PT Bank Pembangunan Jawa Timur Tbk	BJTM

TABLE III. NAME OF STATE-OWNED ENTERPRISES LISTED ON THE INDONESIA STOCK EXCHANGE

No	Name of State-Owned Enterprises	CODE
1	PT Bank Tabungan Negara (Persero) Tbk	BBTN
2	PT Bank Rakyat Indonesia (Persero) Tbk	BBRI
3	PT Adhi Karya (Persero) Tbk	ADHI
4	PT Aneka Tambang (Persero) Tbk	ANTM
5	PT Jasa Marga (Persero) Tbk	JSMR
6	PT Wijaya Karya (Persero) Tbk	WIKA
7	PT Bank Negara Indonesia (Persero) Tbk	BBNI
8	PT Garuda Indonesia (Persero) Tbk	GIAA
9	PT Indofarma (Persero) Tbk	INAF
10	PT Kimia Farma (Persero) Tbk	KAEF
11	PT Krakatau Steel (Persero) Tbk	KRAS
12	PT Bank Mandiri (Persero) Tbk	BMRI
13	PT Perusahaan Gas Negara (Persero) Tbk	PGAS
14	PT Tambang Batubara Bukit Asam Tbk	PTBA
15	PT Pembangunan Perumahan (Persero) Tbk	PTPP
16	PT Semen Baturaja (Persero) Tbk	SMBR
17	PT Semen Indonesia (Persero) Tbk	SMGR
18	PT Timah (Persero) Tbk	TINS
19	PT Telekomunikasi Indonesia (Persero) Tbk	TLKM
20	PT Waskita Karya (Persero) Tbk	WSKT

The results of Governance Quality Assessment of State-owned enterprises by using IBCG rating modified shows in table 4.

TABLE IV. THE RESULTS OF GOVERNANCE QUALITY ASSESSMENT OF STATE-OWNED ENTERPRISES BY USING IBCG RATING MODIFIED FOR STATE-OWNED ENTERPRISES

	1	2	3	4	5	Total
	Shareholders	Transparency	Board of Director	Executive Management	Technical Accessibility	
BBTN	23.57	18.16	12.69	11.67	5.00	71.09
BBRI	20.71	22.11	11.54	10.83	4.00	69.19
ADHI	20.71	17.37	12.69	12.50	4.00	67.28
ANTM	24.29	22.89	12.69	11.67	6.00	77.54
JSMR	21.43	19.74	12.69	12.50	4.00	70.36
WIKA	20.71	23.68	12.69	12.50	4.00	73.59
BBNI	22.14	21.32	11.54	10.83	5.00	70.83
GIAA	22.14	18.16	11.54	10.83	4.00	66.67
INAF	18.57	18.95	12.12	10.83	4.00	64.47
KAEF	17.86	20.53	10.38	9.17	5.00	62.93
KRAS	15.00	18.16	11.54	10.00	4.00	58.70
BMRI	24.29	22.89	12.12	11.67	5.00	75.96
PGAS	23.57	22.89	12.12	10.00	6.00	74.58
PTBA	21.43	21.32	13.85	13.33	5.00	74.92
PTPP	20.00	22.89	10.96	8.33	4.00	66.19
SMBR	20.00	18.16	12.12	11.67	4.00	65.94
SMGR	22.14	18.95	12.69	11.67	5.00	70.45
TINS	20.00	19.74	10.38	10.83	5.00	65.95
TLKM	22.86	20.53	13.27	12.50	5.00	74.15
WSKT	16.43	19.74	12.12	11.67	4.00	63.95
Avg	21.90	20.66	12.50	11.94	4.50	71.51

The result of the IBCG Rating Modified as seen in table 4, describes the overall value of components contained in the IBCG Rating Modified for State-owned enterprises assessments. The five components are share holders, transparency, Board of Directors, Executive Management,

and Technical Accessibility. On the overall assessment of IBCG, PT Aneka Tambang obtained a highest yield of 77.54 and the company that scored lowest was PT Krakatau Steel with a value of 58.70.

TABLE V. RESULTS OF QUALITY ASSESSMENT OF CORPORATE GOVERNANCE WITH IBCG RATING MODIFIED FOR REGIONAL-OWNED COMPANIES

	1	2	3	4	5	Total
	Shareholders	Transparency	Board of Director	Executive Management	Technical Accessibility	
DLTA	12,86	18,95	11,54	9,17	4,00	56,51
ALKA	16,43	15,00	11,54	10,00	3,00	55,97
GMTD	18,57	15,00	12,69	10,83	3,00	60,10
BEKS	15,71	21,32	10,96	10,83	4,00	62,82
BJBR	20,71	22,89	11,54	10,83	4,00	69,98
BJTM	21,43	22,11	11,54	11,67	5,00	71,74
Total	105,71	115,26	69,81	63,33	23,00	377,12
Average	17,62	19,21	11,63	10,56	3,83	62,85

Table 5 describes Quality of Corporate Governance of Regional-Owned Companies which assessed by IBCG Modified. Overall value of the components contained in the IBCG Rating Modified. The five components are shareholders, transparency, Board of Directors, Executive Management, and Technical Accessibility. Shareholders and Transparency have the greatest value, these are 30%, Therefore shareholders and transparency play the greatest role in Internet Based Corporate Governance. Regional-owned companies that has the highest score is PT Bank Jatim Tbk which is equal to 71,74 while the lowest is PT Alkasa Industrindo, Tbk which is equal to 55,97.

#### IV. DISCUSSION

##### A. The Quality of Corporate Governance of Stated-Owned Enterprises

The quality of corporate governance can be describes for each component as follow:

1) *Shareholders*: The average value of shareholders in state-owned companies is 21.90. In table 4 there are 8 companies whose the value of shareholders is above average. The highest value of shareholders is PT Aneka Tambang Tbk which the value of shareholders is 24.29, followed by PT Bank Mandiri, PT Perusahaan Gas Negara, PT Bank Tabungan Negara, PT Telekomunikasi Indonesia, PT Bank Negara Indonesia, PT Garuda Indonesia and PT Semen Indonesia. Eight companies are able to utilize the role of shareholders in the achievement of financial performance well. Meanwhile, companies which under the average value of shareholders are PT Bank Rakyat Indonesia, PT Adhi Karya, PT Jasa Marga, PT Wijaya Karya, PT Indofarma, PT Kimia Farma, PT Krakatau Steel, PT Bukit Asam, PT Pembangunan Perumahan, PT Timah and PT Waskita Karya. It should make these twelve companies better to improve the shareholder components that exist in state-owned companies. Especially for PT Waskita Karya which has the lowest value of shareholders, its value of shareholders is 16.43, which

must be made efforts to improve the system of shareholders in the company.

2) *Transparency*: The second component is transparency that describes openness report submitted to the common society. This reports contain many financial data, company development plan, auditor, stock price development until the announcement of financial statements. Weight of transparency is 30% while the average value of transparency in state-owned companies is 20.66. Companies which above the average value of transparency are PT Wijaya Karya, PT Aneka Tambang, PT Bank Mandiri, PT Pembangunan Perumahan, PT Perusahaan Gas Negara, PT Bank Rakyat Indonesia, PT Bank Negara Indonesia and PT Bukit Asam. Meanwhile, companies which has the lower value of transparency compared to companies which has the average value of transparency are PT Adhi Karya, PT Bank Tabungan Negara, PT Garuda Indonesia, PT Krakatau Steel, PT Semen Baturaja, PT Indofarma, PT Semen Indonesia, PT Jasa Marga, PT Timah, PT Kimia Farma and PT Telekomunikasi Indonesia. Therefore, PT Adhi Karya and PT Bank Tabungan Negara, PT Garuda Indonesia, PT Krakatau Steel Tbk and PT Semen Baturaja Tbk should be able to utilize transparency procedures for the higher value of transparency in that companies. Meanwhile, PT Kimia Farma and PT Telekomunikasi Indonesia are expected to add a little of transparency factors because of its value approaches to the average value of transparency. It can indicate that companies have been slightly able to improve performance with their transparency.

3) *Board of commissioners*: The third component of the IBCG Modified is Board of Commissioners which related with the openness report that describes composition and responsibilities, the composition of board of commissioners, the remuneration of the board of commissioners and the report of board of commissioners. Board of Commissioners's weight is 15% while the average value of the Board of Commissioners in state-owned companies is 12.50.

Companies with above the average value of Board of Commissioners are PT Bukit Asam, PT Telekomunikasi Indonesia, PT Bank Tabungan Negara, PT Adhi Karya, PT Aneka Tambang, PT Jasa Marga, PT Wijaya Karya and PT Semen Indonesia. Meanwhile, the lowest value of Board of Commissioners is PT Kimia Farma and PT Timah which the value of the Board of Commissioners are 10.38; and then followed by PT Pembangunan Perumahan, PT Bank Rakyat Indonesia, PT Bank Negara Indonesia, PT Garuda Indonesia, PT Krakatau Steel, PT Indofarma, PT Bank Mandiri, PT Perusahaan Gas Negara, PT Semen Baturaja and PT Waskita Karya. Therefore, PT Timah, PT Kimia Farma and PT Pembangunan Perumahan are expected to be able to utilize board of commissioner's openness procedures in order to improve the company's assessment. PT Indofarma, PT Bank Mandiri, PT Perusahaan Gas Negara, PT Semen Baturaja and PT Waskita Karya are expected to add a few factors to the openness of board of commissioners because of its value approaches to the average value of Board of Commissioners. It can indicate that companies have been slightly able to improve performance with the openness of board of commissioners.

4) *Board of directors*: The fourth component of IBCG Modified is Board of Directors which related with the openness report that tell the general rules, the structure of board of directors, and the remuneration of board of directors. Board of director's weight is 15% while the average value of the Board of Directors in state-owned companies is 11.94. Companies with above the average value of board of directors are PT Bukit Asam, PT Telekomunikasi Indonesia, PT Adhi Karya, PT Jasa Marga, PT Wijaya Karya. The lowest value of Board of Directors is PT Pembangunan Perumahan with the value of board of directors are 8.33, and then followed by PT Kimia Farma, PT Krakatau Steel, PT Perusahaan Gas Negara, PT Bank Rakyat Indonesia, PT Bank Negara Indonesia, PT Garuda Indonesia, PT Indofarma, PT Timah. And then there are companies approach to the average value of board of directors, these are PT Bank Tabungan Negara, PT Aneka Tambang, PT Bank Mandiri, PT Semen Baturaja, PT Semen Indonesia, and PT Waskita Karya. Therefore, PT Pembangunan Perumahan, PT Kimia Farma, PT Krakatau Steel and PT Perusahaan Gas Negara are expected to more able to utilize the openness procedures of board of directors in order to improve the company's assessment. Meanwhile, PT Bank Tabungan Negara, PT Aneka Tambang, PT Bank Mandiri, PT Semen Baturaja, PT Semen Indonesia, and PT Waskita Karya are expected to add a little factors to the openness of board of directors because of its value approaches to the average value of board of directors. It can indicate that companies have been slightly able to improve performance with the openness of board of directors.

5) *Technical accessibility*: The fifth component of IBCG Modified is technical accessibility which related to the technology on website, functionality or usefulness and

annual reports that uses as account data. The weight of technical accessibility is 10% while the average value of Technical Accessibility on state-owned companies is 4.50. Companies which have the highest value of technical accessibility are PT Aneka Tambang and PT Perusahaan Gas Negara with the value of technical accessibility are 6.00; then followed by PT Bank Tabungan Negara, PT Bank Negara Indonesia, PT Kimia Farma, PT Bank Mandiri, PT Bukit Asam, PT Semen Indonesia, PT Timah, PT Telekomunikasi Indonesia which have the value of technical accessibility are 5.00. Meanwhile, there are some companies that have below average value of technical accessibility, they are PT Bank Rakyat Indonesia, PT Adhi Karya, PT Jasa Marga, PT Wijaya Karya, PT Garuda Indonesia, PT Indofarma, PT Krakatau Steel, PT Perumahan Development, PT Semen Baturaja, and PT Waskita Karya with the value of technical accessibility are 4.00, these companies are expected to be able to improve the supporting components of technical accessibility for increasing the corporate value.

#### *B. The Quality of Corporate Governance of Regional-Owned Enterprises*

The quality of corporate governance can be describes for each component as follow:

1) *Shareholders*: The average value of shareholders in regional-owned companies is 17.62. Bank Jatim has the highest value of shareholders, which is 21.43, the value of shareholders of Bank Pembangunan Jawa Barat is 20.71 and the value of shareholders of PT Gowa Makassar Tourism Development Tbk is 18.57. These three companies are able to utilize the role of shareholders in the achievement of financial performance well. While the companies that have below the average value of shareholders are PT Delta Djakarta, PT Bank Pembangunan Daerah Banten, and PT Alkasa Industrindo. This is what should make the three companies to further improve the shareholder components that exist in regional-owned companies. Especially for PT Delta Djakarta that has the lowest value of shareholders, which is only 15.88 and should be made to improve the shareholder system in the company.

2) *Transparency*: The second component is transparency that describes openness reports submitted to the common society. This reports contain many financial data, company development plan, auditor, stock price development until the announcement of financial statements. Weight of transparency is 30% while the average value of transparency in six regional-owned companies is 19.21. Companies which above the average value of transparency are PT. Bank Jabar Banten with the highest value of transparency, which is 22.89; the value of transparency of PT. Bank Jatim is 22.11 and the value of transparency of Bank Jabar Banten is 21.32. Meanwhile, the value of transparency with the lowest average value of transparency are PT Alkasa Industrindo and PT Gowa Makassar Tourism Development Tbk which the value of transparency are 11.54, and then followed by PT

Delta Djakarta which the value of transparency is 12.69. Therefore, PT Alkasa Industrindo and PT Gowa Makassar Tourism Development, Tbk should be able to utilize transparency procedures in order to increase the company's value. While for PT Delta Djakarta is expected to be able to add transparency factors because of its value approaches to the average value of transparency. It can indicate that the company has been slightly able to improve performance with transparency.

3) *Board of commissioners*: The third component of IBCG Modified is Board of Commissioners which related with the openness report that describes composition and responsibilities, the composition of board of commissioners, the remuneration of board of commissioners and the report of board of commissioners. The IBCG value on this component is 15%. The highest value of this component is found in PT Gowa Makassar Tourism Development which is 12.69. The only company with the highest value above the average value of board of commissioners, which is 11.63. The lowest value of the board of commissioners is PT. Bank Pembangunan Daerah Jabar Banten, which has the value of board of commissioners is 10.96, this company should be improved especially on the board of commissioners for more report the openness of the board of commissioners. as well as PT Delta Djakarta, PT Gowa Makassar Tourism Development, PT Bank Pembangunan Daerah Jabar Banten and PT. Bank Jatim which each have the average value of board of commissioners, which are 11.54. They should more improve the reporting of the board of commissioners to stakeholders or common society.

4) *Board of directors*: The fourth component of IBCG Rating is board of directors. In regional-owned companies have the average value of board of directors, which is 10.56, the highest value of board of directors is found in PT. Bank Jawa Timur that is equal to 11.67 and the lowest value of board of directors is found in PT Delta Djakarta that is equal to 9.17. this matter must be repaired especially by PT Delta Djakarta to submit report of openness in the form of board of directors. Although the value of board of directors is 15% of the whole component, if it can be improved, it also be able to increase the value of the modified IBCG rating itself.

5) *Technical accessibility*: The last component is Technical Accessibility that contains technology and technical support from the company web. The average value of the technical accessibility is 3.83 where PT Delta Djakarta, PT. Bank Pembangunan Daerah Jabar Banten and PT. Bank Jatim have above the average value of technical accessibility. meanwhile PT Gowa Makassar Tourism Development Tbk and PT Alkasa Industrindo have below the average value of technical accessibility. this two companies should to make improvements in technical accessibility in the form of technological and support factors especially on the web company.

Based on the above exposure, it is known that the highest IBCG value is PT. Bank Jatim, which is 71.74. it means that PT Bank Jatim is able to open the information about their bank that submitted on the company's web and in the company's annual report, especially in 2016. While the lowest IBCG value is PT Alkasa Industrindo, which is 55.97. PT Alkasa Industrindo should to more open their information about the company that related to shareholders, transparency, board of commissioners, board of directors and technical accessibility. Thus, PT Alkasa Industrindo will be able to increase the company's potential to compete in fellow Regional companies in Indonesia.

## V. CONCLUSION

Based on the measurement of corporate governance for stated-owned enterprises and regional-owned enterprises using IBCG rating modified can be concluded that the quality of corporate governance of stated-owned enterprises is better than regional-stated enterprises. The quality of corporate governance of good enough where the average value of corporate governance equals to at 69.24. Therefore, it indicates that stated-owned companies have implemented good corporate governance in terms of shareholders, transparency, board of commissioners, board of directors and technical accessibility. The quality of corporate governance in regional-owned enterprise is good enough where the average value of corporate governance of regional-owned enterprises equals to 62.85. Although most of the value of corporate governance are dominated by the banking sector, but other sectors in regional-owned enterprises have also conducted reports of openness through the company's web and their annual reports.

## ACKNOWLEDGMENT

This research was supported by Postgraduate Program, Universitas Negeri Surabaya. We thank our colleagues from the Administrative Bureau of the Economy who provided insight and expertise that greatly assisted the research.

## REFERENCES

- [1] Shleifer, A., and R.W. Vishny, "A Survey of Corporate Governance", *Journal of Finance*, Vol.52 No.2, pp. 737-783, 1997.
- [2] Klapper, L., and I. Love, "Corporate Governance, Investor Protection and Performance in Emerging Markets", *Journal of Corporate Finance*, Vol.10 No.5, pp. 703-728, 2004.
- [3] Musdholifah, M., and U. Hartono., "IBCG rating Modified". *Proceeding Seminar Nasional PPM Unesa*, 2016.
- [4] Grzybkowski, M., and D. Wojcik, "Internet and Corporate Governance", *Working Paper*, University Of Oxford, 2006.
- [5] Hartono, U., B. Subroto, Djumahir., and G. Irianto, "Firm Characteristics, corporate governance dan firm value". *International Journal of Business and Behavioral Science*, vol 3 No 8. 2013.
- [6] Jensen, M.C., and W. Meckling, "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure", *Journal of Financial Economics* No.3, p 305-360, 1976.
- [7] Weisbach, M.S., and E.H. Benjamin, "Boards of Directors as an Endogenously Determined Institution: A Survey of the Economic Literature", *working paper*, 2000.

- [8] OECD, "OECD Principles of Corporate Governance", The OECD, Paris. 1999.
- [9] Monks.R., and Minow., Corporate Governance, Cambridge, MA: Blackwell. 1995.
- [10] Mizruchi, M.S., "Berle and Means Revisited: The Governance and Power of Large U.S Corporations", Working Paper, University of Michigan. 2004.