

The Implementation of Corporate Governance

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Conference Paper

The Implementation of Corporate Governance Through Self-assessment in Increasing Liquidity of East Java Regional Development Bank

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Abstract

This study will analyze the application of Corporate Governance (CG) in increasing liquidity. CG is measured from the self-assessment conducted by the East Java Development Bank. The implementation of corporate governance is based on SEOJK No. 32/SEOJK.04/2015, concerning the open corporate governance. The application of CG has eight principles. Liquidity is measured by Current Ratio. This study uses descriptive analysis. Data used financial statements and the implementation of CG in 2017. The results showed that the application of CG based on self-assessment has good criteria. The level of liquidity shows liquid results. This shows that a good implementation of CG will increase the level of liquidity.

Keywords: corporate governance, liquidity, current ratio, self-assessment

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1. Introduction

Bank Jatim is a bank owned by the East Java provincial government. Bank Jatim obtained the first winner of the 2015 Annual Report Award for the BUMD category. This is a proud achievement for Bank Jatim and is a real commitment of Bank Jatim in the aspect of Good Corporate Governance. Achievements will inspire management to continue to implement good Corporate Governance to be the best for stakeholders and shareholders.

Bank Jatim complies with and complies with every applicable regulatory framework and the Law in Indonesia concerning Good Corporate Governance including: Law of the Republic of Indonesia Number 40 of 2007 concerning Limited Liability Companies, Regulation of the Financial Services Authority Number 55/POJK.03/2016 7 December 2016 Concerning the Implementation of Good Corporate Governance for Commercial

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Banks, Financial Services Authority Regulation Number 4/POJK.03/2016 dated January 26, 2016 concerning Appraisal of Commercial Banks. Financial Services Authority Circular Number 13/SEOJK.03/2017 March 17, 2017 Concerning the Implementation of Good Corporate Governance for Commercial Banks. Financial Services Authority Circular Letter Number 32/SEOJK.04/2015 concerning Public Company Governance Guidelines.

2. Literature Review

2.1. Liquidity

The rules regarding bank liquidity are regulated by regulations issued by the OJK Financial Services Authority Number 42/POJK.03/2015 concerning bank liquidity. Bank liquidity is the ability to pay off liabilities in the short term.

2.2. Corporate governance

The application of corporate governance based on SEOJK No. 32/SEOJK.04/2015 concerning the Guidelines for Governance of Public Companies which adapts 8 (eight) principles as follows:

1. Increasing the value of organizing the General Meeting of Shareholders (GMS).
2. Improve the quality of public company communication with shareholders or investors.
3. Strengthening membership and composition of the board of commissioners.
4. Improving the quality of implementation of duties and responsibilities of the board of commissioners.
5. Strengthening the membership and composition of the board of directors.
6. Improving the quality of implementation of the duties and responsibilities of the directors.
7. Implementation corporate governance aspects with stakeholder participation.
8. Carry out information disclosure.

2.3. Bank efficiency

[1] banks in efficient conditions amounted to 95% when there was a change in the banking system. [1] efficiency in the commercial banking sector reached 80%. [2] bank efficiency reaches 95%. Rezitis (2004) growth in productivity and technical efficiency in the banking sector amounted to 91.3%. [3], the efficiency of the commercial banking sector averaged 95%. Pathis, Kosmidou and Doumpou (2001), profitability and efficiency in small banks and banks show almost the same results. small companies produce 86.71% and large companies at 8.35%.

[4] evaluating efficiency from 19 banks, 32% of banks experienced efficiency and 68% were inefficient in a global crisis. [5] in 2003-2007 and in 2010-2012 the efficiency of banks increased. The efficiency of banks has declined in 2008-2010, this is due to recession. Bank efficiency research has been carried out by [6-10]. [11] the impact of the global financial crisis on the efficiency of Greek banks in 2009 showed a slight increase in technical efficiency scores. In 2010 there was a decrease in technical efficiency scores.

3. Methodology

This study uses descriptive analysis. The data used uses secondary data, namely the Bank Jatim report in 2017 and reports on good corporate governance practices in 2017.

4. Results and Discussion

The amount of 2017 current assets is Rp. 50,094,097,000,000 increase of IDR 8,207,263,000,000 when compared to the same period in 2016 amounting to IDR 41,886,834,000,000 or an increase of 16.38%. The amount of 2017 short-term liabilities of Rp.43,515,593,000,000 decreased by Rp.7,795,636,000,000 compared to the same period in 2016 of Rp35,719,957,000,000 or a decrease of 17.91%.

Based on 2017 report data shows good results seen that assets increased and current liabilities decreased. The liquidity ratio is measured by the current ratio, namely current assets divided by current debt. The current Bank Jatim ratio is 115%, Bank Jatim is classified as liquidity. Bank Jatim is able to pay off debt in the short term.

The amount of 2017 net income of Rp1,642,807,000,000 increased by Rp191,225,000,000 compared to the same period in 2016 of Rp1,451,582,000,000 or an increase of 11.64%. Total profit after tax and before other comprehensive income

TABLE 1: Short balance sheet report 2016–2017 period PT. Bank Jatim (Persero) TBK.

Information	Audited 2017	Audited 2016	Up and Down	%
	a	b	a-b	(a-b)/a
Asset				
Current assets	Rp 50,094,097,000,000	Rp 41,886,834,000,000	Rp 8,207,263,000,000	16.38%
Assets are not smooth	Rp 1,424,584,000,000	Rp 1,146,116,000,000	Rp 278,468,000,000	19.55%
Total assets	Rp 51,518,681,000,000	Rp 43,032,950,000,000	Rp 8,485,731,000,000	16.47%
Liability and equity				
Short-term liabilities	Rp 43,515,593,000,000	Rp 35,719,957,000,000	Rp 7,795,636,000,000	17.91%
Long-term Liabilities	Rp 187,014,000,000	Rp 103,421,000,000	Rp 83,593,000,000	44.70%
Total Liabilities	Rp 43,702,607,000,000	Rp 35,823,378,000,000	Rp 7,879,229,000,000	18.03%
Equity				
Total Equity	Rp 7,816,074,000,000	Rp 7,209,572,000,000	Rp 606,502,000,000	7.76%
Total Liabilities and Equity	Rp 51,518,681,000,000	Rp 43,032,950,000,000	Rp 8,485,731,000,000	16.47%

in 2017 amounting to Rp1,159,370,000,000 increased by Rp.131,154,000,000 compared to the same period in 2016 amounting to Rp1,028,216,000,000 or an increase of 11.31%.

The acquisition value of GCG implementation at Jatim bank is 2.2. Based on criteria, the value of GCG is classified as good. The management of Bank Jatim has applied the principles of GCG, based on self-assessment assessment conducted by the bank of East Java. The organizational structure at Bank Jatim is in accordance with the Bank's rules and articles of association. The accountability of the implementation of GCG has been reported at the General Meeting of Shareholders.

5. Conclusion

Bank Jatim in 2017 experienced liquidity. Operating profit has increased from the previous year. Bank Jatim has carried out 8 corporate governance principles which have good results. The organizational structure at Bank Jatim has run according to the applicable rules. Stakeholder involvement in the implementation of corporate governance can be seen in the delivery of accountability in the general meeting of shareholders.

TABLE 2: Short income statement 2016–2017 period PT. Bank Jatim (Persero) TBK.

Information	Audited 2017	Audited 2016	Up and Down	%
	a	b	a-b	(a-b)/a
Net Income	Rp 4,889,674,000,000	Rp 4,904,378,000,000	(Rp 14,704,000,000)	-0.30%
Main Load and Direct Load	(Rp 1,404,762,000,000)	(Rp 1,446,372,000,000)	Rp 41,610,000,000	-2.96%
Gross Profit	Rp 3,484,912,000,000	Rp 3,458,006,000,000	Rp 26,906,000,000	0.77%
Other Operating Income	Rp 371,186,000,000	Rp 349,751,000,000	Rp 21,435,000,000	5.77%
Sales, General and Administrative Expenses	(Rp 2,213,291,000,000)	(Rp 2,356,175,000,000)	Rp 142,884,000,000	-6.46%
Net Financial Income	Rp 1,642,807,000,000	Rp 1,451,582,000,000	Rp 191,225,000,000	11.64%
Other Non-business Income	Rp 32,716,000,000	Rp 30,646,000,000	Rp 2,070,000,000	6.33%
Other Non-business Expenses	(Rp 38,582,000,000)	(Rp 30,100,000,000)	(Rp 8,482,000,000)	21.98%
Profit Before Tax	Rp 1,636,941,000,000	Rp 1,452,128,000,000	Rp 184,813,000,000	11.29%
Tax Income/Expenses				
Current Tax	0	Rp 514,740,000,000	(Rp 514,740,000,000)	
Deferred Tax Expense (Benefits)	0	(Rp 90,828,000,000)	Rp 90,828,000,000	
Amount of Tax Expense	Rp 477,571,000,000	Rp 423,912,000,000	Rp 53,659,000,000	11.24%
Current Year Net Profit	Rp 1,159,370,000,000	Rp 1,028,216,000,000	Rp 131,154,000,000	11.31%
Other Comprehensive Income				
Fixed Asset Revaluation Surplus	Rp 112,985,000,000	Rp 537,756,000,000	(Rp 424,771,000,000)	-375.95%
Losses for Remeasuring the Defined Benefit Program	(Rp 70,356,000,000)	(Rp 1,612,000,000)	(Rp 68,744,000,000)	97.71%
Tax Related	Rp 17,589,000,000	(Rp 21,106,000,000)	Rp 38,695,000,000	220.00%
Total Comprehensive Profit	Rp 1,219,588,000,000	Rp 1,543,254,000,000	(Rp 323,666,000,000)	-26.54%

TABLE 3: GCG self-assessment GCG December 2017 period.

Assessed Aspects	Value	Weight	Obtaining Value
Implementation of Board of Commissioners Duty and Responsibility	2	10%	0.2
Implementation of Board of Directors Duty and Responsibility	3	20%	0.6
Committee's Completeness and Duty Implementation	2	10%	0.2
Conflict of Interest Handling	2	10%	0.2
Bank's Compliance Function Implementation	2	5%	0.1
Internal Audit Function Implementation	2	5%	0.1
External Audit Function Implementation	2	5%	0.1
Implementation of Risk Management Function including Internal Control System	2	5%	0.15
Prudential Banking Principle in Fund Provision to Relate Party and Large Exposure	2	7.5%	0.15
Disclosure of Financial and Non-financial Condition, GCG Report and Internal Reporting	2	7.5%	0.3
Bank Strategic Plan	2	15%	0.1
GCG COMPOSITE SCORE		100%	2.2

Composite Value	Composite Predicate
5	
Composite Score < 1.5	Very Good
1.5 ≤ Composite Score < 2.5	Good
2.5 ≤ Composite Score < 3.5	Fair
3.5 ≤ Composite Score < 4.5	Less Good
4.5 ≤ Composite Score < 5	Bad

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