THESIS

THE INFLUENCE OF THE IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE AND AKHLAK ON THE PERFORMANCE OF PT. TELKOM REGIONAL MAKASSAR

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MAKASSAR

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As one of the requirements to obtain degree of Bachelor of Economics

Prepared and Filed by

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To

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is my own scientific work and to the best of my knowledge in this thesis there is no scientific work that has been submitted by another person to obtain an academic degree at a university, and there is no work or opinion that has been written or published by another person, except those quoted in this manuscript and mentioned in the citation sources and bibliography.

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PREFACE

The writer would like to thank God Almighty for His blessings and gifts so that the researcher can complete this thesis. This thesis is the final project to achieve a Bachelor's degree in Accounting at the Accounting Department, Faculty of Economics and Business, Hasanuddin University. In this opportunity, the author would like to thank all those who have provided support, prayers, and assistance in the completion of this thesis. Therefore, with great humility let me express my gratitude to

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ABSTRACT

THE INFLUENCE OF THE IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE AND AKHLAK ON THE PERFORMANCE OF PT. TELKOM REGIONAL

Muhammad Farhan

Abdul Hamid Habbe

Asharin Juwita Purisamya

This study aims to determine the effect of the implementation of good corporate governance and AKHLAK on the company's performance at PT. Telkom Regional. The method of data collection in this study is to use a questionnaire distributed to employees as primary data. The data were analyzed by multiple linear regression and tested by research instrument test, classical assumption test, partial test and simultaneous test using SPSS software. The results of this study indicate that good corporate governance and AKHLAK has a positive and significant effect on company performance at the PT. Telkom Regional

Keywords ; Good Corporate Governance, AKHLAK, Company Performance

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

Figures Page

CHAPTER 1

INTRODUCTION

1.1 Background

The development of global competition in the economy at home or abroad nationally or internationally, can pose risks to businesses that demand the anticipation of opportunities and threats in strategies including excellent control systems. Where every year there are changes in business operational performance there is an increase or decrease in economic development. Allegations suggest that inadequate corporate governance is a contributing factor to the political economy crisis observed in various countries.

Indonesia is actively seeking to enhance its economy with the aim of achieving economic improvement. The nation adopts the idea of Good Corporate Governance as a strategy to guarantee effective business functioning. Examples of inadequate Corporate Governance can be witnessed in conglomerates with poor management and cases of corruption in the government. Indonesia aims to cultivate its economy and apply the principles of Good Corporate Governance. It is anticipated that all entrepreneurs and individuals planning to establish companies follow these principles to avoid any detrimental impact on the country.

A comprehensive framework of legal tools is involved in establishing and governing the interactions among shareholders, managers, creditors, government entities, and other parties connected to a company, which collectively define effective corporate governance (Tunggal, 2013). In Indonesia, the discourse on Corporate Governance has undergone development, largely in response to numerous instances of corporate collapses caused by insufficient governance measures. Without a doubt, the concept of Good Corporate Governance (GCG) has experienced notable prominence in the last decade.

One of the most well-known case in Indonesia is an operational violation committed by Badan Regulasi Telekomunikasi Indonesia (BRTI). They was found to have violated Good Corporate Governance (GCG) when it issued circular letter No. 177/BRTI/2011 to 10 telecommunications operators in mid-October 2011. The circular pertained to the premium SMS service, which is a familiar but detrimental service for cellular phone users. Many customers have experienced the negative impact of this service, particularly in terms of excessive depletion of their phone credit. Even after customers have opted to discontinue the service, the service providers continue to deduct their credit. This situation significantly hampers customers' ability to meet their needs, as their credit unexpectedly gets consumed by the service provider, causing inconvenience and harm.

In addition to its widespread popularity, the term Good Corporate Governance (GCG) holds a position of high regard. Firstly, GCG is recognized as one of the crucial factors for a company's long-term growth, profitability, and success in global business competition. Secondly, it is believed that the economic crises experienced in Asian and Latin American regions can be attributed to the lack of proper implementation of GCG (Daniri, 2005).

Sutedi (2011) defines good corporate governance as a process and framework employed by corporate entities, including shareholders/capital owners, commissioners, supervisory boards, and directors, to enhance business performance and ensure corporate responsibility. The ultimate objective is to achieve long-term shareholder value while considering the interests of other stakeholders, all within the framework of legal requirements and ethical values. Various parties have offered their interpretations of Corporate Governance, ranging from a narrow perspective focusing on shareholders to a broader perspective encompassing stakeholders. Nonetheless, these understandings generally converge on the same goal and fundamental comprehension. According to Article 1 Letter KEPMEN BUMN No. KEP-117 / M -M BU / 2002 issued on July 31, 2002, which pertains to the implementation of Good Corporate Governance (GCG) in State-Owned Enterprises (SOEs), corporate governance is defined as a process and framework utilized by SOEs to improve business performance and ensure accountability. Its ultimate objective is to maximize long-term shareholder value while taking into account the interests of other stakeholders. This approach is built upon a solid foundation of laws, regulations, and ethical values.

The implementation of Corporate Governance mechanisms aims to mitigate issues stemming from agency problems. Consequently, it instills a sense of security among all shareholders and investors, assuring them that their rights will be respected and safeguarded. With effective Corporate Governance, the management team and majority shareholders, who hold control over the company, are compelled to operate within the confines of established rules. They can no longer exploit the incompetence or limited information of investors in an arbitrary manner. This fosters a more equitable and transparent environment, promoting trust and accountability within the organization. The existence of a climate of mutual trust between fund owners and company managers, as governed by effective corporate governance mechanisms, is anticipated to further enhance the company's performance. This improvement will undoubtedly yield benefits for both parties involved, namely the fund owners and company managers. The consistent implementation of corporate governance is fundamentally geared towards maximizing corporate value in the eyes of shareholders and stakeholders, and is employed to reinforce the company's competitiveness. Given the intensifying business competition, the implementation of corporate governance becomes increasingly crucial in order to thrive in the marketplace while upholding principles of fair and ethical competition.

Corporate governance serves as a valuable tool for companies to enhance their business success and foster accountability. Companies can establish a strong operational foundation by adhering to corporate governance principles, including transparency, accountability, responsibility, independence, and fairness. These principles ensure that the company's actions and decision-making processes are conducted in an open and honest manner. Transparency allows for clear communication of information, while accountability ensures that individuals are held responsible for their actions. Responsibility emphasizes the company's commitment to acting ethically and in the best interest of stakeholders. Independence safeguards against conflicts of interest, promoting unbiased decision-making. Finally, fairness ensures equitable treatment of all stakeholders involved in the company's operations. By upholding these principles, companies can foster trust and confidence among stakeholders and maintain a solid organizational framework. These principles are rooted in relevant laws, regulations, and ethical values. Consistently implementing corporate governance practices ensures that the basic tenets of corporate governance are upheld.

In 2020, the Ministry of State-Owned Enterprises (BUMN) introduced a program called AKHLAK BUMN. This initiative serves as a guiding framework for the Ministry in overseeing the management of 115 BUMN in Indonesia. The concept of AKHLAK BUMN emphasizes ethical conduct and principles that should be upheld by these companies. The objective is to encourage transparency, integrity, and the adoption of good governance practices within the state-owned sector. By implementing AKHLAK BUMN, the Ministry strives to enhance the performance and accountability of SOEs, ensuring their operations align with ethical standards and public expectations.AKHLAK itself is an acronym for Amanah, Kompeten, Harmonis, Loyal, Adaptif, and Kolaboratif.

AKHLAK, as a program, represents a significant endeavor to reform the management of State-Owned Enterprises (BUMN). When we reflect on the past, we can trace the development of this reform journey. It began in 2011 with the introduction of Good Corporate Governance (GCG) by Mustafa Abu Bakar. Subsequently, in 2013, Dahlan Iskan initiated the Clean SOE program. Rini Soemarno played a role in shaping the reform efforts by establishing the Integrity Zone in 2015 and introducing Profit (professionals with integrity) in 2019. Finally, in 2020, Erick Tohir took the initiative to launch the AKHLAK program, marking another important milestone in the ongoing drive to enhance the management practices and ethical conduct within BUMN.

Telkom Group Indonesia recently held a briefing and introduced the core values of AKHLAK to its employees. In early July 2020, the Minister of State-Owned Enterprises, Erick Thohir, officially introduced these core values through a virtual platform. Telkom Group's initiative demonstrates its commitment to aligning with the AKHLAK principles and fostering a culture of ethics and integrity among its employees, in line with the broader objectives set by the BUMN minister.

AKHLAK is anticipated to serve as a strong and sturdy foundation for all employees in their actions and behaviors, aiming to support the continuous business growth of TelkomMetra. So that when there is a rotation of Human Resources (HR) in the TelkomMetra environment, it will make it easier for each individual to adapt to the same core values of AKHLAK.

PT Telkom Indonesia (Persero) is dedicated to strengthening the implementation of AKHLAK values as the foundation for its employees work. This commitment aims to accelerate digital development in Indonesia. Recognizing the significance of human resource (HR) transformation, TelkomGroup considers it a crucial component of its transition into a digital telco and the development of digital talents capable of adapting and contributing to the nation and the country. The transformation of human resources at TelkomGroup necessitates a strong adherence to core values. Therefore, internalizing the values of AKHLAK is of utmost importance within the TelkomGroup environment, ensuring their earnest, consistent, and unwavering implementation.

1.2 Problem Formulation

Based on the background description provided earlier, the problem formulation for this study can be formulated as follows: "Did Good Corporate Governance and AKHLAK influence the performance of PT. Telkom Regional?"

1.3 Research Objectives

The purpose of this study is to examine the impact of implementing Good Corporate Governance and AKHLAK on the performance of PT. Telkom Regional.

CHAPTER II

LITERATURE REVIEW

2.1 Theoritical Basis

2.1.1 Agency Theory

Agency theory is a theoretical framework that analyzes the relationship dynamics between principals, usually shareholders or company owners, and agents, who are tasked with managing the company on behalf of the principals. The theory originated from situations where principals delegated the management of their companies to agents. According to agency theory, principals and agents represent two distinct parties with differing interests and roles.

In accordance with agency theory, principals are generally expected to refrain from direct involvement in the day-to-day operations conducted by their appointed agents, despite having the authority to select and hire members of the management team. This is due to the distinct roles and responsibilities of both principals and agents. The theory acknowledges that agents are appointed to act in the best interests of the principals, but it also recognizes the possibility of conflicts of interest between the two parties. Thus, agency theory provides a framework for comprehending the complexities and challenges that emerge in the principal-agent relationship within an organization.

The primary aim of effective corporate governance is to safeguard the interests of shareholders and creditors, enabling them to recover their investments. The application of corporate governance principles is founded upon the concept of agency theory, which elucidates the relationship between management and owners. As per this theory, management acts as an agent and assumes the task of maximizing profits on behalf of the owners, who are commonly referred to as principals. In fulfilling this obligation, management receives compensation as per the agreed contractual terms.

By adhering to good corporate governance's principle, organizations establish mechanisms and practices that promote transparency, accountability, and ethical conduct. These measures are implemented to safeguard the rights and interests of shareholders and creditors, guaranteeing that management operates in their best interests. The ultimate objective is to cultivate trust and confidence in the organization, thereby facilitating the retrieval of investments for both shareholders and creditors.

According to Jansen and Meckling (1976), agency theory serves as the foundational basis for many business practices employed by companies. This theory integrates elements from economic theory, decision theory, sociology, and organizational theory, forming a cohesive framework that draws upon their collective insights. At its essence, agency theory emphasizes the existence of a functional association between the manager, who possesses delegated authority, and various other stakeholders. This association is encapsulated within a collaborative agreement referred to as the "nexus of contract."

In the analysis of Good Corporate Governance, an agency lens is applied to enhance comprehension. Agency theory offers valuable insights into the interactions between the manager (agent) and the investor (principal), uncovering the complexities inherent in this association. As per Jansen and Meckling (1976), the agency relationship is characterized as a contractual arrangement between the manager (agent) and the investor (principal). Instances of conflicting interests may emerge between the owner and the agent when the agent possesses the ability to act contrary to the principal's best interests, resulting in agency costs.

Corporate governance, stemming from the principles of agency theory, serves as a mechanism to instill confidence in investors regarding their investment returns. It addresses the concerns investors may have regarding the actions of managers, ensuring that they act in the best interests of shareholders. Effective corporate governance assures investors that managers will not engage in fraudulent activities, misappropriation of funds, or invest in unprofitable ventures that jeopardize the invested capital.

Moreover, corporate governance encompasses the mechanisms by which investors exercise control over managers. Investors rely on corporate governance structures and practices to monitor and oversee managerial actions, mitigating the risks of agency problems and reducing agency costs. The aim of corporate governance is to align the motivations of managers and shareholders through the establishment of a structure that emphasizes accountability, transparency, and ethical conduct. Through this framework, the goal is to protect the interests of investors and mitigate potential conflicts of interest.

2.1.2 Goal Setting Theory

Locke (1968) proposed the goal-setting theory, which emphasizes the connection between goals and an individual's task performance. The theory emphasizes that goals play a crucial role in motivating individuals. According to the goal-setting theory, the alignment between set goals and subsequent performance is of utmost importance. The fundamental idea is that when individuals have a clear understanding of the goals set by the organization, it influences their work behavior. The theory suggests that individuals who commit to a goal are less likely to undermine or disregard it.

Fundamentally, individuals have the capacity and motivation to accomplish their objectives. The commitment to achieving goals is more likely to arise when goals are clearly communicated, individuals feel a sense of personal control, and they are involved in the process of setting their goals (Robbins and Judge, 2008: 237). When individuals are committed to achieving their goals, it impacts their actions and subsequently influences the outcomes of their performance. Overall, the intention to achieve set goals serves as a potent motivator for individuals to enhance their performance. A goal represents something that an individual consciously desires to accomplish. By setting goals, individuals can compare their progress against their objectives and determine their current position.

Setting goals enables individuals to evaluate their current work outcomes and compare them with their past accomplishments. This evaluation process serves as a motivating force for individuals to strive for improvement (Dewi, 2017). Moreover, goal setting contributes to the accuracy of budgeting. Organizations that align their budget plans with their vision and mission are more likely to achieve their performance targets (Kusuma, 2013). Research grounded in the goal-setting theory indicates that individuals who are provided with specific, challenging, yet attainable goals tend to outperform those who receive easy and specific goals or have no goals at all.

2.1.3 Definitions and Basic Concept of GCG

In recent years, the concept of good corporate governance (GCG) has gained significant prominence in Asia, with notable development occurring since the 1990s. The origins of good corporate governance can be traced back to England in 1992. It was subsequently embraced by developed countries within the OECD group, consisting of developed nations in Western Europe and North America, starting in 1999. The study of good corporate governance was initially explored by Berle and Means in 1932, where they examined the separation of ownership (share ownership) from control in companies. The formalization of corporate governance initiatives began in 1992 with the establishment of the Cadbury Committee by the Bank of England and the London Stock Exchange. This committee was entrusted with formulating a corporate governance code that served as a fundamental reference point for many countries (Rizal Go, 2012: 12).

The Cadbury Code became a benchmark for the implementation of corporate governance practices worldwide.

Overall, GCG concept has evolved and gained recognition over time, with various countries adopting its principles and codes to enhance transparency, accountability, and ethical practices in corporate management.

When discussing corporate governance, it is important to acknowledge that organizations have obligations and responsibilities towards their shareholders and stakeholders. Therefore, they must be governed in compliance with the law while considering the interests of these stakeholders and shareholders.

During the implementation of good corporate governance (GCG) within a company, it is imperative to undertake a meticulous and phased approach, considering a thorough analysis of the company's situation, condition, and preparedness. This ensures a smooth implementation of GCG and gains support from all elements within the company. Successful companies that have implemented GCG often follow the following phasing (Chinn, 2000; Shaw, 2003) which called Preparatory Stage;

a) Awareness building: This step involves creating awareness about the importance of GCG and fostering a joint commitment to its implementation. Independent experts from outside the company can be engaged to facilitate activities such as seminars, workshops, and group discussions.

b) GCG assessment: This is a crucial step to evaluate and map the current state of GCG within the company. It helps determine the starting point of GCG implementation and identifies necessary measures to establish an infrastructure and company structure conducive to effective GCG practices. The assessment helps identify priority areas for improvement and necessary actions to be taken.

c) GCG manual building: After conducting the GCG assessment, manuals or guidelines for the implementation of GCG can be prepared. These manuals can be developed with the assistance of independent experts. They can include various aspects such as:

- Corporate GCG policy: Outlining the company's commitment and approach to GCG.
- GCG guidelines for company organs: Offering direction regarding the roles, duties, and procedures of company organs, including the board of directors, audit committee, and management.
- Code of conduct: Defining expected ethical standards and behavior for employees at all levels.
- Audit committee charter: Defining the objectives, duties, and scope of authority for the audit committee.
- Disclosure and transparency policy: Ensuring the timely and accurate disclosure of relevant information to stakeholders.
- Risk management policy and framework: Setting out processes for identifying, assessing, and managing risks within the organization.

These manuals serve as a reference for employees, ensuring consistent adherence to GCG principles and practices throughout the company. The involvement of independent experts can bring valuable insights and best practices from outside the company to enhance the effectiveness of GCG implementation. By following this phased approach and developing comprehensive manuals, companies can establish a strong foundation for ethical and accountable corporate practices.

Indeed, the effective regulation and implementation of Good Corporate Governance (GCG) necessitate commitment from all levels within an organization. It commences with the formulation of fundamental policies and codes of conduct that top management must adhere to, along with the adoption of a comprehensive code of ethics that applies to all parties involved. The primary goal of GCG is to establish a system and framework for efficient company management, with the overarching objective of enhancing shareholder value while considering the interests of various stakeholders such as creditors, suppliers, business associations, consumers, employees, government, and the broader community (Rizal Go, 2012:16).

To ensure the proper implementation of GCG, companies often establish an internal audit role. The internal audit function is entrusted with the responsibility of conducting research, evaluating the accounting system, and assessing the effectiveness of management policies implemented within the organization. This helps in identifying areas for improvement, detecting risks, and ensuring compliance with established policies and regulations.

By adhering to GCG principles and involving all relevant parties, companies can establish a transparent and accountable corporate governance framework. This, in turn, enhances the trust and confidence of shareholders and stakeholders, promotes sustainable business practices, and provides long-term success of the company.

2.1.4 Benefits of GCG

Companies must function within a structure that ensures their commitment to objectives and responsibility for their conduct. Simply put, companies should establish effective and trustworthy regulations for corporate governance. Numerous nations recognize the significance of such practices, considering them suitable and trustworthy. These countries perceive enhanced corporate governance as a mechanism to bolster economic dynamics and reinforce overall economic performance. The recent instability observed in financial markets has further emphasized the significance of robust corporate governance.

Implementing good corporate governance is a vital stride in instilling market confidence and fostering a stable and sustainable influx of international investments. As stated by The Forum for Corporate Governance in Indonesia (2005), embracing effective corporate governance practices yields numerous advantages, such as :

1. Facilitating capital acquisition: It becomes easier for companies to attract capital.
2. Reducing capital costs: The cost of acquiring capital decreases.
3. Enhancing business performance: Companies experience improvements in their overall operational outcomes.
4. Influencing stock prices: Stock prices are positively impacted.
5. Enhancing economic performance: The implementation of good corporate governance plays a positive role in advancing overall economic performance.

The implementation of GCG offers the following benefits:

a) Enhancing communication: Communication processes within the company are improved.

b) Minimizing potential conflicts: Potential conflicts are minimized.

c) Focusing on core strategies: The company's main strategies receive increased attention.

d) Increasing productivity and efficiency: Productivity and efficiency levels are raised.

e) Ensuring sustainability of benefits: The benefits derived from good corporate governance are sustained over time.

f) Promoting corporate image: The corporate image is enhanced and positively promoted.

g) Enhancing customer satisfaction: Customer satisfaction is increased.

h) Garnering investor confidence: The company gains the trust and confidence of investors.

As stated by Rizal Go (2012: 23), the primary aim of effective management is to guarantee sufficient protection and equitable treatment for shareholders and other pertinent stakeholders. By striving to maximize shareholder value, the aim is not only to ensure compliance with universally applicable regulations and standards, but also to make good management practices transparent to the public and interested parties. This transparency helps to establish trust and confidence among stakeholders that decisions made by public companies are correct and well-founded.

2.1.5 Good corporate Governance Principles

The principles of Good Corporate Governance, as specified in Article 3 of the Decree of the Minister of BUMN NO. 117 / M-MBU / 2002 dated 31 July 2002 regarding the implementation of GCG in BUMN, are as follows:

1. Equity and Fairness

To ensure fairness and equality in protecting the rights of stakeholders as per agreements and relevant laws and regulations,G. Valery (2011:22) highlights the importance of companies implementing specific measures. These measures may include:

a. Complete disclosure of information: It is crucial for companies to provide full and relevant information to shareholders, including comprehensive details about the remuneration of Commissioners/Directors

b. Prohibitions on share price manipulation: Publicly listed companies (Tbk companies) should have various restrictions in place to prevent practices such as insider trading and price manipulation. Moreover, it is advisable to refrain from creating a distinct dividend distribution system for internal shareholders.

These measures aim to uphold transparency, prevent unethical practices, and ensure that shareholders are well-informed and treated fairly.

2.Transparency

To foster transparency in the decision-making process and the disclosure of relevant information, G. Valery (2011:23) recommends implementing the following principles:

a. Adoption of accounting standards: This system should guarantee the quality of financial reporting and undergo periodic external audits conducted by auditors that General Meeting of Shareholders (GMS) approved. This ensures that the company's financial reports are accurate and of high quality, facilitating their accurate disclosure.

b. To establish an efficient Management Information System (MIS), it is crucial to create a strong foundation that enables the monitoring of performance concerns, performance evaluations, and well-informed decision-making by management. Furthermore, implementing a Risk Management System is essential to identify and handle noteworthy risks within acceptable thresholds.

By implementing these principles, companies can enhance transparency, improve the accuracy of financial reporting, enable effective decision-making, and mitigate risks effectively.

3. Accountability

To ensure clarity in the functions, implementation, and accountability of company management, G. Valery (2011:24) proposes the following measures:

a. Redefining the role of Internal Audit: Internal Audit should be transformed into a strategic business partner by adopting best practices, specifically through the implementation of "risk-based auditing." This approach focuses on identifying and addressing risks effectively to support the company's overall objectives.

b. Strengthening internal supervision and risk management: To accomplish this objective, one approach is to establish an Audit Committee and/or Risk Committee. These committees play a crucial role in strengthening the oversight function of the Board of Commissioners and providing independent monitoring. Additionally, appointing Independent Commissioners to the Board of Commissioners further reinforces governance practices in a more effective manner.

c. Professional appointment and evaluation of external auditors: The selection and assessment of external auditors should be based on professionalism and adherence to recognized auditing standards. This ensures the independence and competence of external auditors in carrying out their responsibilities.

By implementing these measures, companies can enhance the effectiveness and efficiency of their management processes, strengthen internal controls and risk management, and ensure accountability throughout the company.

4. Responsibility

To ensure adherence to existing laws, regulations, and sound corporate principles, G. Valery (2011:24) puts forth the following recommendations:

a. Establishing a healthy business environment: Companies should promote a healthy and ethical business environment by avoiding the abuse of responsibility or authority. This includes developing professionalism among employees and upholding universal ethics while respecting the local culture.

b. Demonstrating social concern ; Organizations should demonstrate a genuine dedication to addressing societal issues that are the collective responsibility of the entire nation. This can include initiatives such as poverty alleviation, reducing illiteracy and school dropouts, and addressing the impacts of natural disasters. By actively engaging in these areas, companies contribute to the well-being of society and demonstrate their commitment to corporate social responsibility.

By embracing these principles, companies can cultivate a positive and responsible corporate culture, ensure adherence to laws and regulations, and actively contribute to the improvement of society.

5. Independency

A professional and unbiased management of a company is distinguished by compliance with regulations and the principles of sound corporate governance (Arief 2009: 5). He underscores the five principles of corporate governance established by The Organization for Economic Co-operation and Development (OECD).

1). Shareholder Rights

GCG framework should safeguard the rights of shareholders, including minority shareholders. These rights encompass fundamental entitlements such as:

a. Ownership Registration Security: Shareholders have the right to receive assurances regarding the secure registration of their ownership.

b. Share Transferability: Shareholders possess the right to transfer or sell their shares.

c.Access to Relevant Information: Shareholders are entitled to timely and accurate information about the company, provided periodically and regularly..

d. Participation in Decision-Making: Shareholders have the right to participate in the process of selecting board members, including commissioners and directors.

e. Profit Sharing: Shareholders have the right to receive their share of the company's profits.

These rights ensure that shareholders are well-informed, empowered, and protected within the corporate governance framework.

2). The equitable treatment of Stakeholders.

GCG framework should ensure equal treatment of all shareholders, regardless of their size or nationality, including minority and foreign shareholders. This principle prohibits any trading practices based on insider information or self-dealing.The objective is to prevent unfair advantages or preferential treatment that could undermine the integrity and fairness of the company's operations. By upholding equal treatment and prohibiting such practices, corporate governance promotes transparency, accountability, and trust among shareholders.

3). The role of stakeholders in GCG

GCG framework should recognize and uphold the rights of stakeholders as mandated by law. It should also promote active collaboration between companies and stakeholders to facilitate job creation, prosperity, and the long-term sustainability of the business.

By recognizing stakeholder rights, corporate governance ensures that the interests and well-being of employees, customers, suppliers, local communities, and other relevant stakeholders are taken into account. This encourages companies to engage in collaborative relationships and meaningful dialogue with stakeholders, leading to the creation of sustainable business practices.

4.) Disclosure and transparency

The corporate governance structure needs to guarantee the prompt and precise release of all pertinent company information.

Timely disclosure implies that information should be promptly released, without unnecessary delay, to ensure that stakeholders have access to current and pertinent information. Accurate disclosure ensures that the information provided is reliable, complete, and free from material errors or omissions.

By adhering to these disclosure requirements, corporate governance promotes transparency, accountability, and trust. It enables shareholders, investors, and other stakeholders to make well-informed decisions by having access to precise information regarding the company's financial well-being, operational performance, ownership arrangement, and the competency of its management. This fosters confidence in the company and facilitates fair and efficient capital markets.

5). The responsibilities of the board

GCG framework should guarantee the presence of strategic guidelines for the company, effective supervision of management by the board of commissioners, and the board of commissioners' accountability to the company and its shareholders.

2.1.6 AKHLAK's Basic Concept and Principles

Every value is accompanied by a detailed explanation and supported by a code of ethic and conduct that will be implemented in the Ministry of State-Owned Enterprises (BUMN) and its affiliated companies. Here are the meanings and guidelines for each value of AKHLAK BUMN (ethical values for state-owned enterprises):

1. Amanah (Trustworthiness): The essence of Amanah is to uphold entrusted responsibilities. Every BUMN employee should demonstrate

a sense of trustworthiness by:

• Honoring commitments and promises.

• Assuming accountability for their responsibilities, actions and decisions

• Upholding ethical and moral principles.

2. Kompeten (Competence): Kompeten in AKHLAK refers to a continuous learning attitude and the development of capabilities. Competence values are exemplified through behaviors such as:
   - Enhancing personal competence to address evolving challenges.
   - Assisting others in their learning endeavors.
   - Completing tasks with the highest quality.
3. Harmonis (Harmony): Harmonis in AKHLAK emphasizes caring for one another and respecting differences. Demonstrating harmonious values includes:
   - Respecting individuals irrespective of their backgrounds.
   - Helping other volunteeraly
   - Creating a conducive work environment.
4. Loyal (Loyalty): Loyal in AKHLAK entails a dedicated attitude which interests of the nation and state must be prioritized. Examples of loyal behaviors encompass:
   - Upholding the reputation of colleagues, leaders, state-owned enterprises (SOEs), and the state.
   - Willingness to make sacrifices to achieve greater goals.
   - Being obedient to leadership as long as it aligns with legal and ethical boundaries.

5. Adaptive (Adaptability): Adaptive in AKHLAK signifies the ability to innovate and embrace change with enthusiasm. Adaptive attitudes are displayed through:
   - Quickly adjusting to improve and progress.
   - Continuously making enhancements in line with technological advancements.
   - Acting proactively in response to changes.
6. Kolaboratif (Collaboration): Kolaboratif in AKHLAK highlights the ability to foster synergistic cooperation. This value is demonstrated through behaviors such as:
   - Providing opportunities for diverse parties to contribute.
   - Openness to collaborative work for generating more value.

2.1.7 Company Performance

The concept of performance entails evaluating the execution of an activity, program, or policy in attaining the objectives, goals, mission, and vision of an organization. Assessing company performance involves considering both financial and non-financial aspects. Financial performance is determined by analyzing financial statements that reflect the financial status of a company, which often receives considerable attention from users of financial information. Conversely, non-financial performance is evaluated by examining internal business operations and the company's learning and growth factors.

a. Balanced Score Card

   The abbreviation for the Balanced Scorecard concept is BSC, which stands for Balanced Scorecard. The term "balanced" signifies the equilibrium between various performance dimensions, such as financial and non-financial, short-term and long-term, and internal and external. The term "scorecard" refers to a document used to record an individual's performance score. Initially, executive performance was solely assessed based on financial factors. However, it has evolved into a comprehensive approach called the Balanced Scorecard, which incorporates four perspectives to assess the overall performance of an organization. These perspectives include finance, internal business processes, and learning and growth.

b. Financial Aspect

The Balanced Scorecard (BSC) incorporates traditional financial performance indicators like net income and return on investment (ROI), which are commonly used in companies to evaluate profitability. However, relying solely on financial indicators is inadequate for understanding the factors that contribute to wealth creation within a company or organization (Mulyadi and Johny, 2000: 44).

The Balanced Scorecard (BSC) serves as a performance measurement approach that seeks to strike a balance between financial and non-financial indicators to steer the company towards success. By employing the BSC, a comprehensive understanding can be gained regarding the realization of the organizational vision, which plays a pivotal role in achieving wealth growth.

c. Internal Business Aspect

The internal business process perspective places emphasis on the crucial processes that enable a business unit to deliver a value proposition that attracts and retains customers within the targeted market segment. It also aims to fulfill shareholders' expectations in terms of financial returns.

d. Learning and Growth Aspect

Indeed, this perspective serves as a foundation for achieving the objectives established in the preceding perspectives and contributes to long-term growth and improvement. It is crucial for a business entity to invest not only in production equipment but also in infrastructure, including human resources, systems, and procedures. Through the assessment of financial performance benchmarks and internal business processes, significant gaps can be identified between the current capabilities of individuals, systems, and procedures. To bridge these gaps, it becomes necessary for a business entity to make investments in the form of employee upskilling, enhancing information systems and technological capabilities, and reorganizing existing procedures. These investments contribute to strengthening internal operations and positioning the company for sustained success.

2.2 Relevant Research

There are several previous studies that form the basis for research on the application of good corporate governance to company performance, including the following:

No	Author/topic/book/ article title	Concept/theory/ hypothesis	Research variables and analysis techniques	Research results/ book content
1.	Dwiputra, Hangga. 2015. Influence Audit Internal And Implementation Good Corporate Governance Towards Performance Company In Office Branch of PT. Bank Rakyat Indonesia In City Makassar. Thesis. University Hasanuddin.	H1: Internal audit has an effect on company performance H2: The implementation of Good corporate governance has a significant effect on the Company's performance H3: Internal audit and the implementation of Good Corporate Governance have a significant influence on company performance.	Variable: X1: Internal Audit X2: GCG Y: Company performance	All variables in this study have a positive and significant effect on company performance.
2.	Aliah Darajat Guntur, Nur. 2021. The Implementation of Good Corporate Governance on the Performance of PT. Regional Development Bank Sulselbar	H1: Transparency affects the company's performance at the company PT. Bank Sulsebar Sinjai Regency Branch. H2: Accountability affects the company's performance at the company PT. Bank Sulsebar Sinjai Regency Branch. H3: Responsibility affects the company's performance at the company PT. Bank Sulsebar Sinjai Regency Branch H4: Independency affects the company's performance at the company PT. Bank Sulselbar Sinjai Regency Branch.	Variable: X1: The principle of openness company X2: The Principle of Accountability X3: Responsibility Principle X4: Principle of Independence X5: Principles of Equality and Fairness	The principle of openness, the principle of accountability, the principle of responsibility, the principle of independence, the principle of equality and fairness have a joint or simultaneous effect on company performance.

		H5: Fairness affect the company's performance at the company PT. Bank Sulsebar Sinjai Regency Branch		
3.	Renndy. 2017. Analysis of the Application of Good Corporate Governance in Assessing Company Performance at Pt. Kereta Api Indonesia (Persero) Regional Division IV Tanjungkarang. Thesis. Muhammadiyah University of Palembang.		Variable: X1: Good Corporate Governance Y1: Company performance	The application of good corporate governance in assessing company performance at PT. Kereta Api Indonesia (Persero) Regional Division IV Tanjungkarang is in accordance with the principles of good corporate governance.
4.	Sherly, Ikhwan, Hilman. 2018. Pengaruh Penerapan Prinsip-Prinsip Good Corporate Governance Terhadap Kinerja Pegawai. Jurnal Ekonomi Islam. Vol. 9.		Variable: X1: The principle of openness company X2: The Principle of Accountability X3: Responsibility Principle X4: Principle of Independence X5: Principles of Equality and Fairness Y: Employee Performance	The principles of accountability and fairness have been well implemented, because they have a positive and significant impact on employee performance. As for the application of the principles of transparency, responsibility and independence, the results were bad, because they did not have a positive and significant effect on employee performance.

Table 2.1 Relevant Research

2.3 Conceptual Framework

In this research, the author aims to investigate the impact of implementing Good Corporate Governance principles on the economic performance of PT.Telkom Regional, a specific sector. Good corporate governance is considered a crucial prerequisite within a company to ensure that all actions and decisions are in alignment with the company's best interests. On the other hand, company performance refers to the degree to which the execution of activities, programs, or policies effectively achieves the company's goals, objectives, mission, and vision. Based on this context, the framework of this study can be described as follows:

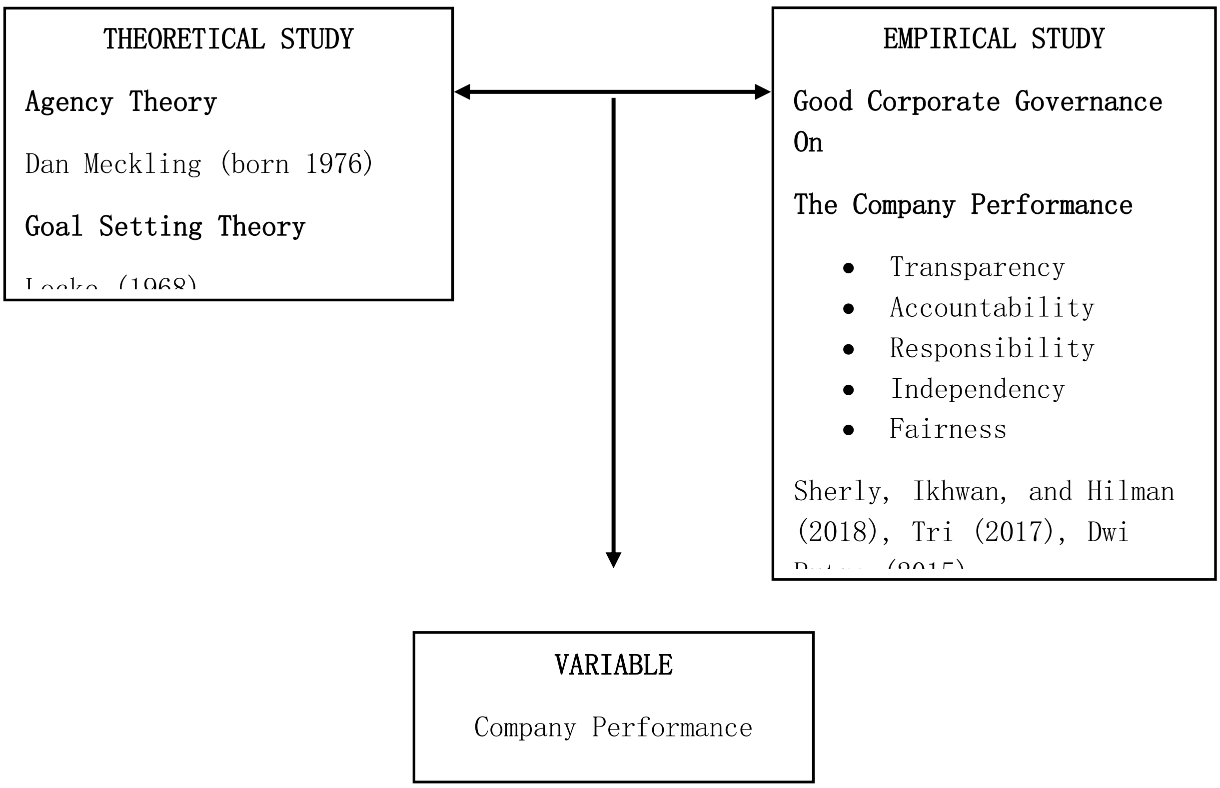

Figure 2.1 Framework of Thought

2.4 Hypothesis

2.4.1 Effect of the Implementation of the Principle of Transparency on Company Performance

Transparency refers to the act of openly and honestly sharing information with stakeholders, acknowledging their entitlement to comprehensive knowledge about the company's management of entrusted resources. From an agency theory perspective, when a company is capable of providing information openly and honestly to stakeholders, it fosters trust among them. As a result, the application of the transparency principle has an impact on the company's performance. Tri (2017) expands on this in their research, stating that the principle of transparency significantly influences the company's performance. In other words, the more transparency is implemented, the better the expected performance of the company.

H1: Transparency affects the company's performance positively at PT. Telkom Regional

2.4.2 The Influence of the Implementation of Accountability Principles on Company Performance

Accountability refers to the company's obligation to exhibit transparent and equitable performance to stakeholders. It involves managing the company in a responsible and measurable manner,. orienting with the company's interests while also considering the interests of stakeholders is a fundamental aspect of effective corporate governance. This approach ultimately contributes to the enhancement of the company. From the perspective of agency theory, when a company can demonstrate accountability for its performance transparently and fairly to stakeholders, it enhances the overall performance.

Renndy (2017) conducted research that illustrates a positive and significant correlation between accountability and company performance. The implementation of good corporate governance at PT Kereta Api Indonesia (Persero) Regional Division IV Tanjungkarang can be assessed through the clear definition of employee roles and responsibilities. The company has also established an internal control system, performance measurement mechanisms for all employees, and a system of rewards and penalties. Furthermore, the company has developed business ethics based on mutual agreement, and employees adhere to the agreed-upon ethical standards.

H2: Accountability affects the company's performance positively at PT. Telkom Regional

2.4.3 The effect of applying the principle of responsibility on company performance

Responsibility refers to the company's commitment to managing its business in line with applicable laws and regulations. To enhance performance, companies need to have a comprehensive understanding of regulations and fulfill their obligations towards stakeholders, thereby ensuring long-term business sustainability. From the viewpoint of agency theory, if a company can comprehend and comply with regulations while fulfilling its responsibilities towards stakeholders, it will enhance its overall performance. Therefore, the application of the responsibility principle positively influences the company's strategy, ultimately leading to a positive impact on company performance.

In his research, Tri (2017) elucidates that the principle of responsibility has a significant impact on company performance. This suggests that a greater degree of responsibility implemented within the company is associated with enhanced performance..

H3: Responsibility affects the company's performance positively at PT. Telkom Regional

2.4.4 There is an influence of the principle of independence on the company's performance

Independence refers to a company's ability to make decisions without being influenced or controlled by external parties or vested interests. To enhance performance, a company must act objectively, free from any interests that could harm the company. In the context of agency theory, this emphasizes the importance of avoiding conflicts of interest in company management, which can lead to increased trust from stakeholders and improved company performance. It ensures that the company maintains an unbiased approach in its operations.

Rendy (2017) conducted research that demonstrates a positive and significant relationship between independence and company performance. The implementation of good corporate governance at PT Kereta Api Indonesia (Persero) Regional Division IV Tanjungkarang can be assessed based on the extent to which each employee's performance is free from the influence and dominance of external parties or specific interests.

H4: Independency affects the company's performance positively at PT. Telkom Regional

2.4.5 There is an influence of the principle of Equity and Fairness on the company's performance

Fairness pertains to the concept of treating all parties involved fairly and in conformity with agreements, as well as applicable laws and regulations. Companies must prioritize the consideration of stakeholders' rights based on principles of fairness and equality in order to drive positive improvements in company performance

In the research conducted by Sherly, Ikhwan et al. (2018), it was explained that the implementation of the principles of equality and fairness had a positive and significant impact on company performance, indicating that the application of these principles was well-implemented.

According to Suwandi et al. (2008), fairness entails ensuring equity and fairness when upholding the rights of stakeholders in accordance with established agreements and legal regulations. In simpler terms, it requires providing equal treatment to all relevant parties within the company to the greatest extent possible.

H5: Fairness affect the company's performance positively at PT. Telkom Regional

2.4.6 There is an influence of the principle of AKHLAK on the company's performance

Since being implemented as a BUMN culture in 2020, AKHLAK has not only become a core value, but also a foundation for BUMN management reform to respond to changes and demands of a rapidly changing business environment.

In the Bahasa, the word akhlak has been generally adopted into ethics and behavior. In that positive context, morals are in line with the positive meaning of AKHLAK which is set to be core values in all groups of SOE entities. In the process, it is expected that this AKHLAK culture can contribute to not only the management of the organization, but is further expected to contribute to improving the company's performance including the quality of services received by the community

H6: AKHLAK affect the company’s performance positively at PT. Telkom Regional

Based on the hypothesis mentioned above, the conceptual framework for this study can be described as follows:

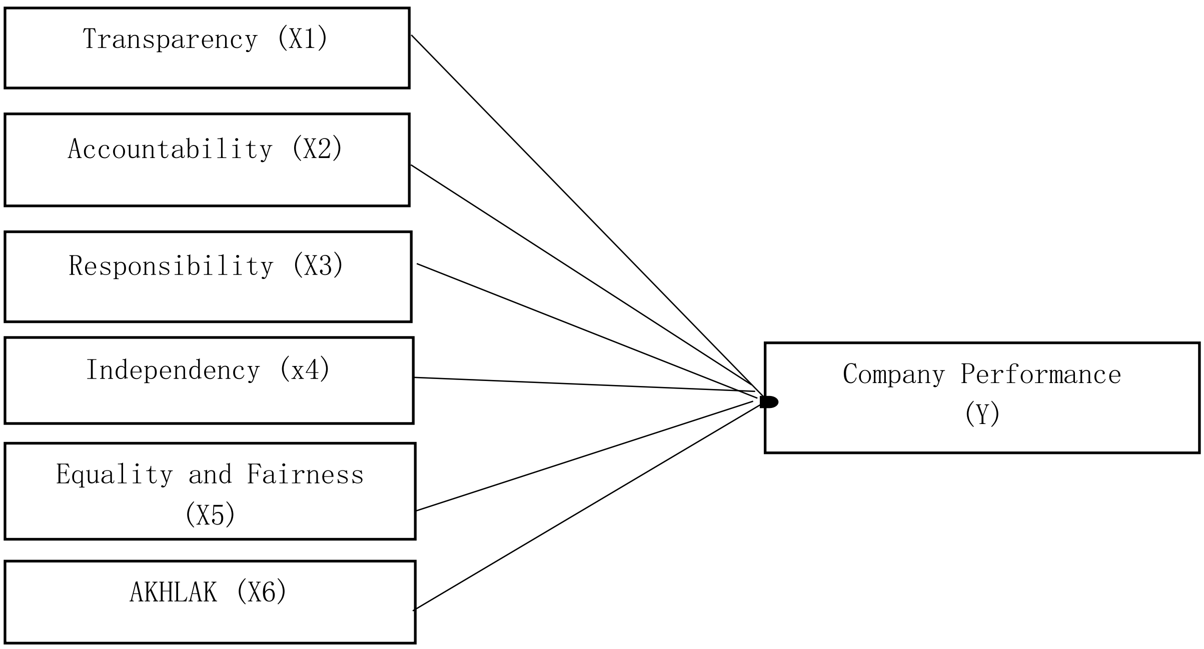

Figure 2.2 Conceptual Framework