THESIS

THE IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE (GCG) ON THE PERFORMANCE OF PT. REGIONAL DEVELOPMENT BANK SULSELBAR

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ACCOUNTING DEPARTMENT
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MAKASSAR
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As one of the requirements to obtain a Bachelor of Accounting degree

compiled and submitted by

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to

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PRAKATA

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.

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ABSTRACT

THE IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE (GCG) ON THE PERFORMANCE OF PT. REGIONAL DEVELOPMENT BANK SULSELBAR

Nur Aliah Darajat Guntur
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This study aims to determine the effect of the implementation of good corporate governance on the company's performance at the office of PT. Regional Development Bank Sulselbar Sinjai. The method of data collection in this study is to use a questionnaire distributed to employees. 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 has a positive and significant effect on company performance at the PT. Regional Development Bank Sulselbar Sinjai.

Keywords: good corporate governance and company performance

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CHAPTER I

INTRODUCTION

1.1 Research Background

Company performance is one measure of the success of the implementation of financial functions within the company. A good company performance measure begins with the trust of investors in a company that the funds they invest in are in a safe condition and are expected to provide good returns as well. The economic crisis that hit Indonesia and several other countries in Asia in mid-1997 was identified as being related to poor company performance and low competitiveness of companies in that country as well as weak protection against investors (Setiawan, et al., 2005 in Prasetya, 2013).

Performance is also the level of achievement of results for the implementation of certain tasks. To achieve company goals and objectives, an organization must be organized into smaller work units, by carrying out a clear division of labor (Simanjuntak, 2011).

Company performance is the result of a process using a variety of resources. One of the parameters to measure this performance is profit. To earn a profit, a company must carry out operational activities that come from a variety of resources. With the profit, it can provide results regarding the company's future projects regarding the company's performance. Because profit is a measure of the performance of a company, the higher the profit achieved by the company indicates the better the company's performance.

Therefore, performance is an important thing that must be achieved by every company anywhere, because performance is a reflection of the company's ability to manage and allocate its resources. In addition, the main purpose of performance appraisal is to motivate employees to achieve organizational goals in meeting predetermined standards of behavior, in order to produce the expected actions and results. Standards of behavior can take the form of a management policy or a formal plan that is reflected in the budget. In relation to the performance of a company. In an effort to achieve company goals, the company will observe how far a company is and the results achieved from that work to achieve a good corporate governance system, known as Good Corporate Governance.

If a company already has good performance and governance, it will have the trust of investors, then investors and other stakeholders will not hesitate to invest which will cause the company's value to increase (Haat, et al. 2008). The measurement of a good or bad company performance can be seen from the increase in company value. Firm value can provide an indication for management regarding the investor's assessment of the performance of a company in the past, as well as its prospects in the future (Sukamulja, 2004 in Prasetya, 2013). Poor company performance is due to not achieving market efficiency so that many business opportunities are lost, while financial problems in these companies will spread very quickly to other companies, employees, creditors, government, consumers, and other stakeholders (Haat, et al. 2008) .

Shareholders expect the company's management to act professionally in managing the company and every decision taken must be based on the interests of its shareholders and the economic resources used for the growth of the company's value (Darmawati, et al. 2005 in Prasetya

2013), but often management is the party company managers take selfish actions by ignoring the interests of other parties in the company. Therefore, there is a need for protection for various interested parties in a company.

The corporate governance system can provide effective protection for shareholders and creditors so that it can provide confidence that they will get a good return on the funds that have been invested. Shleifer and Vishny (1997) state that corporate governance is considered as a mechanism that can protect minority parties from the exploitation by managers and controlling shareholders by emphasizing legal mechanisms. Corporate governance is a concept proposed for improving company performance through supervision or monitoring of management performance and ensuring management accountability to stakeholders based on a regulatory framework (Nasution and Setiawan, 2007 in David and Wilopo, 2011). If the Corporate governance mechanism is not implemented or does not function properly in the company, then this can reduce investor confidence and company value, and can lead to poor company performance.

The Good Corporate Governance system is a concept that emphasizes the importance of shareholders' rights to obtain correct, accurate, and timely information. In addition, it also shows the company's obligation to disclose all information on the company's financial performance in an accurate, timely and transparent manner. Therefore, both public and private companies must view Good Corporate Governance (GCG) not as mere accessories, but as an effort to improve company performance and value (Tjager, 2003 in Darmawati, Khomsiyah and Rika; 2004).

Good Corporate Governance or good corporate governance helps create a conducive and accountable relationship among elements within the company (the Board of Commissioners, the Board of Directors, and shareholders) in order to improve company performance. In this paradigm, the Board of Commissioners is in a position to ensure that management has really worked in the interests of the company according to the established strategy and safeguards the interests of shareholders - namely to increase the economic value of the company. Likewise, the audit committee has a very important and strategic role in terms of maintaining the credibility of the financial report preparation process as well as maintaining the creation of an adequate corporate supervision system and its implementation.

Given that recently Corporate Governance is one of the topics of discussion in connection with the incessant publication of fraud and the downturn in business that has occurred as a result of mistakes made by management executives, this raises a question mark about adequacy. Corporate Governance. Likewise, the credibility of the company's financial report preparation process is questionable. Therefore, it is reasonable and important for all parties involved in the financial reporting process to make efforts to reduce and even eliminate the credibility gap by reviewing their respective roles in the compilation process.

According to a study conducted by the World Bank, weak implementation and a system of corporate governance is one of the determinants of the severity of the crisis in Southeast Asia (The World Bank, 1998, in Widyatama 2009). These weaknesses, among others, can be seen from the lack of financial performance reporting, lack of supervision and management activity by the board of commissioners and auditors and the lack of internal incentives to encourage efficiency in the company through fair competition. Weak application is a necessity in the business world as a barometer of the accountability of a company.

Good Corporate Governance is a mandatory thing that must be done in the Indonesian banking system. With the existence of Bank Indonesia Regulation (PBI) No. 8/4 / PBI / 2006 concerning the implementation of GCG for Commercial Banks and Bank Indonesia Regulation No. 8/14 / PBI / 2006 dated 5 October 2006 concerning amendments to Bank Indonesia Regulation No. 8/4 / PB1 / 2006 concerning the implementation of good corporate governance in Commercial Banks (Nurul, 2017).

There are several regulations related to the implementation of Good Corporate Governance issued by Bank Indonesia (BI), the Capital Market Supervisory Agency (BAPEPAM), and the Decree of the Minister of BUMN. Bank Indonesia Regulation Number 8/14 / PBI / 2006 concerning Amendments to Bank Indonesia Regulation Number 8/4 / PBI / 2006 concerning Implementation of Good Corporate Governance for Commercial Banks and Circular Letter Number 9/12 / DPNP dated May 30, 2007 concerning Implementation of Good Corporate Governance for Commercial Banks. Banks are obliged to implement the principles of Good Corporate Governance in every business activity at all levels or levels of the organization. The Capital Market Supervisory Agency (Bapepam) and the Jakarta Stock Exchange (BEJ) have also required the existence of an independent commissioner and an audit committee for all public companies (Renndy, 2017).

In addition, the Decree of the Minister for State-Owned Enterprises (BUMN) Number 117/2002 already requires the same thing for BUMN. References to best practices are widely available. For example, through the FCGI for reference best practices for implementing risk management and audit committees and through the Indonesian Society of Independent Commissioners (ISICOM) for best practices on the functions and roles of independent commissioners (Renndy, 2017).

According to Arief (2016: 84), the purpose of issuing the PBI is to strengthen the internal conditions of national banking in facing increasingly complex risks. seeks to protect stakeholder interests and improve compliance with applicable laws and regulations as well as generally accepted ethical values in the banking industry.

Bank Indonesia Regulation No.8 / 14 / PBI / 2006 states that Good Corporate Governance is a bank governance that implements transparency, accountability, responsibility, independency, and fairness. These five principles should be implemented by commercial banks with a circular letter from Bank Indonesia to implement good corporate governance (Nurul, 2017).

A bank is a financial institution that is a place for government, private and individual companies to store their funds, through credit activities from various services provided. Banks serve financing needs and streamline payment system mechanisms for all sectors of the economy. Banks as a financial institution have a very strategic value in the economic life of a country, because this institution is an intermediary for those who have excess funds and those who need funds. Thus, banks will work in accordance with the applicable regulations, namely being able to operate in the credit sector and the various services provided, banks serving financing needs and smoothing the payment system mechanism for all sectors of the economy.

The current rapid development of banking has made bank competition tighter. This competition has resulted in an increasingly dynamic banking market, demanding banks to make efforts to be more effective and efficient. The survival of a company or bank is strongly influenced by corporate governance or corporate governance.

PT. Bank Sulselbar is a large local bank with branches operating in areas around South Sulawesi and West Sulawesi. These banks generally process funds obtained from the provincial government and general customers, however, the management of funds originating from general customers is still relatively small. PT. Bank Sulselbar so far is a good bank and free from problems that can have a fatal impact on the bank, but outside of that there are parties who make irregularities, for example in providing credit outside the applicable regulations. Things like this are of course a part that needs to be considered in order for banks to be more effective in implementing GCG. Based on the results of Bank Sulselbar's own research on existing facts, on a composite basis, the assessment of the implementation of Good Corporate Governance in 2019 is ranked second or reflects that bank management has implemented good corporate governance in general. This is reflected in the adequate fulfillment of the principles of Good Corporate Governance.

This study refers to a research conducted by Renndy Meidiansyah (2017) entitled Analysis of the implementation of good corporate governance in assessing company performance at PT. Kereta Api Indonesia (PERSERO) Regional Division IV Tanjungkarang. With internal audit variables by analyzing the income statement. The results of this research indicate that the implementation of Good Corporate Governance has a joint or simultaneous effect on company performance.

The difference between this study and previous research is the object of research. Previous research used the object of PT. Kereta Api Indonesia (PERSERO) Regional Division IV Tanjungkarang, while this research uses the object of PT. Sulselbar Regional Development Bank.

Based on the description above, the researcher is interested in conducting research with the title "The Effect of the Implementation of Good Corporate Governance (GCG) on the Company Performance of PT. Bank Pembangunan Daerah Sulselbar ".

1.2 Problem Formulation

Based on the background description that has been discussed previously, the formulation of the problem in this study is: “How does Good Corporate Governance influence the performance of PT. South Sulawesi Regional Development Bank?”

1.3 Research Objectives

The purpose of this study was to analyze the effect of Good Corporate Governance on Company Performance at PT. South Sulawesi Regional Development Bank.

1.4 Research Benefits

This research is expected to provide the following useful uses:

1. Theoretical Uses. Increase the author's knowledge of the problems studied and are expected to contribute to science, especially those related to good corporate governance and strengthen previous research. In addition, it also becomes additional knowledge between theory and practical application regarding good corporate governance.
2. Practical Use. The results of this study are expected to be used as consideration for the management in the bank to create good corporate governance and provide input in corporate planning activities.

1.5 Research Systematic

This systematic writing aims to make it easier for readers to understand the content of the study. The systematics of writing in this study is divided into five chapters based on the thesis writing guidebook of the Faculty of Economics and Business, Hasanuddin University (2012) with the following description.

Chapter I is an introduction. This chapter describes the background of the research, the formulation of the problem based on the background that has been stated, the research objectives based on the formulation of the problem, the usefulness of the research, and the systematics of writing.

Chapter II is a literature review. This chapter explains two main things, namely a theoretical description of the object (variable) being studied and conclusions about the study which include arguments against the hypotheses that have been proposed in chapter I. This chapter explains the related theoretical basis, the definition of good corporate governance and performance. company. The literature review chapter also discusses previous research, the research framework, and the formulation of research hypotheses.

Chapter III is a research method. This chapter contains an explanation of the research design, place and time of research, population and sample, types and sources of data, data collection techniques, research variables and operational definitions, and methods of data analysis.

Chapter IV is the result of research. This chapter is a descriptive description of the research sample, the results of data analysis and a description of the results of hypothesis testing and discussion of research results.

Chapter V is the conclusion. This chapter contains three main points, namely conclusions from the research, suggestions and limitations of the research which can later be used as a reference in conducting further research.

CHAPTER II

LITERATURE REVIEW

2.1 Theoretical Basis

2.1.1 Agency Theory

Agency theory according to Jansen and Meckling (1976) is the theoretical basis that underlies the company's business practices that have been used so far. The theory is rooted in the synergy of economic theory, decision theory, sociology, and organizational theory. The main principle of this theory states that there is a working relationship between the party receiving authority, namely the manager, in the form of a cooperation contract called the "nexus of contract".

To understand Good Corporate Governance, an agency relationship perspective is used. Agency theory explains the relationship between the agent and the principal, including the problems that arise as a result of this relationship. Jansen and Meckling (1976) state that the agency relationship is a contract between the manager (agent) and the investor (principal). The occurrence of a conflict of interest between the owner and the agent is due to the possibility of the agent acting not in accordance with the interests of the principal, thus triggering agency costs.

Corporate governance, which is a concept based on agency theory, is expected to function as a tool to provide confidence to investors that they will receive a return on the funds they have invested. Corporate governance is related to how investors believe that managers will provide benefits for them, that managers will not steal / embezzle or invest into projects that are not profitable related to the funds / capital that have been invested by investors, and with regard to how investors control managers (Shleifer and Vishny, 1997). In other words, corporate governance is expected to function to reduce or reduce agency costs.

Banking is an industry that has different characteristics from other industries such as manufacturing, trading, and so on, so that the agency theory in banking companies has its own characteristics. Banking is an institution that is full of various regulations, this is because a bank is a financial intermediary institution that connects parties with excess funds and parties who need funds. Because of this function, the risk that must be faced by banks is very large, the inability to maintain its image (quality) will greatly affect bank liquidity (Rizal Go 2012: 19)

With the existence of regulations in the banking sector, this industrial agency relationship is different from the agency relationship in an unregulated company (Supriyanto 2006: 20). With this regulation, there are parties involved in the agency relationship, namely the regulator, in this case the government through Bank Indonesia, which causes agency problems to become increasingly complex.

Moral hazard to an emerging regulation indicates weak regulation more than a conflict between manager and owner. With the complex capital structure in banking, there are at least three agency relationships that can lead to information asymmetry (Rizal Go 2012: 20), namely: (1) the relationship between depositors, banks and regulators, (2) the relationship between owners, managers, and regulators, and (3) the relationship between borrowers (barrowers), managers, and regulators. Of the three types of relationships, each relationship must involve the regulator so that the bank in acting will fulfill the interests of the regulator before the other parties.

2.1.2 *Goal Setting Theory*

Goal setting theory was put forward by Locke (1968), which shows the relationship between goals and one's performance on tasks. Goal setting theory is a theory of motivation. Goal setting theory emphasizes the importance of the relationship between the goals set and the resulting performance. The basic concept is that someone who is able to understand the goals expected by the organization, then that understanding will affect his work behavior. Goal setting theory implies that an individual is committed to a goal which means that an individual decides not to undermine or ignore his goal.

Based on this, it means that an individual can and wants to achieve his goals. Commitment to achieving goals is most likely to arise when goals are announced, when individuals have internal control and when goals are determined by themselves (Robbins and Judge, 2008: 237). If an individual has a commitment to achieve his goals, then that commitment will affect his actions and affect the consequences of his performance. Overall, the intention in relation to the goals set is a strong motivation in realizing its performance.

A goal is something that a person wants to do consciously. By setting goals, a person will be able to compare what has been done with the goals themselves, and then determine where the current position is. Goal setting allows individuals to assess current work results and compare them with past work results. This will make a motivation for the individual to try to do better (Dewi, 2017). Goal setting affects the accuracy of the budget. Every organization that has set a budget that is formulated into a budget plan is easier to achieve its performance targets in accordance with the organization's vision and mission (Kusuma, 2013). Based on the research that has been done, the findings from goal setting theory are that people who are given specific, difficult but achievable goals, have better performance than people who receive easy and specific goals or have no goals at all. At the same time, one must also have sufficient ability, accept the set goals related to performance (Sari, 2017).

2.1.3 Definition and Basic Concepts of GCG

The concept of good corporate governance (GCG) has recently become popular in Asia. This concept has been relatively developed since the 1990s. The concept of good corporate governance was only known in England in 1992. Developed countries who were members of the OECD group (group of developed countries in Western Europe and North America) practiced it in 1999.

The study of good corporate governance was first mentioned by Berle and Means in 1932 when they wrote a book that analyzed the separation of ownership (share ownership) from the controlling (controlling company). For the first time, efforts to institutionalize corporate governance were carried out by the Bank of England and the London Stock Exchange in 1992 by forming a Cadbury Committee which was tasked with compiling a corporate governance code that became the main reference (Benchmark) in many countries (Rizal Go 2012) : 12).

The definition of Good Corporate Governance according to the Forum Corporate Governance in Indonesian, Hery (2010: 15) is:

> "*Corporate governance is a set of regulations governing the relationship between shareholders, company management, creditors, government, employees and other internal and external stakeholders relating to their rights and obligations*".

Cadbury Committee in the senses of Surya & Ivan (2008: 24), defines corporate governance as:

> "*Corporate governance is a system that directs and controls a company with the aim of achieving a balance between the power of authority and that required by the company, to ensure its continuity of existence and accountability to stakeholders. This relates to the regulatory authority of owners, directors, managers, shareholders, and so on*"

Arief Muh (2009: 5), states that the implementation of good corporate governance is an important alternative that is expected to be able to solve various problems due to conflicts of interest between related parties, be it BUMN or private companies.

Good Corporate Governance is intended to regulate relationships and prevent significant mistakes in the company's strategy and to ensure that any mistakes that occur can be corrected immediately.

According to Arief Muh (2009: 1), the World Bank (World Bank), defines corporate governance as follows:

> "A collection of laws, regulations and rules that must be fulfilled that can encourage the performance of company resources to work efficiently, resulting in long-term sustainable economic value for shareholders and the surrounding community as a whole"

The regulation and implementation of Good Corporate Governance requires commitment from all levels of the organization and begins with the establishment of basic policies and rules of conduct that must be adhered to by top management and the application of a code of ethics that must be obeyed by all parties in it. In an effort to realize Good Corporate Governance, companies need an internal audit role that is tasked with researching, evaluating an accounting system, and assessing the implemented management policies.

From the above definitions, it can be concluded that corporate governance is a system and structure for managing a company with the aim of increasing shareholder value and accommodating various parties with an interest in the company (stakeholders) such as creditors, suppliers, business associations, consumers, workers, government and the wider community (Rizal Go 2012: 16).

2.1.4 Benefits and Uses of Corporate Corporate Governance

Companies must operate within a framework that keeps the company focused on its goals and accountable for its actions. In other words, companies need to establish adequate and credible corporate governance rules. Many countries see corporate governance practices as adequate and credible. countries see better corporate governance practices as a way to improve economic dynamics and thereby strengthen overall economic performance. The importance of good corporate governance has also been highlighted by the turbulence in financial markets lately (Rizal Go 2012: 21).

Good corporate governance is an important step in building market confidence and encouraging a more stable, long-term flow of international investment. According to The Forum for 13 Corporate Governance in Indonesia (2005), the use of good corporate governance is:

1. It's easier to get capital
2. Lower cost of capital
3. Improve business performance
4. Affect stock prices
5. Improve economic performance

Good Corporate Governance implementation provides the following benefits:

a) Improvements in communication
b) Minimization of potential collisions
c) Focus on main strategies
d) Increase in productivity and efficiency
e) Sustainability of benefits
f) Promotion of the corporate image (corporate image)
g) Increased customer satisfaction
h) Obtaining investor confidence

Rizal Go (2012: 23) states that the main objective of good management is to provide adequate protection and fair treatment to shareholders and other interested parties. Through maximally increasing shareholder value, it is not an attempt to keep the company working in accordance with universally applicable rules and norms, but especially that good management can be known by the public and interested parties, thus gaining confidence that the stakes are in public companies. is a correct decision.

In addition, good corporate governance is recognized as being able to help “thicken” companies from unfavorable conditions, in many cases good corporate governance has been shown to increase company performance up to 30% above the normal rate of return, therefore, Good corporate governance provides benefits for improvements in communication, minimization of potential collisions, focus on main strategies, increases in productivity and efficiency, sustainability of benefits, promotion of corporate image, increased customer satisfaction, and gains. investor confidence (Imam 2002).

2.1.5 Good Corporate Governance Principles

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

1. **Fairness**

   Fairness and equality in fulfilling the rights of stakeholders that arise as a result of agreements and prevailing laws and regulations.

   According to G. Valery (2011:22), this needs to be enforced by the company in the form :

   a. Presentation of information in full disclosure regarding any material relevant to shareholders (including aspects of the remuneration of the Commissioners / Directors).
   b. Various prohibitions related to the share price “game” (mandatory for Tbk companies), such as a separate dividend distribution system for internal shareholders, insider trading, price-fixing authority with a single authority, and so on.

2. **Transparency**

   Openness in carrying out the decision-making process and disclosing relevant material information about the company.

   According to G. Valery (2011:23), this principle is manifested in form:

a. Development of a company's accounting system based on accounting standards (PSAK), customary reporting quality, and periodically checked by external auditors approved by the GMS. This is to guarantee a corporate financial report that can be disclosed qualitatively.
b. Development of a Management Information System to support effectiveness in tracking problems around performance, appraising performance, and making effective management decisions. Development of a Risk Management System to ensure all significant risks are managed with an acceptable level of tolerance.

3. Accountability

Clarity of functions, implementation and accountability of company management so that company management is carried out effectively and economically.

According to G. Valery (2011:24), this is implemented, among others :

a. Redefining the role / function of Internal Audit as a strategic business partner based on best practices (not just existing), namely in the form of "risk-based auditing".
b. Strengthening internal supervision and risk management by establishing an Audit Committee / Risk Committee which strengthens the supervisory role of the Board of Commissioners, in addition to placing Independent Commissioners on the Board of Commissioners.
c. Appoint and evaluate external auditors based on the principles of professionalism (not just references to influencers).

4. Responsibility

The conformity and management of the company to the prevailing laws and regulations and sound corporate principles.

According to G. Valery (2011:24), this is expressed in a way :

a. Build a healthy business environment, avoid abuse of responsibility / authority, develop professionalism, uphold universal ethics and local culture.

b. Expressing concern for the actual problems in society that are the responsibility of the entire nation, such as poverty alleviation, reducing the number of illiterate and school dropouts, concern for the impact of natural disasters, and so on.

5. Independency

A situation in which the company is managed in a professional manner without conflict of interest and influence / pressure from management that is not in accordance with the regulations and the principles of a healthy corporation (Arief Muh 2009: 5).

Arief Muh (2009: 3) states that there are five principles of corporate governance developed by The Organization for Economic Co-operation and Development (OEDC), namely :

1. The rights of shareholder

The framework established in corporate governance must be able to protect the rights of shareholders, including minority shareholders. These rights include the basic rights of shareholders, namely:

a. The right to obtain security guarantees over the method of ownership registration.
b. The right to transfer or transfer share ownership.
c. The right to obtain relevant information about the company periodically and regularly.
d. The right to obtain relevant information about the company periodically and regularly.
e. The right to elect members of the board of commissioners and directors.
f. The right to obtain the company's profit sharing.

2. **The equitabel treatment of shareholders**

   The framework built into corporate governance must ensure equal treatment of all shareholders, including minority and foreign shareholders. This principle prohibits trading practices based on inside information and transactions with oneself.

3. **The role of stakeholders in corporate governance**

   The framework built in corporate governance must provide recognition of the rights of stakeholders, as determined by law and encourage active cooperation between companies and stakeholders in order to create jobs, prosperity, and business sustainability.

4. **Disclosure and transparency**

   The framework built in corporate governance must ensure timely and accurate disclosure of any issues related to the company. The disclosure includes information about the company's financial condition, performance, ownership and management.

5. **The responsibilities of the board**

   The framework built in corporate governance must ensure the existence of company strategic guidelines, effective supervision of management by the board of commissioners, and the accountability of the board of commissioners to the company and its shareholders.

2.1.6 Company Performance

The definition of performance is a description of the achievement of the implementation of an activity, program or policy in realizing the goals, objectives, mission and vision of the organization. Company performance can be seen from the financial and non-financial aspects. From the financial aspect, it can be seen from the financial statements that describe how the financial performance of a company is and is often the main concern for users of financial statement information, while from the non-financial aspect, it can be seen from the internal business aspect, as well as the learning and growth aspects of the company.

a. Balanced Score Card

The Balanced Scorecard concept will then be abbreviated as BSC. BSC comes from two words, namely balanced (balanced) and scorecard (scorecard). Balanced (balanced) means that there is a balance between financial and non-financial performance, short-term performance and long-term performance, between internal performance and external performance. While the scorecard (score card) is a card used to record a person's performance score. Initially, executive performance was measured only in terms of finance. Then it develops into a broad, namely four perspectives, which are then used to measure the performance of the organization as a whole. The three perspectives are finance, internal business processes and learning and growth. BSC is a management system mechanism that is able to translate the vision and strategy of the organization into concrete actions in the field.

b. Financial Aspect

BSC uses financial performance benchmarks such as net income and ROI, because these benchmarks are generally used in companies to determine profit. Financial benchmarks alone cannot describe the causes that change the wealth created by a company or organization (Mulyadi and Johny, 2000: 44). The Balanced Scorecard is a performance measurement method in which there is a balance between financial and non-financial to direct the company's performance towards success. BSC can explain further about the achievement of the vision that plays a role in realizing this increase in wealth.

c. Internal Business Aspects

The internal business process perspective displays critical processes that enable a business unit to provide a value proposition that is able to attract and retain its customers in the desired market segment and satisfy shareholders' expectations through financial returns.

d. Learning and Growth Aspects

This perspective provides the infrastructure for achieving the previous two perspectives, and for generating long-term growth and improvement. It is important for a business entity when investing not only in equipment to produce products / services, but also investing in infrastructure, namely: human resources, systems and procedures. Benchmarks of financial performance, and internal business processes can reveal large gaps between the existing capabilities of people, systems, and procedures. To reduce this gap, a business entity must invest in the form of employee reskilling, namely: improving the capabilities of information systems and technology, and rearranging existing procedures.

2.1.7 Benefits of Performance Measurement

Mardiasmo (2009: 122) states that the benefits obtained by measuring performance include :

1. Provide an understanding of the measures used to assess management performance.
2. Provide direction to achieve predetermined performance targets.

3. To monitor and evaluate achievement and compare it with performance targets and take corrective action to improve performance.
4. As a basis for giving rewards and punishments objectively for the achievement of achievements measured in accordance with the agreed performance measurement system.
5. As a means of communication between subordinates and leaders in order to improve organizational performance.
6. Help identify whether customer satisfaction has been met.
7. Ensure that decisions are made objectively.

Mulyadi (2007: 360) explains that the benefits of performance measurement are as follows:

1. Managing the organization's operations effectively and efficiently through maximizing personnel motivation.
2. Assist in making decisions relating to personnel awards, such as: promotions, transfers and dismissals.
3. Identify personnel training and development needs, and to provide criteria for selection and evaluation of personnel training programs.
4. Provide a basis for distributing awards.

2.1.8 Management Performance Assessment Scale Based on the Principles of Good Corporate Governance

Siskie (2009: 28) Measuring scale of management performance assessment based on the achievement of GCG principles, among others :

1. Good, meaning that the existing practice has met the principles of Good Corporate Governance, Sisie (2009: 28). The measurement scale for management performance appraisal is based on the achievement of GCG principles.

2. It needs improvement, it means that the existing practice has only fulfilled the minimum desired principle.
3. Needs improvement, meaning that the existing practices have not yet fulfilled the principles of GCG in general which are significant improvements.
4. Bad, meaning that there is no practice that is in accordance with the principles of CGC or practices that are contrary to the principles of GCG.

2.2 Relevant Research

There are several previous studies that underlie research related to the application of good corporate governance to bank 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. Pengaruh Audit Internal Dan Implementasi Good Corporate Governance Terhadap Kinerja Perusahaan Pada Kantor Cabang PT. Bank Rakyat Indonesia Di Kota Makassar. Skripsi. Universitas 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.	Variabel: X1: Internal Audit X2: GCG Y: Company performance	All variables in this study have a positive and significant effect on company performance.

2.	Tri. 2017. Pengaruh Penerapan Prinsip Good Corporate Governance Terhadap Kinerja Perusahaan Pada Perusahaan Bumn Kota Palembang. Skripsi. Universitas Muhammadiyah Palembang.	H1: There is an effect of implementing the principle of transparency, accountability, responsibility, independency, equality and fairness simultaneously on company performance. H2: There is an effect of the application of the principle of transparency (transparency) on company performance in BUMN companies in Palembang City. H3: There is an effect of the application of the principle of accountability (accountability) on company performance in BUMN companies in Palembang City. H4: There is an effect of the application of the principle of responsibility (Responsibility) on company performance in BUMN companies in Palembang City. H5: There is an effect of implementing the principle of independence (Independency) on company performance in BUMN companies in Palembang City. H6: There is an effect of the	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: Company Performance	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.

		application of the principle of equality and fairness on company performance in BUMN companies in Palembang City.		
3.	Renndy. 2017. Analisis Penerapan Good Corporate Governance Dalam Menilai Kinerja Perusahaan Pada Pt. Keret A Api Indonesia (Persero) Divisi Regional Iv Tanjungkarang. Skripsi. Universitas Muhammadiyah Palembang.		Variabel: 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	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 not good enough, because they did not have a positive

			Y: Employee Performance	and significant effect on employee performance.

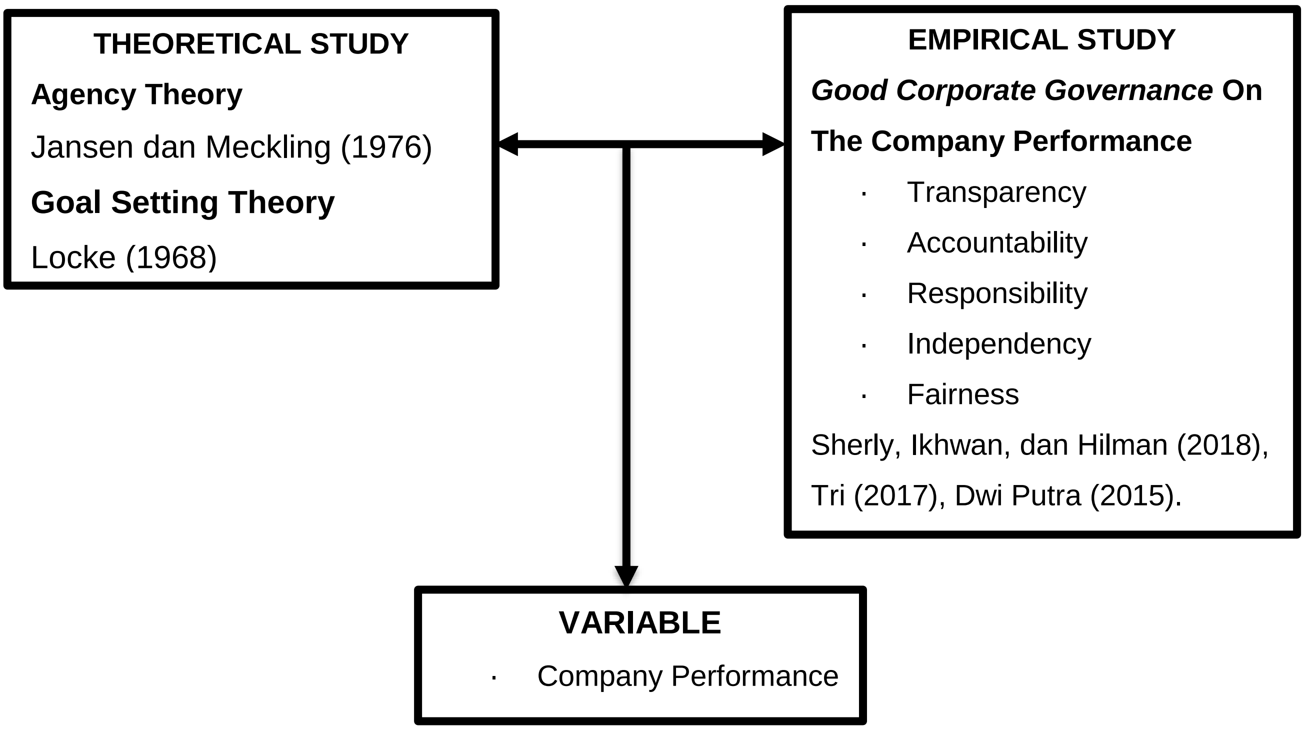
Tabel 2.1 Penelitian yang Relevan

The equation of this study with the author's research is that both use Good Corporate Governance as the independent variable (X) and company performance as the dependent variable (Y).

2.3 Framework of Thought

In this research, the author will examine the effect of applying the principles of Good Corporate Governance to company performance in the banking sector, namely PT. Bank Sulsebar Sinjai Regency Branch. Good corporate governance is one of the requirements that exist in a company so that all actions and decisions taken are in support of the company's interests, while company performance is related to the achievement of the implementation of an activity, program or policy in realizing the goals, objectives, mission and vision of the company.

In connection with the description above, the authors can describe the framework in this study as follows:



Gambar 2.1 Framework of Thought

2.4 Hypothesis

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

Transparency is providing information openly and honestly to stakeholders based on the consideration that stakeholders have the right to know openly and thoroughly the company's responsibility in managing the resources entrusted to them. In relation to agency theory, if the company is able to provide information openly and honestly to stakeholders, it will increase stakeholder trust in the company. So that the application of the principle of transparency affects the company's performance.

Tri (2017) in his research explains that the principle of transparency significantly affects the company's performance. This means that the higher the application of the principle of openness is applied, the better the performance within the company.

H_1: Transparency affects the company's performance at the company PT. Bank Sulsebar Sinjai Regency Branch.

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

Accountability is the company's accountability for performance in a transparent and fair manner to stakeholders. For this reason, the company must be managed correctly, measurably and in accordance with the interests of the company while taking into account the interests of stakeholders, which will ultimately improve the company. In relation to agency theory, if the company is able to provide accountability for its performance in a transparent and fair manner to stakeholders, it will improve the company's performance. So that the application of the principle of accountability will affect the company's performance.

Renndy (2017) in his research explains that there is a positive and significant influence between accountability on company performance. The implementation of good corporate governance at PT Kereta Api Indonesia (Persero) Regional Division IV Tanjungkarang can be assessed from the clear determination of the duties and responsibilities of each employee. The company also has an internal control system, performance measures for all employees, a system of rewards and sanctions for employees. The company has also made business ethics based on mutual agreement and employees have adhered to the agreed business ethics.

H_2: Accountability affects the company's performance at the company PT. Bank Sulsebar Sinjai Regency Branch.

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

Responsibility is the attitude of the company in managing its business based on the applicable laws and regulations. To improve its performance, companies must understand and comply with regulations and carry out their responsibilities to stakeholders so that long-term business continuity can be maintained. In relation to agency theory, if the company is able to understand and comply with regulations and carry out responsibilities to stakeholders, it will improve the company's performance. So that the application of the principle of responsibility is one of the factors that have a positive influence on the company's strategy so that it has a positive effect on company performance.

Tri (2017) in his research explains that the principle of responsibility significantly affects the company's performance. This means that the higher the application of the principle of responsibility, the better the performance within the company.

H_3: Responsibility affects the company's performance at the company PT. Bank Sulsebar Sinjai Regency Branch.

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

Independence is the company's attitude in making decisions without being tied to any party or dominating party. To improve its performance, the company must act objectively or free from the interests of parties that harm the company. Regarding agency theory, this shows that the absence of a conflict of interest in the management of the company can have an impact on increasing the trust of the principal and the company's performance and ensuring that the company is objective in its management.

Renndy (2017) in his research explains that there is a positive and significant influence between independence on company performance. The implementation of good corporate governance at PT Kereta Api Indonesia (Persero) Regional Division IV Tanjungkarang can be assessed from the performance of each employee's duties has been avoided from the domination of other parties and the influence of certain interests.

H4: Independency affects the company's performance at the company PT. Bank Sulselbar Sinjai Regency Branch.

2.4.5 Terdapat pengaruh prinsip kesetaraan dan kewajaran (*fairness*) terhadap kinerja perusahaan.

Fairness is the fairness and equity of the company in meeting the interests of stakeholders that arise based on agreements and applicable laws and regulations. Companies must always pay attention to the rights of stakeholders based on the principles of fairness and equality in order to improve the company's performance in a good direction. In relation to agency theory, if the company manager pays attention to the rights of the principal and treats them fairly based on the principles of fairness and equality, it can improve company performance.

In the results of Sherly's research, Ikhwan et al. (2018) explained that the application of the principle of equality and fairness has been implemented well, because it has a positive and significant impact on company performance.

H5: Fairness affect the company's performance at the company PT. Bank Sulsebar Sinjai Regency Branch

Based on the hypothesis above, the conceptual framework in this study is described as shown in Figure 2.2

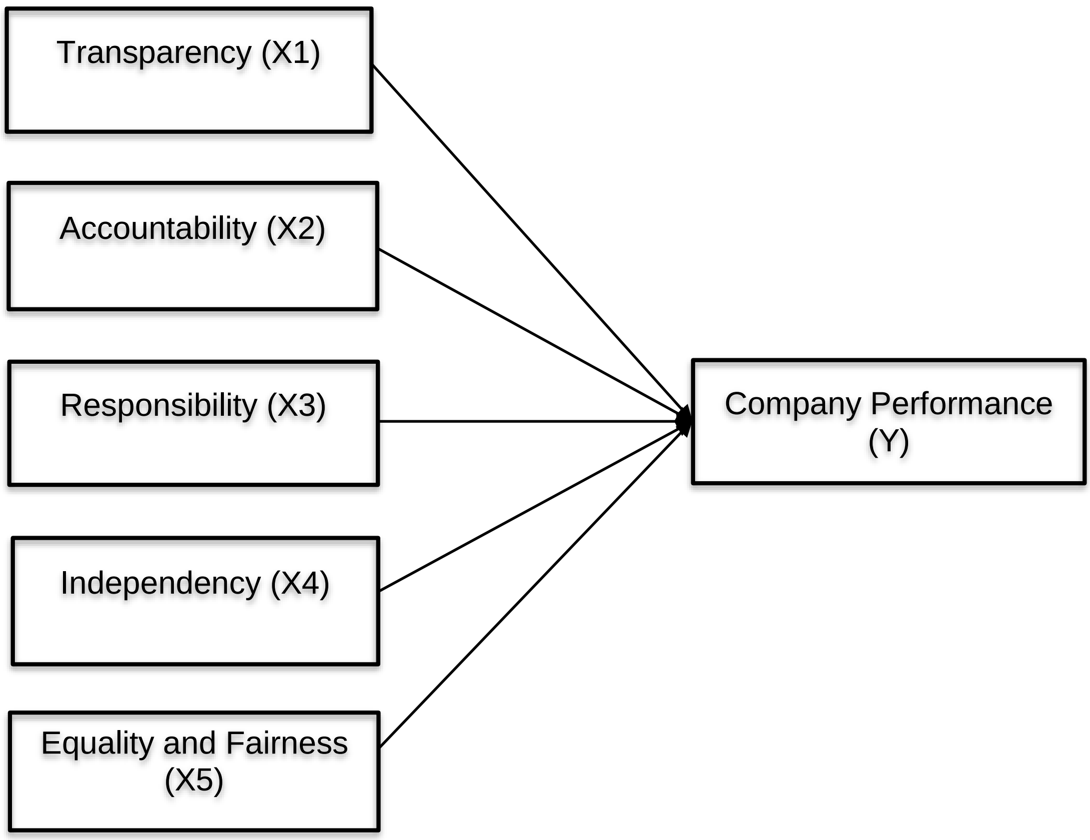


Figure 2.2 Conceptual Framework