Financially Good Corporate Governance: Case in Transportation Sector in Indonesia

Mohammad Benny Alexandri
Universitas Padjadjaran
Indonesia
bennyalexandri@yahoo.co.id

Bunga Riyandi
Universitas Padjadjaran
Indonesia

Good financial performance can be achieved by the implementation of the Good Corporate Governance (GCG). The implementation of good GCG practices will provide a positive impact on a company's financial performance and the national economy.

The World Economic Forum Report 2011-2012 showed that the lack of availability of infrastructure is the second biggest problem after the inefficiency of government bureaucracy for businesses in doing business in Indonesia. Indonesia only ranks 76th out of 134 countries when measured in the quality of overall infrastructure rating. Indonesia's rating is under Singapore which ranks 2nd, Malaysia (26th), and Thailand (42nd).

Better implementation of GCG in the transport (should this be transportation?) sector will affect the economy of the nation. The positive impact of the GCG implementation in the transportation sector, can accelerate the increase in economic growth, prompting investors to invest in transportation companies in Indonesia.

This study examines the mechanisms of GCG, which focused on the board of directors, independent of directors, and the size of the company. The objective of this study is to determine whether the composition GCG in the company will affect the company's financial performance. Additionally, how will better implementation of GCG in companies in the transport sector affect the national economy?

The positive impact of the implementation of GCG in the transport sector in Indonesia that would provide convenience in transportation and logistics activities will also increase Indonesia's economic growth, prompting investors to invest in a transport (transportation?) sector company. The results of this study showed GCG affects a company's financial performance. Suggestions based on the results of this study included, for the company to increase the number of commissioners and the size of the company as well as more attention to the company's financial performance.

Keywords: Good Corporate Governance, The Board of Directors, Independent Directors, The Board of Directors, Company Size, Financial Performance.

I. INTRODUCTION

Transportation is one of the chain of distribution networks for the mobility of goods and passengers, and plays a role in supporting, encouraging, and supporting all aspects of life both in the development of political, economic, social, cultural and defense security.

Growth in the transportation sector will reflect the direct economic growth so that transport plays an important role and strategic, both macro and micro. The important role of transport in the country's development is showed Indonesian transport characteristics are faced with low service quality, and quantity or limited service coverage.

The World Economic Forum Report in 2011-2012 showed that the lack of availability of infrastructure is the second biggest problem after the inefficiency of government bureaucracy for businesses in doing business in Indonesia. Indonesia only ranks 76th out of the 134 countries ranked. This rating is behind Singapore which ranks 2nd, Malaysia (26th), and Thailand (42nd).

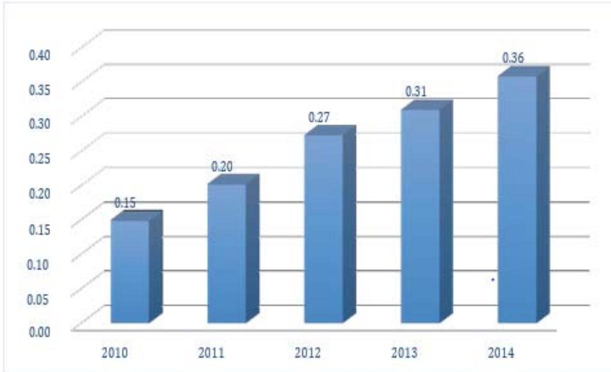
Table 1. Comparison of ASEAN Countries Infrastructure Quality Rating between 2009-2011

Pilar Infrastruktur	Indonesia			Vietnam 2011	Thailand 2011	Philippines2011	Malaysia 2011	Singapore 2011
	2009	2010	2011					
General	84	82	82	123	47	113	23	2
Street	94	84	83	123	37	100	18	2
Train	60	56	52	71	63	101	18	7
Port	95	96	103	111	47	123	15	1
Air transport	68	69	80	95	32	115	20	1

Sources: Competitiveness Global Report (2011-2012)

Good financial performance can be achieved with the implementation of good corporate governance, or better known as the Good Corporate Governance (GCG). Implementation of GCG as a system of good corporate governance is an important thing.

The Financial Services Authority (FSA) on the ASEAN Economic Community (MEA) issued a map of directions of corporate governance in 2014 that included 33 rules of good corporate governance which must be followed by public companies and issuers in Indonesia. These rules aimed to aligned the public companies in Indonesia with the companies in the ASEAN region, and to increase the amount of investment by giving investors the freedom to choose and put the money in the company with good GCG's implementation. GCG of the companies' implementation will have a positive impact on the financial performance of companies and on the national economy.



Source: idx.co.id (processed)

Figure 1. Average Operating Profit Transport Sector Company between 2010 - 2014

The positive impact of the implementation of GCG in the transport sector, is its network infrastructure and the more adequate distribution of goods and the mobility of passengers, which will certainly accelerate the increase of economic growth, prompting investors to invest in the transportation companies in Indonesia.

Source: idx.co.id (processed)

Figure 2. Average B Board of Commissioners on Transport Sector Companies in Indonesia Stock Exchange between 2010-2014

This study aims to investigate the mechanism of good corporate governance that focuses on the board of directors, independent directors, and the size of the company. The better implementation of GCG companies in the transportation sector will certainly affect the national economy for the better.

The purpose of this study was to determine the effect of good corporate governance, board of directors, independent directors, the board of directors and the size of the company's financial performance in transport company in Indonesia Stock Exchange in 2010-2014.

II. Discussion

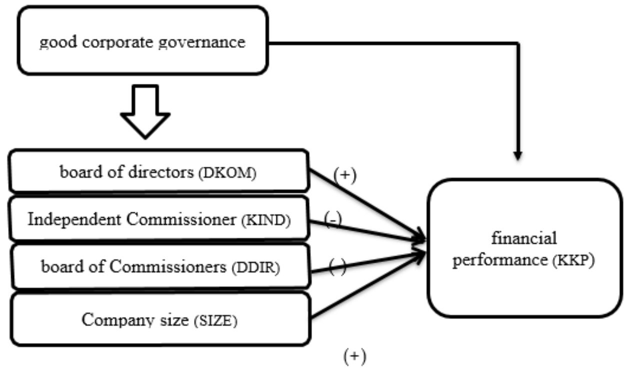


Figure 3. Model Research

KKP = a - bDKOMi - cKINDi - dDDIRi - fSIZEi -+ εI

1. Board of Directors
2. Independent Commissioner
3. board of Commissioners
4. Company size

The results of this study are as follows:

	Variable	Variable	Effect on Financial Performance
Good Corporate Governance	Board of Directors	X1	No
	Independent Commissioner	X2	The negative effect
	board of Commissioners	X3	The positive influence
	Company size	X4	The positive influence

Coefficient of Determination Results

R-squared	0.565553	Mean dependent var	0.260500
Adjusted R-squared	0.726382	S.D. dependent var	0.242058
S.E. of regression	12.21290	Akaike info criterion	-0.195493
Sum squared resid	39.33995	Schwarz criterion	-0.046616
Log likelihood	12.81972	Hannan-Quinn criter.	-0.135804
F-statistic	12.79396	Durbin-Watson stat	1.894323
Prob(F-statistic)	0.000103		

Source: Output Reviews 8 (2016)

Independent variables provide 72.6% of information needed to predict the variation of the dependent variable, or in other words, changes in the Company's Financial Performance influenced by the Board of Commissioners, Independent Commissioner, Board of Directors, and Size of the Company amounted to 72.6%, while 27.4% was influenced by other factors not included in this study.

Knowledge of independent directors on how the state of the company is also relatively limited and still shallow, making you less effective in improving the role of independent directors for the company's financial performance may be the board of commissioners and board of directors are not too expensive input or advice given by an independent commissioner.

In this study, companies with firm size showed greater contribution to the improvement of the company's financial performance. Because the company with the greatest total assets has been regarded as a stable company and can predict the amount of income to be received in the future.

III. SUMMARY

1. The Board of Commissioners is at the heart of good corporate governance which assigned to guarantee the implementation of corporate strategy, overseeing management in managing the company, and require the implementation of accountability.

2. Commissioners provide input to the board of directors of the company.

3. The Board of Commissioners has no direct authority on the company.

4. The main function of the board of directors is to oversee the completeness and quality of information reports on the performance of the board of directors.

5. The Board of Commissioners is also in charge of representing the shareholders and has a role to monitor conflicts of interest in ensuring that the board of directors and management will contribute to maximize the company's financial performance.

6. The advantages given to the transportation sector in the Indonesian economy by the implementation of GCG in the transportation sector in Indonesia need to be considered.

REFERENCES

[1] Bukhara, Iqbal & Maharaj. 2012. Pengaruh Good Corporate Governance dan Ukuran Perusahaan Terhadap Kinerja Perusahaan. *Diponegoro Journal of Accounting*. Vol. 11 No.5.

[2] Fidanoski, Filip., Mateska dan Simenoovski. 2013. Corporate Governance and Bank performance. *Journal of Munich Personal RePEc*. Vol. 11 No.6.

[3] Ghozali, Imam. 2007. *Aplikasi Analisis Multivariat dengan Program SPSS*. Semarang: Badan Penerbit Universitas Diponegoro.

[4] Hanafi, Mamduh & Halim, Abdul. 2004. *Manajemen Keuangan*. Yogyakarta: Penerbit BPFE.

[5] Hasan, Iqbal dan Misbahuddin. 2013. *Analisis Data Penelitian dengan Statistik*. Jakarta: Penerbit Bumi Aksara.

[6] James, Gill & Chatton, Moira. 2005. Memahami Laporan Keuangan. Terjemahan Dwi Prabaningtyas. Jakarta: Penerbit PPM.

[7] Jensen, M. & Meckling, W.H.1976. Theory of The Firm: Managerial Behaviour, Agency Cost, and Ownership Structure. *Journal of Financial Economics*. Vol. 3 No. 4: 305-360.

[8] Kangarlouei, et al. 2012. The Search of the Best Financial Performance Measure of Companies List in Tehran Stock Exchange. *World Applied Science Journal*. Vol. 3:407-414.

[9] KARA, Esen and Dugyu AAR ERDUR. 2015. Effects of Corporate Governance Level on the Financial Performance of Companies: A Research on BIST Corporate Governance Index (XKURY). *Journal of Ege Academic Review*. Vol. 15 No.12.

[10] Keown, A.J., Martin, J.D., Petty, J.W., Scott, D.F. 2005. *Financial Management: Principles and Applications*. New Jersey: Prentice Hall.

[11] Kieso, Donald E. Jerry J. Wegandt & Terry D. Waterfield. 2001. Akuntansi Intermediate. Terjemahan Emil Salim. Jakarta: Penerbit Erlangga.

[12] Manahan, P. Tampubolon. 2005. *Manajemen Keuangan*. Bogor: Penerbit Ghalia Indonesia.

[13] Moeldjadi. 2006. *Manajemen Keuangan*. Malang: Penerbit Bayumedia Publishing.

[14] Nazir, Mohammad. 2005. *Metode Penelitian*. Bogor: Penerbit Ghalia Indonesia.

[15] Nura'ny, Renny & Nurcahyo, Bagus. 2013. Implementation of Good Corporate Governance and Its Impact on Corporate Governance: The Mediation Role of Firm Size. *Journal of Global Business Management Research: An International Journal*. Vol. 25 No.25.

[16] Obradovich, John. 2013. The Impact of Corporate Governance and Financial Leverage on the Value of American Firms. *Journal of Liberty University School of Business*. Vol. 1 No. 2.

[17] Ross, S.A., Westerfield, R.L., and Jaffe, J. 2009. Keuangan Perusahaan. Terjemahan Ali Akbar Yulianto. Jakarta: Penerbit Salemba Empat.

[18] Sartono, R.A. 2001. *Manajemen Keuangan Internasional*. Yogyakarta: Penerbit BPFE.

[19] Sartono, S. 2000. *SPSS Statistik Parametrik*. Jakarta: PT. Elexmedia Komputindo.

[20] Sekaran, Uma. 2006. Research Methods for Business. Terjemahan Kwan Men Yon. Jakarta: Penerbit Salemba Empat.

[21] Suad, Husnan & Pudjiastuti. 1994. Dasar Manajemen Keuangan Edisi 1.Yogyakarta: Unit Penerbit dan Percetakan MP YKPN.

[22] Sugiyono. 2014. *Statistika untuk Penelitian*. Bandung: Penerbit CV Alfabeta.

[23] Sujianto. 2001. Dasar - Dasar Manajemen Keuangan. Yogyakarta: Penerbit BPFE.

[24] Surya, Ika Martsila dan Meiranto, Wahyu. 2013. Pengaruh Corporate Governance Terhadap Kinerja Keuangan Perusahaan. *Diponegoro Journal of Accounting*. Vol. 2 No.4.

[25] Umar, Husein. 2008. *Metode Penelitian Untuk Skripsi dan Tesis Bisnis*. Jakarta: Salemba Empat.

[26] Wahyudin, Moh Zarkasyi. 2008. *Good Corporate Governance*. Bandung: Alfabeta.

[27] Weston, J. Fred & Copeland, Thomas E. 1992. Manajemen Keuangan. Terjemahan Yohanes Lemarto. Jakarta: Penerbit Binarupa Aksara.

[28] Wijayanti, Sri & Mutmainah. 2012. Pengaruh Penerapan Corporate Governance Terhadap Kinerja Keuangan Pada Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indonesia Tahun 2009 – 2011. *Dipornegoro Journal of Accounting*. Vol. 1 No. 2.