The Impact of Good Corporate Governance Implementation on Crime Prevention in State-Owned Enterprises

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Abstract. State-Owned Enterprises (SOEs) must adopt Good Corporate Governance practices as they exert a substantial, beneficial influence on multiple facets of SOEs' functions and standing. Implementation of GCG in SOEs can encourage SOEs to become more transparent in managing operations, finances, and decision making. This can help SOEs to continue to build trust in stakeholders, including the government, investors, general public, and business partners. The implementation of GCG in SOEs is expected so that SOEs can be responsible for their performance and use public funds more effectively, thus encouraging SOEs to be able to produce accurate and transparent financial reports.

Keywords: Effectiveness; Good Corporate Governance; Criminal

1 Introduction

Good governance or commonly referred to as "Good Governance" can be interpreted as efficient and effective governance by various government instruments. Rondinelli (Keban, 2008: 38) revealed that good governance has several characteristics, including public participation in decision making, application of applicable legal provisions, transparency in government actions, seeking consensus, prudent financial management, efficiency and effectiveness of program implementation, government accountability, and having strategic goals and responsive to community needs.

The perspective of the United Nations Development Program (UNDP) also presents the characteristics of good governance, such as transparency in government policies and actions, rapid and appropriate response to community needs, consistent and fair application of laws, government accountability for actions and decisions taken, equality in providing access and opportunities to all communities, effectiveness in achieving development goals, efficiency in use of public resources, civic participation in decision-making, orientation to the search for consensus in the decision-making process, as well as a focus on achieving strategic goals that benefit the whole society.

Good Corporate Governance or commonly referred to as good corporate governance refers to a principle, policy, and practice that regulates how a company is run and managed Attaining the intended objectives while considering the concerns of all stakeholders engaged. These principles establish a structure to guarantee that companies operate with ethics, transparency, accountability, and adherence to relevant laws and regulations. The specifics of good corporate governance principles can differ depending on the country and industry, but the goal is the same

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as creating an environment that supports long-term sustainability, growth and well-being for companies and stakeholders.

In Indonesia, implementation of Good Corporate Governance is very important to ensure sustainability, transparency, and integrity in company operations. The implementation of Good Corporate Governance (GCG) in Indonesia involves several key facets, including: Regulations and Guidelines, Transparency and Information Openness, Separation of Powers, Stakeholder Engagement, Business Integrity and Ethics, General Meeting of Shareholders (GMS) and Supervision, Awards and Sanctions, Training and Development, Internal and External Audits, GCG Committees. The implementation of GCG in Indonesia is an ongoing effort to build the trust of shareholders, investors, and the public in companies. Although many companies have made improvements in implementing GCG, there are still challenges in terms of enforcement and monitoring that need to be overcome to achieve GCG.

State-Owned Enterprises (SOEs) need to implement Good Corporate Governance because they have a significant positive impact on various aspects of SOEs' operations and reputation. The implementation of GCG in SOEs can encourage SOEs to become more transparent in managing operations, finances, and decision making. This can help SOEs to continue to build trust in stakeholders, including the government, investors, general public, and business partners. The implementation of GCG in SOEs is expected so that SOEs can be responsible for their performance and use public funds more effectively, thus encouraging SOEs to be able to produce accurate and transparent financial reports.

GCG principles help SOEs avoid and manage conflicts of interest among different stakeholders. This can help maintain integrity and trust in decision making. GCG can also help SOEs better identify, measure, and manage risks. This helps them deal with challenges that may arise, including changes in the market and economic environment.

In improving operational efficiency, applying GCG principles can improve operational efficiency, reduce waste, and optimize the use of resources, thus enabling it to generate a favorable influence on financial and operational outcomes. In addition, the application of GCG principles can increase attractiveness for investors, maintain ethical standards, improve reputation and avoid SOEs from legal disputes that can harm the company's operations and reputation.

Implementation of GCG in SOEs involves a series of practices, policies, and structures designed to ensure that SOEs are managed professionally, transparently, and accountably. GCG implementation has a very important role in efforts to prevent crime in SOEs. GCG refers to a set of principles, practices, and procedures that can govern the way companies are run and managed ethically, transparently, accountably, and responsibly. Prevention of crime by implementing GCG can be done in various ways, including:

1. **Transparency and Accountability.** With transparency, the potential for harmful practices or criminal acts such as corruption can be reduced. Strict accountability will make decision makers in SOEs think twice before committing unlawful actions.
2. **Separation of Powers and Supervision.** This can prevent the concentration of power which can be a risk factor for criminal acts. The board of commissioners can function as a supervisor who ensures that SOE management operates in accordance with ethical and legal standards.
3. **Conflict of Interest Avoidance.** By managing conflicts of interest, opportunities for criminal acts such as nepotism or misuse of information can be reduced.
4. **Strict Internal Control.** The existence of strict supervision can reduce the chances of criminal acts such as fraud or data manipulation can be minimized.

5. **Commitment to Ethical Values.** By affirming commitment, SOEs can build an organizational culture that does not tolerate unlawful acts.
6. **Training and Education.** With increased knowledge and understanding, employees can be more likely to recognize potential risks of criminal acts and report them.
7. **Stakeholder Participation.** The involvement of stakeholders can provide valuable input on practices that can prevent criminal acts.

To enhance the preventive capabilities against criminal activities, especially within State-Owned Enterprises (SOEs), it is imperative to optimize the efficiency of Good Corporate Governance implementation. It is important to remember that the implementation of GCG is not an absolute guarantee to prevent criminal acts in SOEs. GCG is only one aspect of efforts that can reduce and prevent criminal acts that must be supported by a strong legal system, effective law enforcement, and an organizational culture that truly prioritizes integrity and ethics.

2 Research Methods

This study employs normative juridical research techniques, which involve examining the application of legal regulations found within existing laws. The research outcomes are subsequently communicated through a structured and systematic narrative. In this approach, the assembled secondary data are interconnected in relation to the research question, forming a comprehensive and compliant research presentation.

3 Findings and Discussion

GCG Policy in SOEs

Good Corporate Governance (GCG) in SOEs is carried out with the aim of increasing transparency, accountability, and efficiency in company management. There are several regulations governing GCG in SOEs in Indonesia, including:

1. Law No.19 of 2003 concerning SOEs: This law is the main foundation governing State-Owned Enterprises. It includes GCG principles that must be followed by SOEs.
2. OJK Regulation No.34/POJK.04/2014 concerning GCG Implementation for Issuers or Public Companies: This regulation applies not only to SOEs, but also to other public companies listed on the capital market. This means that SOEs that become public companies must comply with this regulation in their management.
3. OJK Regulation No.35/POJK.04/2014 concerning the Establishment and Implementation Guidelines of Audit Committees: This regulation regulates the establishment and duties of Audit Committees in SOEs to ensure effective internal supervision.
4. OJK Regulation No.21/POJK.04/2015 concerning Financial Reporting of Issuers or Public Companies: This regukasi regulates financial reporting that must be carried out by SOEs that become public companies, so that transparency in financial statements can be guaranteed.
5. SOE Corporate Governance Guidelines (PTKP BUMN): This guideline is issued by the Ministry of SOEs as a further guide in implementing GCG within SOEs.

6. Decree (SK) of the Minister of SOEs on SOE Performance Appraisal Criteria: This decree establishes SOE performance appraisal criteria covering aspects of GCG and strategic planning.
7. Circular Letter (SE) of the Minister of SOEs on the Implementation of Good Corporate Governance in SOEs

Companies that don't apply the principles of Good Corporate Governance, both private and SOEs, can potentially trigger a financial crisis. KKN, illegal levies, acts of abuse, encroachment, oppression, and blasphemy can occur if the company does not apply GCG principles. Thus, in its implementation, if there is a state loss, the provisions of the Corruption Law can be applied to SOE administrators who commit misappropriation and harm state finances.

Implementation of GCG in SOEs

SOEs are one of the actors of economic activities in the national economy that operate based on the principles of economic democracy. In carrying out its economic activities, it follows market mechanisms and is profit-oriented. SOE Law Number 19 of 2003 was introduced because the role of SOEs in realizing community welfare has not achieved optimal results Hence, it is essential for management and oversight to be conducted with a high level of professionalism and adaptability to keep pace with the ever-accelerating evolution of the economy and global business landscape, both domestically and internationally.

The role of SOEs has not yet reached the desired level as mandated by Article 33 of the 1945 Constitution. The management and oversight of SOEs have adhered to the principles of GCG, as outlined in the Regulation of the Minister of State-Owned Enterprises of the Republic of Indonesia Number PER-2 / MBU / 03/2023, which provides guidelines for governing and significant corporate activities of SOEs. To enhance the effectiveness of SOEs, it is imperative to foster a corporate culture and professionalism while implementing improvements in management and supervision based on GCG principles. Additionally, restructuring and privatization are essential measures to boost the efficiency and productivity of SOEs

Implementation GCG is anticipated to mitigate financial losses within these entities, while simultaneously increasing the efficiency and effectiveness of company management, particularly in profit generation. GCG principles are crucial as they facilitate the establishment of professional, transparent, accountable, effective, and efficient corporate management.

Sustained adherence to Corporate Governance practices over the long term can enhance company performance and benefit shareholders. The success of this approach largely hinges on the performance of the company's governing bodies and ownership structure, both of which play pivotal roles in monitoring the company's performance and management to attain its objectives and improvements.

Modern companies recognize that the adoption of GCG is not merely a compliance requirement but a necessity to conduct business activities with the goal of sustaining operations and enhancing corporate value, thereby optimizing the company's mission for all stakeholders.

Effectiveness of Good Corporate Governance Implementation in Prevention Efforts Crime in SOEs

In implementing its performance, SOEs need to pay attention to efficiency and effectiveness. This efficiency and effectiveness can be achieved by implementing Good Corporate Governance (GCG), which includes three concepts according to Hamzah (2012: 100), namely:

1. Transparency
2. Accountability
3. Independence of implementation

These three things can reduce the problem of poor performance that occurs in the body of SOEs so far. However, reality shows that there are still some SOEs that have not shown good transparency because the sole ownership of SOE shares is owned by the government and implemented by rulers who have group interests.

During the New Order era, accountability of SOEs almost never existed. Financial statements are not made in accordance with the provisions and have never been audited properly, there are even SOEs that are not audited at all or do not have financial statements (Hamzah, 2012: 100). In addition, the independence of SOEs is also difficult to implement because SOE profits are used for the benefit of cronies during the New Order period through the Presidential Decree, and there is profit distribution for certain groups.

BUMN Directors have an important role in carrying out the management and management in SOEs, and can represent SOEs both inside and outside the court. BUMN employees also play a role in the management of SOEs, so that criminal law or lawsuits in court can be imposed on directors and employees of SOEs if there are actions that harm the state / SOEs themselves due to their actions in managing / managing SOEs.

Presently, there has been notable progress in the adoption of GCG SOEs. Several SOEs, and even Regional-Owned Enterprises (BUMDs), have engaged in collaborations with the Financial and Development Supervisory Agency (BPKP). The Minister of Finance has called upon the BPKP to conduct a comprehensive study and development of the SOE management system, aligning it with GCG principles. BPKP actively supports implementation GCG within SOEs and will continue to oversee and ensure adherence to these principles.

Furthermore, the State Minister of SOEs has underscored the mandatory nature of consistent GCG implementation for SOEs, making GCG principles the cornerstone of their operations. This strategic approach aims to enhance business success and corporate accountability, ultimately realizing long-term shareholder value, all while safeguarding the interests of other stakeholders and operating in accordance with legal regulations and ethical values.

The state has a role in the implementation GCG. In drafting laws and regulations based on the national legal system, regulators must understand business developments to be able to make continuous regulatory improvements. The government can also carry out consistent law enforcement to enforce regulations to protect witnesses and whistleblowers through (Whistle Blower) which provides information about a case that occurs in the company.

Companies in this case SOEs also have an important role so that the effectiveness of GCG implementation can run well. Companies must be able to apply consistent business ethics, comply with rules, prevent KKN, to improve the quality of company's management structure and work patterns in accordance to GCG principles. In addition, the community can also play an active role in carrying out social control to communicate with the government or entrepreneurs by providing attention and concern for community services in accordance with GCG principles.

Compliance with applicable laws and regulations is one of the main principles of GCG in conducting business in accordance with applicable laws and regulations. The implementation of GCG needs to be carried out optimally with proper commitment and supervision in order to become one of the efforts to prevent crime in SOEs. SOEs can avoid the risk of violating the law that can lead to criminal acts. So that in implementing GCG, it needs to be monitored continuously and always improved in order to remain effective in facing changes in the business environment and potential new risks.

4 Conclusion

1. Good Corporate Governance (GCG) in SOEs can continue to be improved by complying with existing legal rules so that the goal is to increase transparency, accountability, and efficiency in company management can run well.
2. The implementation of GCG in SOEs is expected to reduce the problem of losses that occur in SOEs and increase effectiveness and efficiency in company management, especially the company's ability to generate profits.
3. Legal arrangements regarding criminal acts can be carried out for anyone who commits state losses / corruption in the implementation of inappropriate GCG principles. So that in its implementation, if there is a state loss, the provisions of the Corruption Law can be applied.

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