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Application of Good Corporate Governance (GCG) in State-Owned Enterprises

Penerapan Prinsip Good Corporate Governance (GCG) pada Badan Usaha Milik Negara

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ABSTRACT

The implementation of GCG is important for companies to carry out careful phasing based on an analysis of the situation and condition of the company, and the level of readiness, so that GCG implementation can run smoothly and get support from all elements within the company. As a step to improve performance, efficiency and professionalism, then emerged a principle that is believed to encourage an increase in the performance of the company, this principle is the principle of Good Corporate Governance (GCG). GCG is defined as a system that regulates and controls a company to create value added for all stakeholders, including in its application to State-Owned Enterprises (SOEs). The obstacles that often prevent SOEs from functioning economically are the government itself and the poor quality of human resources and a corporate culture that tends to be KKN. To avoid greater losses, it is necessary to change the management of SOEs. In terms of legal material, legal structure and legal culture as well as problems arising from its implementation by presenting a new SOEs law using the principles of GCG. This study employs normative legal research using qualitative juridical analysis methods. The role of State-Owned Enterprises in the national economy in realizing people's welfare is not optimal. SOEs plays a role in producing the goods and or services needed in order to realize the greatest prosperity of the community.

Kata Kunci
Good Coorporate Governance;
Badan Usaha Milik Negara;
Kesejahteraan Masyarakat;

ABSTRAK

Penerapan GCG adalah penting bagi perusahaan untuk melakukan pentahapan yang cermat berdasarkan analisis atas situasi dan kondisi perusahaan, dan tingkat kesiapannya, sehingga penerapan GCG dapat berjalan lancar dan mendapatkan dukungan dari seluruh unsur di dalam perusahaan. Sebagai langkah untuk meningkatkan kinerja, efisiensi dan profesionalisme, kemudian muncul sebuah prinsip yang dipercaya dapat mendorong terjadinya peningkatan kinerja dari perusahaan, prinsip tersebut adalah prinsip Good Corporate Governance (GCG). GCG secara defenitif merupakan sistem yang mengatur dan mengendalikan perusahaan untuk menciptakan nilai tambah (value added) bagi semua stakeholder, termasuk dalam penerapannya terahadap Badan Usaha Milik Negara (BUMN). Kendala yang seringkali menghambat BUMN untuk berfungsi secara ekonomi adalah pemerintah sendiri dan Kualitas SDM yang buruk dan budaya

		korporasi yang cenderung KKN. Untuk menghindari kerugian yang lebih besar, perlu adanya perubahan dalam pengelolaan BUMN. Dari segi materi hukum, struktur hukum dan budaya hukum maupun permasalahan-permasalahan yang timbul terhadap penerapannya dengan menghadirkan undang-undang BUMN yang baru dengan menggunakan prinsip GCG. Penelitian ini menggunakan penelitian hukum normatif dengan menggunakan metode analisis yuridis kualitatif. Peran Badan Usaha Milik Negara dalam perekonomian nasional untuk mewujudkan kesejahteraan masyarakat belum optimal. BUMN ikut berperan menghasilkan barang dan atau jasa yang diperlukan dalam rangka mewujudkan sebesar-besarnya kemakmuran masyarakat.
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Introduction

The implementation of Good Corporate Governance (GCG) is closely related to legal entities companies based on the provisions of the Law. The legal entities include those that support rights and obligations (Ali, 2005). The GCG is an important part of the concept for better service. The emerging concept of GCG is defined to strengthening the quality of human resources, public services, strengthening the infrastructure, a better, faster and easier system and other important components that support the acceleration of the government in achieving better goals (Hayat, 2020).

The GCG is defined as a system that regulates and controls the company to create value added for all stakeholders. The concept of GCG in Indonesia can be interpreted as the concept of good corporate management. There are two things emphasized in the GCG concept. First is the importance of the shareholder's right to obtain accurate and well-timed information. Second is the company's obligation to accurately, timely and transparently disclose all information in related to company's performance, ownership, and stakeholders (Nawawi et al., 2017). In Indonesia, State-Owned Enterprises (SOEs) are Business Corporation by which all of its ownership is owned by the government. SOE can also be a non-profit company that aims to provide goods or services to the community. In several SOEs in Indonesia, the government has made a fundamental change in ownership by making the SOEs into a public company whose shares can be owned by the public. One of SOEs is PT. Telekomunikasi Indonesia, Tbk. Since 2001, all of SOEs management has been coordinated by the Ministry of SOE, led by a minister of SOE.

SOEs commonly develop monopolies or special regulations that are against the spirit of fair business competition (Law No. 5 of 1999), and it has been a legacy for SOEs to act as business actors as well as regulators. Moreover, bribery and corruption is often discovered in SOEs which is commonly known as *cash cows* for an individual's own political advantage or parties (Yusroni & Restiyanto, 2007). The function of business regulation is separated from SOEs by managing various SOEs' productions, the government aims to prevent market monopolies on public goods and services by strong private companies. When a monopoly market on goods and services supplying the livelihoods of many people happens, it can be ascertained that lower-middle class will become victims as a result of inflation.

Article 51 of Law No. 5 of 1999, the prohibition of monopolistic practices and unfair competition (hereinafter referred to as Law No. 5 of 1999), states that monopoly and / or concentration of activities related to the production and or marketing of goods or services which control the lives of many people as well as production branches which is important for the state shall be regulated by law and carried out by SOEs and / or entities or institutions established or appointed by the government (Umar, 2001). Having overview the article 51 of Law No. 5 of 1999, we figure out a very close relationship with the 1945 Constitution of the Republic of Indonesia (hereinafter referred to as the 1945 Constitution) article 33, especially on the second paragraph states that the production branches which is important for the state and control the life of the people is governed by the state. Therefore, of course, before discussing further article 51 of Law no. 5 of 1999, we should have understood article 33 on the second paragraph of the 1945 Constitution. There are two emphasized things in this article.

The first thing is the definition of production branches which is important for the state and control the lives of many people, this means that the income of goods and services which are essential to human life in a certain period of time, while at the time being the supply is limited, so the suppliers can determine prices and other terms of trade which are abusing society for private gain (Njatrijani et al., 2019a). The second thing is the definition of "controlled by the state" which means to control in a broad sense, which includes the meaning of ownership in the public and civil sense, including the power to control and to manage these business corporations directly by the government or by its specific apparatuses. In accordance with the meaning of article 33 of the 1945 Constitution, we can synthesize that the government’s roles are to control national economy, especially in terms of maintaining production factors that control the lives of society so that it can be directly distributed to society without any monopoly by the private sector, by which we can clearly see in the objectives of Law No. 5 of 1999, namely:

1) Safeguarding public interests and increasing the efficiency of the national economy as an effort to improve people's welfare;
2) Creating a conducive business activity through fair business competition in order to guarantee the certainty of equal business opportunities for micro, small, and medium enterprises;
3) Preventing monopolistic practices and or unfair business competition caused by business owners;
4) Creating effectiveness and efficiency in business activities.

Regarding the objectives of the Law No.5 of 1999, it can be seen that the government has carried out an act of state administration in juridical economic activities, namely monopoly regulation and unhealthy business actions related to the production and marketing of goods and or services. However, the act of controlling the livelihoods of the public and the production branches which are important to the state referring article 33 of the 1945

Constitution is exceptional for the state. It means the state is allowed to implement monopoly. As it is specifically regulated in article 51 of Law No.5 of 1999.

Indonesian government permits SOEs and / or agencies or institutions formed or appointed by the government. Practically SOEs has been the most often mandated corporations to establish monopoly-dominated market. This is because SOEs are business entities whose capitals, either wholly or partly, directly obtains capital participation from separated state assets (Cahyadi, 2018). The main barrier that often hinders SOEs economically functioned is the government itself. In addition, the poor quality of human resources and corporate culture that tends to corruption, collusion, nepotism (CCN) have also been contributing to SOEs losses. To avoid greater losses, it is necessary to reform SOEs management. The role of SOEs is increasingly important as reporting and / or pioneering in business sectors that private sectors have never been taking into considerations. SOEs, moreover, also play several important roles to establish public services, to balance large private forces, and to develop small-owned businesses / corporations. The importance of sustainable structuring SOEs affects national economic system, especially efforts to increase the performance and value of the company.

On the basis of Law No.19 of 2003, SOEs and Decree of the Ministry of SOE of the Republic of Indonesia Number: KEP-117IMBU/2002 concerning the implementation of GCG practices in SOEs, SOEs are obliged to implement good corporate governance (Njatrijani et al., 2019a). A good GCG mechanism has not been implemented in the company, this can be the cause of the company or management to provide information that has a positive impact on stock prices and can encourage companies to tend to manipulate accounting by presenting certain information for transparency in managing business entities is a precondition that are essential to improving the performance of the business entity and are keys to success in creating the right business environment. With the application of the principles of GCG in the development and management of business entities, it is hoped that all parties will have the same reference in managing the business, which tends to manipulate accounting by presenting certain information to avoid decline of share stocks (Ramania, 2015).

The implementation of GCG is considered capable providing progress towards the performance of a company, especially in improving the quality of financial reports and reducing managers' actions to manipulate financial reports (Arniwaty Lamadjido et al., 2013). In Indonesia many big companies have not been able to implement corporate governance seriously due to the fact that the majority of companies in Indonesia have not fully accustomed corporate culture as the core of corporate governance (Aksa, 2010). The economic crisis is not only caused by macroeconomic factors but also due to weak corporate governance in these countries, such as lack of legal and accounting standards, financial audits that have not been carried out, the absence of regulations regarding capital markets, lacking supervision from commissioners and neglecting minority shareholder rights. This is due to the existence of a number of obstacles faced by these companies when the company tries to implement corporate governance for the realization of GCG principles properly (Sedarmayanti, 2010). These understanding constraints open up insights that our corporate has not been managed properly, or in other words, our corporation has not yet implemented governance. ("Good Corporate Governance and Implementation in Indonesia", 2006).

Related to the above conditions, according to Kautsar & Kusumaningrum (2015), there are generally some weaknesses of SOEs, including low GCG implementation, ineffective planning and internal control systems, low integrity of the Board of Directors, mark-up practices, the occurrence of deviations by SOEs directors, excessive remuneration packages for Directors that do not reflect a link with achieving performance targets business transactions with outside parties. The management do not pay attention to the interests of the company, excessive intervention by shareholders or outside parties in the operational activities of SOEs, and the existence of company practices carried out by the management itself. The performance of SOEs has not been optimal due to inefficient use of capital and lack of attention to the application of the principles of Good Corporate Governance (Lantu et al., 2016). Meanwhile, other factors are funding through excessive debt or over leveraging, business model errors and increased competition, all of which have resulted in lower company performance. Several researchers have conducted research on the relationship between Good Corporate Governance, financial performance and company value, but the results are still inconsistent. Sidanti (2015) revealed that Good Corporate Governance as measured by using the proportion of the independent board of commissioners, institutional ownership and the audit committee has no effect on the firm value.

The results of research on Good Corporate Governance and company performance have a positive effect on the firm value. Other results are shown in research conducted by Kautsar & Kusumaningrum (2015). The results show that Good Corporate Governance has a significant effect on financial performance and firm value. In line with the preceding, the government needs to increase the productivity and efficiency of SOEs. Increasing productivity and efficiency of SOEs can be done by restructuring and privatizing companies. Restructuring is an effort made in the context of making reformation of SOEs, which is one of the strategic steps to improve the internal conditions of the company in order to improve performance and increase the value of company. Restructuring is intended for companies whose business is related to public interest (Minister et al., 2007).

Meanwhile, SOEs whose aims at generating profits and moving in a competitive sector is encouraged to privatize (Nuryan, 2016). Therefore, privatization can only be carried out for SOEs in the form of Persero. Article 1 (12) of Law No. 19 of 2003 on SOEs explains that "privatization is the sale of shares of Persero, either partially or completely, to other parties in order to improve company performance and value, increase benefits for the state and society, and expand share ownership by the public. In addition, "privatization should be given limits so that it does not harm the interests of the community (Nuryan, 2016). Privatization must also be beneficial for the government and the people of Indonesia. Besides being able to improve the performance of SOEs, the privatization is able to apply the principles of good governance and improves the performance of SOEs. It is not only in the short term, but in the long term. In 2020, Indonesia has faced the market global, where foreign producers will sell quality products.

In practice, there are still State-Owned Enterprises (SOEs) that pay less attention to the implementation of the principles of Good Corporate Governance (GCG) in carrying out their business activities (Pahlevi et al., 2016). This can be seen from the cases that occurred in State-Owned Enterprises (BUMN) such as the disclosure of the case of Waskita Karya (a state-owned company engaged in construction services) that allegedly manipulated financial statements. In this case, it is suspected that there has been financial engineering since the financial year 2004 - 2008 by including the multi-year project revenue for a certain year. (Source: Mohamad Fajri Mekka Putra, Case of Waskita and Weaknesses of GCG Implementation in Indonesia, September 2009). In addition to the Waskita Karya case, there has also been a case at PT Jamsosek (one of the state-owned companies engaged in social insurance which has now changed to BPJS Ketenagakerjaan) where the Supreme Audit Agency found several violations of PT Jamsostek's compliance with the 2011 financial statements with a value of more than IDR 7 trillion. BPK's findings on the 2011 financial statements of PT Jamsostek deviate from the rules namely the formation of an old age security program (JHT) development fund of IDR 7.24 trillion which is not in accordance with Government Regulation No. 22/2004. There is a potential loss of contributions because they do not apply the work accident insurance rate according to the provisions, and the former assets have not been settled. Non-performing investments, namely the guarantee of medium-term notes (MTN), information systems and information technology that do not support data reliability, and the expansion and development of participation has not been carried out effectively. There is a potential loss of contributions that reach IDR 36.5 billion due to not applying the work accident insurance rate according to the provisions, and the former assets have not been settled. Non-performing investments, namely the guarantee of medium-term notes (MTN), information systems and information technology, and the expansion and development of participation has not been carried out effectively (Avianti, 2006).

There is a potential loss of contributions that reach IDR 36.5 billion due to not applying the work accident insurance rate according to the provisions, and the former assets have not been settled. Based on this, it is deemed necessary to reconstruct Law no. 19 of 2003 concerning with State-Owned Enterprises, both in terms of legal material (substance), legal structure and legal culture as well as the problems arising from the application of the Law by presenting a new SOEs law using the principles of Good Corporate Governance (Pahlevi, et al., 2016). The existence of Law no. 19 of 2003 at this time is deemed no longer in line with the increasingly rapid development of the economy both nationally and internationally. There are at least 24 clauses in the Law that are obscure and become problems in its application. One of them is the existence of Law no. 19 of 2003 is currently considered not reflecting the principles of Good Corporate Governance (GCG) that is necessary to encourage the creation of an efficiency, transparency and consistency of market with laws and regulations (Njatrijani et al., 2019b).

The implementation of GCG needs to be supported by three interconnected pillars, namely the state and its instruments as regulators, the business world as market players, and the community as users of the products and services of the business world so that it is expected that an efficient, transparent and consistent market will be created in accordance with laws and applicable regulations (Cahyaningrum, 2009). Another major purpose of governance is economic efficiency which states that the corporate governance system, should be aimed at optimizing economic output or results, with a strong emphasis on the welfare of shareholders (Cahyaningrum, 2009). There is also another side that is the subject of corporate governance, such as the stakeholder point of view, which points to more attention and accountability to parties other than shareholders, for example employees or the environment (Iriyani, 2008). Good Corporate Governance (GCG) are rules, standards and organizations in the economic field that regulate the behavior of company owners, directors and managers as well as the details and description of their duties and authorities as well as their responsibilities to investors (shareholders and creditors). The implementation of GCG or corporate governance policies aims at ensuring that those who play a role in running the company can understand and carry out their functions and roles according to their authorities and responsibilities. The parties that play a role include shareholders, the board of commissioners, committees, directors, unit leaders and employees.

Method

This research was conducted by using normative legal research with primary and secondary legal data. Primary legal data is the statutory regulation that deals with the application of the principles of Good Corporate Governance in state-owned enterprises in Indonesia. Thereupon, the theories of experts are cited from various literature by means of supporting this research. Secondary legal data were obtained from the interviews of respondents who related and was in charge in the implementation of Good Corporate Governance.

Literatur Review

Good Corporate Governance is a structure or mechanism that has been prepared by stakeholders, shareholders, commissioners and managers to achieve the goals and supervise the performance (Hariati & Rihatiningtyas, 2016). Good Corporate Governance is also a system and a set of guidelines that regulate the relationship among shareholders, the board of commissioners, and the board of directors to achieve the company's goals (Wardhani, 2015). This is supported by the KNKG (2006) which emphasizes that Good Corporate Governance is needed to encourage efficiency, transparency and consistency between market and regulation of laws.

The Indonesian Institute for Corporate Governance defines Corporate Governance as a series of mechanisms that direct and control a company so that the company's operations run in accordance with the stakeholder expectations. This is similar to the definition revealed by the Forum of Corporate Governance in Indonesia that corporate governance is a set of regulations that govern the relationship among shareholders, company managers, creditors, government, employees and other internal and external stakeholders; and it relates to their rights and obligations. A good corporate governance will work optimally if the principles of Good Corporate Governance are applied to every aspect of business and at all levels of the company. The KNKG states that there are five principles of Good Corporate Governance, namely transparency, accountability, responsibility, independence as well as fairness and equality.

The following is an explanation based on the KNKG (2006) guidelines: 1) the principle of transparency explains that every company is required to disclose relevant material and information with regard to the matters that influence the decision making of shareholders, creditors and other stakeholders; 2) the principle of accountability is about the transparency and how the company is managed properly, measurably, and in accordance with the company's interests by taking into account the interests of shareholders and other stakeholders; 3) the principle of responsibility explains that every company must comply with every statutory regulation and carry out responsibility towards society and the environment; 4) the principle of independence requires companies to be managed independently so that every single part does not dominate and cannot be intervened by other parties; 5) the last principle is equity and equality. It implies that the company pays attention to the interests of shareholders and stakeholders with equity and equality. The five principles to achieve good governance expressed by the KNKG are the principles that must be applied consistently or it can be a barrier for the performance that impacts to the financial reports which does not reflect the company's fundamental value. If it is carried out seriously in every sector of the company, these principles will increase the value of the company and the financial reports can be arranged in accordance with existing conditions while still paying attention to company stakeholders.

Corporate Governance is a series of processes, habits, policies, rules, and institutions that influence the direction, management and control of a company or corporation. Corporate governance also includes the relationship among the stakeholders which involving to the management of company. The main parties in corporate governance are shareholders, management, the board of directors as well as other stakeholders such as employees, suppliers, customers, banks, creditors, regulators, the environment, and the wider community. Corporate governance is a subject that has many aspects. One of the main subjects in Corporate Governance concerns with the issue of accountability and responsibility, particularly in the implementation of guidelines and mechanisms to ensure good behavior and protect the interests of shareholders.

Another major purpose is an economic efficiency which states that corporate governance systems should be aimed at optimizing economic results, with a strong emphasis on the welfare of shareholders. There is another subject of corporate governance, such as the stakeholder point of view which demands more attention and accountability to the shareholders, such as employees or the environment. Attention to corporate governance practices in modern companies has increased recently in Indonesia. The government's attention was manifested by the establishment of the National Committee for Governance Policy (KNKG) at the end of 2004 (Martusa, 2011) so that Good Corporate Governance is needed.

In practice, the principles of Good Corporate Governance need to be developed gradually. The company must build a system and the corporate governance guidelines that will be developed. Likewise, the employees need to understand and have the knowledge of good governance principles. This Good Corporate Governance system requires the establishment and implementation of the principles of Good Corporate Governance (GCG) in the company's managerial processes. By recognizing these universally applicable principles, it is expected that the company can live in a sustainable manner and provide benefits to its stakeholders.

According to Law No. 45 of 2005, all state companies, including SOEs, are business entities whose capital is wholly or partly owned by the Government through direct participation originating from separated State assets. SOEs can also be a non-profit company that aims at providing goods or services to the community. Based on Law No. 19 of 2003 Article 1 explains that the definition of State-Owned Enterprises, and then so called as SOEs, is a business entity whose capital is wholly or most of its capital is owned by the state through direct participation originating from separated state assets. The main activity is to manage the production which is important to the country and is fully utilized for the welfare of the people. Article 33 paragraph 2 of the 1945 Constitution states that "production branches which are important to the state and affect the livelihood of the public shall be controlled by the state".

Article 33 paragraph 3 of the 1945 Constitution states "The earth, water and natural resources contained are used to the greatest possible extent for the welfare of the people". These two articles are a guarantee for the government to participate in the country's economy. Control by the state in the lives of many people does not mean owning, but implies giving the highest power for regulation, administration, usage, complement and maintenance. Besides, it also determines and regulates the rights of land, water and natural resources, legal relations between people and legal actions regarding the earth, water, and natural resources contained therein. According to the Decree of the Minister of Finance of the Republic of Indonesia No. Article 2 1232 / kmk.013 / 1989 what is meant by state-owned enterprises are business entities and SOEs subsidiaries whose capital is wholly owned by the state. Because all of the capital is owned by the state, it means that the manager is very influenced by the government. According to presidential instruction no. 7 of 1967, the state company was transformed into a state-owned company and simplified into a bureau company (PERJAN), a public company (PERUM), and a limited liability company (PERSERO) (Kautsarina & Gautama, 2014).

Results and Discussion

Application of The Principles of Good Corporate Governance (GCG) in Indonesia

The implementation of GCG is important for companies to carry out careful phasing based on an analysis of the situation and condition of the company, and the level of readiness, so that GCG implementation can run smoothly and get support from all elements within the company. GCG itself means a process and structure used to direct and manage business and corporate accountability with the main objective of enhancing share value in the long term while still paying attention to the interests of other stakeholders. GCG focuses on the company's management process, which conceptually includes the application of the principles of transparency, accountability, fairness, and responsibility (Ginting, 2007).

In Indonesia, many people have known the importance of implementing GCG principles in their daily lives, especially the main actors in the Indonesian economic system are State-Owned Enterprises (SOEs); Private Owned Enterprises (BUMS); and Cooperatives. SOEs as one of the main players in the national economy aims at supporting the state finances and improving the welfare of the community, whose existence is currently regulated by Law (UU) no. 19 of 2003 concerning SOEs. According to Faisal (2002: 268), there are at least four factors behind the existence of SOEs, namely 1) As a pioneer or business pioneer, where the private sector is not interested in doing it, 2) As a manager of strategic business fields and implementer of public services, 3) As a counterweight to large private powers, 4) As a source of state revenue.

Based on Law no. 19 of 2003 article 2, the objectives of establishing SOEs are none other than the following: 1) to contribute the development of the national economy in general and to state revenues in particular, 2) to pursue profit, 3) to provide public benefits in the form of the provision of goods and / or services of high quality and adequate for the fulfillment of the live, 4) to become a pioneer for business activities that have not been implemented by the private sector and cooperatives, and 5) to participate actively in providing guidance and assistance to economically weak entrepreneurs, cooperatives, and the community (Cahyaningrum, 2009).

Good Corporate Governance of SOEs in Indonesia has relation with the implementation of internal control in SOEs. Out of the five components of internal control, the control environment component is the foundation of other internal control components. The control environment is an objective condition that exists in the organization. This condition is largely determined by the leadership of the organization, where the control environment includes the values of integrity and ethics, commitment to competence, participation of the supervisory board, management philosophy and operating style, organizational structure, delegation of authority and responsibility and human resource policies and practices (Arens et. al, 2006). Because the component of the control environment is very basic in the aspects of internal control, the type of company becomes one of the aspects of the control environment that can be related to the principles of Good Corporate Governance and the performance of SOEs. The principles of Good Corporate Governance which are regulated in the Decree of the Minister of State-Owned Enterprises Number KEP-117 / M-MBU / 2002 concerning with the Implementation of Good Corporate Governance Practices in SOEs, including transparency, independence, accountability, accountability and fairness.

The implementation of GCG needs to be supported by three interconnected pillars, namely the state and its instruments as regulators, the business world as market players, and the community as users of products and services in the business world (Zarkasyi, 2008). SOEs has two characteristics, such as private and public. Publicly, SOEs must comply with Law No. 14 of 2008 concerning with Freedom of Information (hereinafter referred to as UUKIP).

UUKIP shows how the government's commitment to realize good governance based on the principle of transparency. Basically, the main objective of public information disclosure in every country is to ensure that public institutions will be more accountable and credible by providing information and documents according to public demand (Retnowati, 2012). What is meant by public information is regulated in Article 1 number 2 of the KIP Law, namely information that is generated, stored, managed, sent, and / or received by a public related to the administration of the state and / or administrators other public boards which is in accordance with this law, as well as other information related to the public interest.

In summary, the regulations related to the application of GCG principles (Putri, 2014) in SOEs include these following: 1) the aims, objectives and benefits of implementing GCG in SOEs, 2) the basic GCG principles such as transparency, independence, accountability, responsibility, and fairness, 3) GCG practices that can be applied in SOEs. Strengthening corporate governance is one way to support democracy in society because the market economy itself cannot work well without democracy. Thus, corporate governance does not only support business efficiency, but also contributes to strengthen transparency and democratic freedom in society as a whole.

Conclusion

In Indonesia, Good Corporate Governance is an important element in SOEs considering the risks and challenges of SOEs as reporting and / or being a pioneer in business sectors that have not been of interest to private businesses. In addition, SOEs also plays a strategic role as executors of public services, balancing large private forces, and helping to develop small businesses / cooperatives. The importance of sustainable restructuring of the implementation of SOEs's role in the national economic system is to increase the performance and value of companies, especially those whose business is related to the public interest. The consistent implementation of GCG will strengthen the competitive position of SOEs to maximize the value of the company in managing resources and risk management efficiently and effectively. Lastly, this GCG can strengthen the trust of stakeholders so that SOEs can grow in a sustainable manner. The implementation of GCG must also optimize all supervision in SOEs sector.

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