AMERICAN JOURNAL OF ECONOMICS AND BUSINESS MANAGEMENT

ISSN: 2576-5973
Vol. 6, No. 5, 2023

An Examination of the Progress Made in Good Corporate Governance (GCG) and Internal Control at State-Owned Companies (BUMN)

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Abstract: Companies use GCG and internal controls to boost shareholder and financial performance, decrease risk related to self-interest, and boost investor trust, in addition to increasing high-satisfactory results by taking stakeholder interests into account. The State-Owned Enterprise (BUMN) operates in several different industries, including farming, shipping, telephones, retail, power generation, banking, and building. BUMN must consistently and sustainably implement good corporate governance and internal control as the operational foundation to improve corporate accountability in realizing long-term shareholder value while also considering the interests of stakeholders, others, and operating in accordance with applicable laws, regulations, and ethical principles. Focusing on banking state-owned enterprises like Bank Rakyat Indonesia (BRI), Bank Negara Indonesia (BNI), Bank Tabungan Negara (BTN), and Bank Mandiri, this research seeks to analyze the effects of good corporate governance and internal control on the performances of State-Owned Companies (BUMN) listed on the Indonesia Stock Exchange (IDX). The study's focus is on excellent corporate governance, internal control, and BUMN performance, and it's an experimental one. The results show that good bank governance and internal control have a moderate impact on Bank Mandiri's performance but no substantial impact on Bank BNI's, and that they have no impact at all on the performance of Bank BRI and BTN.

Keywords: BUMN, Company Performance, Financial Sector, Good Corporate Governance, Internal Control

ISSN 2576-5973 (online), Published by "Global Research Network LLC" under Volume: 6 Issue: 5 in May-2023 https://www.globalresearchnetwork.us/index.php/AJEBM

INTRODUCTION

Research Background

When company operations are not always controlled directly by the owner and management concerns are left to the agent, agency theory emerges. Agency theory is extended by the responsibility of corporations to stakeholders other than shareholders. Agency theory was developed by Michael Jensen and William Meckling in 1976 that when agent is hired by principal to deliver a service and decision-making authority is delegated to the agent, agency relationships are formed.

Managers have a better understanding of internal information and future business possibilities than owners (shareholders). The manager is required to provide signal to the owner of the company's status by disclosing accounting information such as financial statements. The performance of a company will be affected by policies and decisions made in the context of compiling financial statements. The goal of the company's performance evaluation is to determine how successful the company's operations are.

The State-Owned Enterprises (BUMN) is one of national economy player whose existence is governed by Law No. 19 of 2003. BUMN's total assets hit Rp 8,400 trillion at the end of 2020, up 7.1 percent from 2019. BUMN contributed around 55% of Indonesia's nominal GDP of Rp. 15,434 trillion to the GDP. Total profit for the same time was Rp 28 trillion, down 77 percent from Rp 124 trillion in the preceding quarter. As of February 1, 2021, there are total of 113 state-owned enterprises comprises of 14 state-owned general companies, 16 public companies, and 83 state-owned limited liability companies.

The goal of BUMN is to assist state finances and promote the welfare of the people, therefore, BUMN is required to be handled professionally and accountably as a public organization that has some power over the lives of many people. BUMN also must be able to offer added economic value in the form of dividends, taxes, and other economic responsibilities in order to promote national development as a business entity. In terms of becoming development agents, BUMN has played a key role by actively participating in national priority projects and pioneering business operations that have yet to be adopted by the private sector in order to promote equitable development.

BUMN performance can be measured by the implementation of good corporate governance and internal control. Good corporate governance is the principles applied by the company to create stakeholder trust in the company. Companies that have implemented good corporate governance will have good financial performance followed by good market performance as seen in the company stock value. Previous research have examined the relationship between good corporate governance and firm performance in various sectors such as: manufacturing firms (Mahrani and Soewarno, 2018), regional development banks (Hermuningsih, Kusuma, and Cahyarifida, 2020). Internal control is a process in organizational and information systems to ensure that activities in the organization is running as planned. Internal control can provide information about how to assess the company's performance. Previous research demonstrated the relationship between internal control and firm performance (Tuan, 2020; Alemu, 2020).

The lack of prior studies on good corporate governance, internal control, and firm performance especially in BUMN encouraging to perform this study. Thus, the purpose of this research is to examine the implementation of GCG and internal control on bank performance particularly banking state-owned

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
under Volume: 6 Issue: 5 in May-2023 https://www.globalresearchnetwork.us/index.php/AJEBM

enterprises such Bank Rakyat Indonesia (BRI), Bank Negara Indonesia (BNI), Bank Tabungan Negara (BTN), and Bank Mandiri. Good corporate governance will be assessed from the implementation of the five principles, internal control will be assessed from bank internal control system, and firm performance (financial performance) will be measured from the profitability ratio.

Research Purpose

The purpose of this study is to examine the implementation of the principles of good corporate governance and internal control at the performance of state-owned companies.

LITERATURE REVIEW

Good Corporate Governance (GCG)

The current condition of the business world is increasingly dynamic, changing situations and conditions of ups and downs are commonplace when running a business even for the future. With the increasingly dynamic business world, firms are required practicing good corporate governance (GCG). Cadbury Report in 1992 explains that corporate governance as "a system in which companies are directed and controlled". The supervisory function may be maximized and the authority of all parties in the company can be organized with GCG to limit the incidence of fraud perpetrated by various parties in the company for its own benefit (Andriana and Panggabean, 2017). Companies that have adopted corporate governance should have followed GCG principles by delivering timely, accurate, adequate, clear, and comparable information to stakeholders in line with their rights. GCG is a system that regulates and controls companies that create value added to stakeholders (Monks and Minow, 2011). It has the objective to enhance firm performance by supervising or monitoring management performance and ensuring that management is accountable to other stakeholders while still adhering to the appropriate laws and regulation framework. The copy regulation of the State Minister of State-Owned Enterprises Number: PER-01/MBU/2011 concerning the implementation of good corporate governance in state-owned enterprises has defined the principles of GCG, namely: transparency, accountability, responsibility, independency, and fairness.

Internal Control

Managers are responsible for creating a controlled environment in their organization as part of their resource management responsibilities thus managers must grasp the necessity of implementing and maintaining strong internal controls. According to Sawyer, Dittenhofer, and Scheiner (2005), internal control is a process influenced by management's, the board of commissioners', or other employees' activities and designed to provide reasonable assurance regarding the achievement of objectives in terms of (1) operational effectiveness and efficiency; (2) financial information reliability; and (3) compliance with applicable laws and regulations. Internal control ensures to achieve goals and objectives of the company in line with the Institute of Internal Auditors (IIA) in the Standards and Guidelines for The Professional Practice of Internal Auditing. Internal control must be integrated properly into the policy of business and procedure documents (SOP). Standard Operating Procedure (SOP) act as a guide for every organization, especially those with a broad scope, is a method of defining

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
under Volume: 6 Issue: 5 in May-2023 https://www.globalresearchnetwork.us/index.php/AJEBM

goals and criteria for the execution of control for each firm. The SOP will assist the firm in regulating its operational operations, including its operational costs. It is envisaged that there would be no deviations since all actions will be seen as a whole and compared to determine if they are according to company's goals and standards.

Company Performance

Evaluating company's performance is the goal to determine if the company's operations is successful or not. It is necessary to analyze the cumulative financial and economic impact of a choice and analyze it using comparative measures in order to evaluate a company's performance. One of the indicators of an organization's effectiveness and efficiency in achieving its objectives is its financial performance. Ikatan Akuntan Indonesia (2016) defines financial performance as the company's ability to manage and control its resources. Financial ratios can be used to assess company financial performance (Ross, Westerfield, and Jordan, 2003). One of the financial ratios is the profitability ratio that describes the company's ability to generate profit. Bank Indonesia Circular Letter Number 13/30/DPNP concerning the guidelines for calculation of financial ratio (profitability ratio) including ROA, ROE, BOPO and NIM.

1. Return On Assets (ROA)

   ROA ratio measures bank assets's ability to generate profits . The formula for calculating the ROA ratio is:

   $$ROA = \frac{\text{Net Profit}}{* \text{Average Total Assets}} \quad (1)$$

   *(beginning of year assets + end of year assets)/2

   The higher the ROA ratio, the better the bank's profitability ratio in terms of using its asset.

2. Return On Equity (ROE)

   ROE ratio measures equity/capital's ability to generate profits. The formula for calculating the ROE ratio is:

   $$ROE = \frac{\text{Net Profit}}{* \text{Equity/Capital}} \quad (2)$$

   *(Owners capital or paid-up capital by shareholders)

   The higher the ROE, the more effective and efficient the company in using its capital.

3. Operational Expenses towards Operational Revenue
(BOPO)

   BOPO ratio measures the ability to effectively manage operational expenditures. The formula for calculating BOPO is:

   $$BOPO = \frac{\text{Operating Expenses}}{\text{Operating Income}} \quad (3)$$

   The smaller the BOPO ratio, the more effective the company in managing their operational costs.

4. Net Interest Margin (NIM)

   NIM ratio measure the ability of productive assets to generate net interest income. The formula for calculating the NIM is:

   $$NIM = \frac{\text{Net interest income}}{\text{Earning Assets}} \quad (4)$$

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
under Volume: 6 Issue: 5 in May-2023 https://www.globalresearchnetwork.us/index.php/AJEBM

The higher the NIM ratio, the higher interest income on earning assets managed by the bank.

Previous Research

Mahrani and Soewarno (2018) determined the direct influence of the mechanism of good corporate governance (GCG) and corporate social responsibility (CSR) on financial performance as well as through earnings management as a mediating variable. The data used in this research are secondary data involving 102 companies listed on the Indonesian Stock Exchange for the period 2014. The data used in this study were analyzed using partial least square and carried out with the help of software WarpPLS 5.0. The results show that the mechanism of GCG and CSR has a positive effect on financial performance as well as the CSR on financial performance.

Napitupulu et al. (2020) conducted research at manufacturing companies listed on the Indonesia Stock Exchange, with a total sample of 52 companies determined by purposive sampling technique. Data are analyzed by using multiple regression analysis with statistical package for the social sciences (SPSS) tools. The findings show that the board of directors and independent commissioners have an influence on company performance, while audit committees and managerial ownership do not affect the company's performance. The company's performance is improved by the existence of an independent board of commissioners that provides guidance and direction as well as supervision to the company management. Meanwhile, the audit committee has no influence, because the audit committee is only responsible for assisting the board of commissioners in monitoring the financial reporting process by the management to improve the credibility of financial statements, and managerial ownership does not affect the company's performance because the number of management shares is quite low, because of which the management cannot influence the decisions taken at the general meeting of shareholders to improve the company's financial performance.

Odunko (2022) analysed the effect of internal control on firm performance: evidence from selected firms in Nigeria. The specific objectives are to determine the effect of cash control on firm performance in Nigeria, evaluate the effect of risk assessment on firm performance in Nigeria and to investigate the effect of inventory control on firm's performance in Nigeria. Secondary data that were sourced from the Nigeria Stock Exchange (NSE) Fact Book and Daily Official List for the study and the study adopted the Ex post facto research design. To employed econometric technique involving the Descriptive Statistics, correlation analysis and the Ordinary Least Square Regressions (OLS) for predicting the effect of internal control on firm performance: evidence from selected firms in Nigeria. The result of the Ordinary Least Squire showed that cash control, risk assessment and internal control has positive and significant effects firm performance in Nigeria. The study thus concludes that internal control has positive effect on firm performance in Nigeria and cash control has positive and significant effect on firm performance in Nigeria.

RESEARCH METHODS

In this exploratory study, four Indonesian state-owned banks, namely Bank Rakyat Indonesia (BRI), Bank Tabungan Negara (BTN), Bank Negara Indonesia (BNI), and Bank Mandiri were analyzed

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
under Volume: 6 Issue: 5 in May-2023 https://www.globalresearchnetwork.us/index.php/AJEBM

on their implementation of GCG, internal control, and banking performance. As for the CGG measurement parameter is the GCG formulation, internal control parameter is bank internal control system, and financial performance parameter is profitability ratios from the annual report of state-owned banks published in 2016-2020.

RESEARCH RESULTS AND DISCUSSION

Good Corporate Governance

The following GCG formulation is adopted from the annual report of each bank. BRI applies GCG principles in improving company value and performance:

1. Transparency: Bank features a arrangement to reveal vital data required by the partners; Bank unveils data in agreement with winning laws and controls counting the Bank's vision and mission, trade values and targets and procedures, money related condition, composition and compensation of the Board of Commissioners and Board of Executives, controlling shareholder, organizational structure, hazard administration, inside control framework, and usage of GCG and compliance; and The guideline of data divulgence does not diminish the commitment of Bank and Clients secret data in agreement with pertinent controls.
2. Accountability: Bank sets up long-term and short-term trade targets that are responsible to shareholders and partners; The Board of Commissioners and the Board of Chiefs yield the yearly report and money related responsibility within the GMS; Bank submits the report in agreement with the pertinent arrangements to the supervisory specialist of the Bank and other partners as appropriate; Bank should decide the obligations and duties of the Board of Commissioners, Board of Executives and corporate organs as well as their subordinates in line with the Bank's vision and mission; Bank guarantees on the accessibility of competencies of the Board of Commissioners and the Board of Executives as well as all levels underneath in agreement with their obligations and gets it their part in GCG usage; Bank guarantees on the accessibility of structures, frameworks and SOPs that can safeguarded the operation of check and adjust instrument in accomplishing the Bank's vision and mission; and Bank has an compelling inside control framework.
3. Responsibility: Bank follows to the standards of judiciousness and ensures the authorization of controls, articles of affiliation and inside directions of the Bank; Bank keeps up nature preservation through loaning arrangement and other approaches that back the characteristic assets conservation; and Bank acts as a great corporate citizen through social and natural duty.
4. Independency: Bank maintains a strategic distance from the dominance of any party, unaffected by certain interface, free of strife of intrigued and any impact or weight so as to act equitably; and Bank performs its capacities and obligations in understanding with the Articles of Affiliation, inside Bank rules and controls.
5. Equality and Fairness: Bank gives reasonable and rise to behavior to the partners in understanding with the advantage and commitment made to the Bank; and Bank gives openings for partners to supply input and pass on suppositions for the interface of the Bank and get to to data divulgence.

Bank Mandiri follows GCG principles in its corporate operations.

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
under Volume: 6 Issue: 5 in May-2023 https://www.globalresearchnetwork.us/index.php/AJEBM

1. Transparency: Company unveils data in a opportune, satisfactory, clear, exact and comparable way and can be gotten to by interested parties (partners); Company discloses information which consolidates but isn't limited to the vision, mission, commerce targets, company strategy, company's budgetary and non-financial conditions, the composition of the Board of Chiefs and the Board of Commissioners. Controlling shareholders, chance organization, supervisory and inward control systems, execution of compliance capacities, systems and utilization of corporate organization as well as texture data and realities which is able affect investors' choice; Company arrangements must be composed and communicated to partners who are entitled to get data approximately the arrangement; and The guideline of openness should still watch the arrangements of Company insider facts, position privileged insights and individual rights in understanding with pertinent directions.
2. Accountability: Company sets business goals and strategies to be accountable to stakeholders; Company establishes clear about tasks and responsibilities for each of the members of the Board of Commissioners and Board of Directors as well as all levels under them which are in line with values of the Company, the vision, mission, business objectives and strategies of the Company; Company must ensure that each member of the Board of Commissioners and the Board of Directors as well as all levels below them has the competence in accordance with their responsibilities and understands their role in the implementation of corporate governance; Company establishes a check and balance system in the management of the Company; Company has performance measures for all of the Company's ranks based on agreed measurements that are consistent with the corporate value (Core Values); and Company's business goals and strategies and has a rewards and punishment system.
3. Responsibility: Company adheres to the principles of prudence (prudential banking practices) and ensures compliance with applicable regulations; and Company as a good corporate citizen cares about the environment and carries out social responsibility appropriately
4. Independency: Company dodges unnatural mastery by any partner and isn't affected by one-sided interface and is free from clashes of intrigued; and Company makes choices equitably and is free from any weight from any party
5. Fairness: Company pays consideration to the interface of all partners based on the standards of correspondence and decency (rise to treatment); and Company gives openings for all partners to supply input and express suppositions for the interface of the Company and open get to to data in agreement with the guideline of openness.

BNI believes that if the Bank follows Good Corporate Governance (GCG) principles consistently, properly, and accurately, good performance may be sustained over time and different business opportunities can be achieved. As a result, GCG implementation is more than simply about meeting responsibilities; it is also about maintaining the Bank's management's openness and responsibility to the public. BNI is dedicated to upholding high standards when it comes to the application of GCG principles.

1. Transparency: Bank uncovers data in a convenient, satisfactory, clear, precise and comparable way and can be gotten to by partners concurring to their rights; Bank unveils data which incorporates but isn't constrained to the vision, mission, trade destinations, Bank technique, money related condition, composition and stipend for the administration, Controlling Shareholders, official officers, hazard

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
under Volume: 6 Issue: 5 in May-2023 https://www.globalresearchnetwork.us/index.php/AJEBM

administration, inner supervision and control frameworks, compliance status, frameworks and usage of great corporate administration as well as fabric data and actualities that can impact investors' choices; and The rule of openness should watch arrangements on bank mystery, position insider facts and individual rights in agreement with appropriate directions; and Bank approaches must be composed and communicated to partners and those entitled to get data approximately the arrangement.

2. Accountability: Bank sets commerce objectives and methodologies responsible to partners; Bank builds up a check and adjust framework within the administration of the Bank; Bank has execution measures of all organizational organs based on concurred estimations and in line with the Company's values (Corporate Culture Values), the Bank's commerce objectives and techniques and features a rewards and discipline framework; and Bank must ensure that all of the Bank's organizational organs are competent in accordance with their responsibilities and understand their role in implementing good corporate governance
3. Responsibility: Bank follows to the prudential bank hones and guarantees compliance with pertinent controls; and Bank as a great corporate citizen cares approximately the environment and carries out social duty reasonably
4. Independency: Bank dodges inappropriate mastery by any partner and should not be influenced by one-sided interface and should be free from strife of intrigued; and Bank makes decisions objectively and shall be free from any pressure from any party
5. Fairness: Bank takes into account the interests of all stakeholders the principles of equality and fairness (equal treatment); and Bank provides opportunities for all stakeholders to provide input and convey opinions for the Bank's interests as well as open access to information in accordance with the principle of openness.

BTN adheres to Good Corporate Governance (GCG) principles to fulfill its responsibilities and as a requirement for maintaining openness and accountability in the management of the firm to all shareholders and other stakeholders (Table 7). BTN understands that a company's business continuity is determined not only by its financial performance and increasing profits, but also by its internal management.

1. Transparency: Company unveils data that incorporates but isn't restricted to the vision, mission, commerce objectives, technique, budgetary and nonfinancial conditions, composition of the Board of Executives and the Board of Commissioners, controlling shareholders, hazard administration, supervision and inside control framework, usage of compliance work, framework and usage of corporate administration, as well as fabric actualities and data that can impact shareholders' choices; Company's approaches are organized in writting and communicated to the entitled partners; The straightforwardness guideline takes under consideration the arrangements of the Company's Code of Conduct, secrecy of position and individual rights in understanding with pertinent controls; and Use of the website for transparency to public by referring to the Asean Corporate Governance Scorecard.
2. Accountability The targets set by the Company are portion of the responsibility to partners.
   The Company employments chance administration and inner review strategies and open reviewers

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
under Volume: 6 Issue: 5 in May-2023 https://www.globalresearchnetwork.us/index.php/AJEBM

in administration and supervision; Company sets execution measures for all positions with measures that are reliably concurred upon along side the Company's Corporate Culture Values called "AKHLAK"; and Company emphasizes the significance of anti-corruption culture, which is socialized to all partners. One of them is an exertion to coordinate with the Debasement Destruction Commission (KPK).

3. Responsibility: Company sets a clear definition of commitments and commitments of each organ in line with the Company's vision, mission, values, exchange objectives and strategy; Company follows to the rule of prudential keeping money hones and guarantees compliance with pertinent directions; and Company as a good corporate citizen develops environmental awareness and carries out social responsibilities appropriately
4. Independency: Company includes a number of compliance devices that are connected with the point of giving sensible limits to any out of line mastery by any partner and struggle of intrigued
5. Fairness: Company gives openings for all partners to supply inputs and express conclusions for the interface of the Company and make accessible get to to data in agreement with the guideline of straightforwardness.

GCG has been shown to have a beneficial influence on BUMN's performance when implemented consistently. Such recognitions come from the Asean Corporate Governance Scorecard (ACGS), The Indonesia Institute for Corporate Governance, the ASEAN Corporate Governance Scorecard (ACGS) standard, Corporate Governance Perception Index (CGPI), the GRC (Governance, Risk & Compliance) & Performance Excellence Award. The success of implementing GCG in bank operational operations is supported by the recognition and achievements awarded to BRI, Mandiri, BNI, and BTN. BUMN demonstrated that the GCG mechanism should be implemented or properly functioning in the company in order to increase investor confidence and bank performance.

Internal Control

Table 1: Internal Control

BUMN	Description
BRI	BRI follows an international standard set by The Treadway Commission's Committee of Sponsoring Organizations (COSO).
Bank Mandiri	Bank Mandiri's internal control consists of eight components that are interconnected and referred to the COSO Model. It consists of: 1. Internal Environment 2. Objective Setting 3. Event Identification 4. Risk Assessment 5. Risk Response 6. Control Activities 7. Information & Communication 8. Monitoring
BNI	BNI refers to COSO framework for internal control system guidelines covering 5 (five) key interrelated elements in the Bank's internal control system including: 1. Management supervision and control culture Risk 2.

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
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	Risk identification and assessment 3. Control activities and separation of functions 4. Accounting, information and communication systems 5. Monitoring activities and deviations/weaknesses correction actions BTN's internal control framework referred to COSO framework.
BTN	BTN's internal control framework referred to COSO framework.

Source: Data Process of Field Survey, 2023

According to the 2020 assessment, BRI and BNI has adequate internal control systems although improvements are needed, Bank Mandiri has a fairly good internal control system, and BTN performed good quality of internal control system.

Internal control is a monitoring mechanism established on an ongoing basis and implemented at every level of the organization. An effective internal control is important bank management and as the basis for healthy and safe bank operations. BRI, Mandiri, BNI, and BTN referred to the Committee of the Sponsoring Organizations of the Treadway Commission (COSO) in establishing internal control framework. The evaluations of internal control according to COSO model are:

1. Control Environment. Based on observations, the control environment in BUMN can be said to have been running effectively. This is evidenced by the company's Standard Operating Procedure (SOP) related to the company's internal control. SOP is a force in the company's internal control system as a guideline regarding business processes. The division of tasks and authorities in this division has also been good in accordance with the organizational structure as outlined in writing. So that there are responsibilities and authorities of each in carrying out their duties in each division. The division of tasks is good to ensure that each section knows and carries out its duties properly, so that good cooperation can be established between sections. The company also tries to provide training to employees in advance to know more about their duties.
2. Risk Assessment. A related risk assessment is the costs incurred by the company are not comparable to that produced.
3. Control Activities. Policies and procedures for control activities are:
   - Performance Review. Companies that require employees to meet the criteria set by the company. The company also always strives to motivate and encourage employees to adapt to changes. For example, there is adequate training before carrying out their duties demand employees to follow the company's standards. Employees are also constantly motivated and encouraged to adapt to changes by the firm. For example, prior to performing their tasks, they receive appropriate training.
   - Segregation of Duties. In carrying out their duties, each employee in this area division has a proper division of authority and responsibility for each employee in the company, so that each division clearly knows what their duties are and to whom they must be responsible. This is good for improving work efficiency and effectiveness in carrying out the company's operational activities
   - Application Control. Every document that will be inputted always includes a Document Inspection Checklist, where the Checklist includes a serial number making it easier for employees to input data.

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
under Volume: 6 Issue: 5 in May-2023 https://www.globalresearchnetwork.us/index.php/AJEBM

- General Control. Having physical control over property and records also serves to reduce the possibility of error and embezzlement.

4. Information and Communication. This component is an important part of the management process, as well as information and communication in BUMN that are interrelated. For example, when inputting source documents into the system is less accurate and an error occurs, the output issued in the form of a report is less accurate. And this will hinder the process to the next division. However, based on the available information, inaccurate data should rarely occur because before the document is input, a review of the source document is carried out and the system used has been applied properly, so that the report (output) issued is a truly valid report.
5. Monitoring. Monitoring is the process of assessing the internal control structure over time. Monitoring of the internal control structure is carried out directly by the supervisor in each division, who has the authority to give approval to activities and documents that will be sent every day. However, structurally there is also an independent party, namely an internal auditor whose task is to conduct centralized monitoring at the head office.

Company Performance

Table 6: Profitability Ratio

Description	2016	2017	2018	2019	2020
BRI					
ROA	3.84%	3.69%	3.68%	3.50%	1.98%
ROE	23.08%	20.03%	20.49%	19.41%	11.05%
BOPO	68.93%	69.14%	68.48%	70.10%	81.22%
NIM	8.00%	7.93%	7.45%	6.98%	6.00%
Mandiri					
ROA	1.95%	2.72%	3.17%	3.03%	1.64%
ROE	11.12%	14.53%	16.23%	15.08%	9.36%
BOPO	80.94%	71.17%	66.48%	67.44%	80.03%
NIM	6.29%	5.63%	5.52%	5.46%	4.48%
BNI					
ROA	2.7%	2.7%	2.8%	2.4%	0.5%
ROE	15.5%	15.6%	16.1%	14.0%	2.9%
BOPO	73.6%	71.0%	70.2%	73.2%	93.3%
NIM	6.2%	5.5%	5.3%	4.9%	4.5%
BTN					
ROA	1.76%	1.71%	1.34%	0.13%	0.69%
ROE	18.35%	18.11%	14.89%	1.0%	10.02%
BOPO	82.48%	82.06%	85.58%	98.12%	91.61%
NIM	4.98%	4.76%	4.32%	3.32%	3.06%

Source: Same as Table 1

ROA, ROE, and NIM ratios were decreased from 2016 to 2020. BOPO ratio was increased, despite a slight decreased in 2018. It demonstrates that BRI's ability to manage assets, equity, and

ISSN 2576-5973 (online), Published by "Global Research Network LLC"
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productive assets to generate profits or interest income has decreased, as well as its ability to manage operating costs has not been optimal or reducing operational expenses.

ROA and ROE ratios was increased from 2016 to 2018 and was decreased in 2019 and 2020. BOPO ratio was decreased from 2016 to 2019 and was increased from 2019-2020. NIM ratio was decreased from year to year (2016-2020). It demonstrates that Bank Mandiri's ability to manage assets and equity in order to generate profits is still inadequate, managing productive assets to generate interest income is not properly done, and that interest income continues to decline from year to year. It also demonstrates that Bank Mandiri's ability to manage operational costs is inadequate when compared to its ability to increase operating income.

ROA and ROE ratios remained stable from 2016 to 2017, a slight increase in 2018 and was declined in 2019 and 2020. BOPO ratio was decreased from 2016 to 2018 and was increased in 2019 -2020. NIM ratio was decreased year after year from 2016 to 2020. It demonstrates the lack of BNI's ability in producing interest income and bank's ability to reduce operating expenses and maximize revenue not yet optimal.

ROA, ROE, and NIM ratios were decreased from 2016 to 2020. BOPO ratio was increased from 2016 to 2020 with a slight decreased in 2017. It demonstrates that BTN's ability to manage assets, equity, and productive assets to generate profits or interest income is decreasing, and that BTN's operating expenses are not being managed optimally.

State-owned enterprises (BUMN) play an important role in assisting government initiatives in achieving independence, prosperity, sustainability, equity, and equality. BUMN recognizes GCG implementation is important to lay the foundation for achieving vision and purpose, ensuring company sustainability and providing value-added to stakeholders. Good corporate governance helps to retain investor confidence which may assist to help finance growth, as well as assure firm success and economic growth. As a result, good corporate governance rules must be implemented.

The adoption of corporate governance principles that are supported by good legislation is intended to avoid different types of financial statement fraud and improve the company's performance. Furthermore, because various components apply GCG principles, the extent to which those BUMN carrying out GCG would reflect on the financial performance. It will lead to improved financial performance and long-term advantages, such as increased net profit and a better and healthier firm. The adoption of GCG principles has been found to have an impact on rural banks' financial performance (Widiatmika and Darma, 2018).

CONCLUSIONS

Companies employ Good Corporate Governance (GCG) and internal control to enhance net profits by taking into consideration stakeholders's interest. Previous research found that GCG and internal control impact on firm performance, despite the fact that the profitability ratio or financial performance in this study shows that it is not always the case. GCG can encourage organizational management to be more democratic as a result of the involvement of many interests, more accountable as a result of a system that holds everyone accountable for their actions, more transparent, more responsible as a result of the responsibility to follow laws and regulations, and more equitably as the

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consequence of responsibility to fulfill the rights of stakeholders. Good internal controls ensure the company to accomplish goals and objectives, to comply with applicable laws and regulations, to prepare financial statements both timely and accurately. This study contributes to the enrichment of studies on good corporate governance, internal control, and firm performance. In regard to limitation of study, it is limited on the sample study of BUMN financial sector. Future research can address the relationship of good corporate governance, internal control, and firm performance on a broader sample.

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