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Analysis Of The Implementation Of The Principles Of *Good Corporate Governance* On Public Perception And Financial Performance At The Regional Drinking Water Company (PDAM) Of Palopo City

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Abstract

Good Corporate Governance (GCG) is a company's effort to create a conducive relationship between stakeholders, so that it becomes more focused and clearer in the division of duties, responsibilities and supervision. Good Corporate Governance (GCG) has an impact on company performance. Company performance is the value generated by the company in a certain period with reference to certain standards. Good company performance is seen in the company's financial performance. Corporate Financial Performance is also called a determination that measures the good and bad of the company in work performance and can be seen from its financial condition in a certain period. The method used in this research is a balanced qualitative and quantitative mixed approach (Concurrent Triangulation), using a case study approach. The sampling technique used purposive sampling and the number of samples of this study were 36 PDAM employees and 50 people. The results showed that the implementation of the principles of Good Corporate Governance (GCG) at PDAM palopo city is very good, public perception of PDAM palopo city is good, Financial Performance at PDAM palopo city from 2010-2014 has decreased significantly in terms of profitability, and Good Corporate Governance (GCG) has a low positive relationship before the implementation of the principles of Good Corporate Governance (GCG). and after the implementation of Good Corporate Governance (GCG).

INTRODUCTION

In 1998, *Good Corporate Governance* (GCG) was introduced by the Government of Indonesia and the IMF in the context of post-crisis recovery. The demand for the implementation of *Good Corporate Governance* (GCG) in companies and business institutions is an important issue. The implementation of *Good Corporate Governance* (GCG) also makes company management more focused and clearer in the division of duties, responsibilities, and supervision (Achmad Fajaruddin 2014).

The implementation of *Good Corporate Governance* in State-Owned Enterprises (BUMN) based on the Regulation of the Minister of State-Owned Enterprises Number PER-01 / MB / 2011 dated August 01 concerning the implementation of *Good Corporate Governance* in State-Owned Enterprises must be based on five basic principles. First, transparency, namely openness in carrying out the decision-making process and openness in disclosing material and relevant information about the company. Second, accountability, namely the clarity of functions, implementation and accountability of the Organ so that the management of the company is carried out effectively. Third, responsibility (responbility), namely suitability in managing the company against laws and regulations and sound corporate principles. Fourth, independence, namely a situation where the company is managed professionally without conflict of interest and influence / pressure from any party that is not in accordance with laws and regulations and sound corporate principles. Fifth, fairness, namely justice and equality in fulfilling the rights of stakeholders arising based on agreements and laws and regulations (Nungky Wanodyatama Islami 2015).

The existence of Regional-Owned Enterprises (BUMDs) as business institutions owned and managed by local governments has a strategic role in regional development. The existence of BUMDs is believed to have a major impact on the community's economy, especially in the regions. BUMD has the task of managing a business that has the prospect of profit, with these profits becoming regional income and being used to finance regional development (Yessi Amanda Sari 2014).

Understanding the principles of corporate governance has been used as a reference in achieving sustainable company performance and still paying attention to the community environment. The application of the principles of *Good Corporate Governance* in a company will have a direct impact on the surrounding environment. The implementation of *Good Corporate Governance* can be in line with the public's perception of the company so that what is the purpose and utilization of the company can be achieved (Nugroho 2014).

The company's financial performance can measure the good and bad of the company in its work performance, it can be seen from its financial condition in a certain period. Financial conditions are analyzed with financial analysis tools. Measurement of financial performance in the company is carried out to determine whether the results achieved are in accordance with planning. With the increase in the company's financial performance, it means that the company can achieve the objectives of the company's establishment. In measuring the company's financial performance can use Net Profit Margin (NPM), Return On Asset (ROA) and Return On Equity (ROE) (Monisa 2012).

Factors that affect financial performance are Good Corporate Governance (GCG). The principle of Good Corporate Governance (GCG) basically has the aim of providing progress on the financial performance of a company. The better corporate governance a company has, the better the performance of the company is expected (Monisa 2012). Good Corporate Governance (GCG) is expected to not only focus on providing benefits for company management and employees, but also for stakeholders, consumers, suppliers, government, and the community environment related to the company. In addition, GCG will also encourage the formation of transparent, clean, and professional management work patterns (Arif 2009).

As one of the pillars of the market economy system, Good Corporate Governance is related to trust in companies, a healthy competitive climate and a conducive business climate. The implementation of Good Corporate

Governance (GCG) can encourage sustainable economic growth and stability. Companies are competing to become competitive companies so that they can improve their performance.

One of the companies that implement Good Corporate Governance (GCG) is the Regional Drinking Water Company (PDAM) in Palopo City. The beginning of the implementation of Good Corporate Governance (GCG) at PDAM was in 2012, a government regulation for every company in the city of Palopo to implement Good Corporate Governance in BUMD companies. The implementation of PDAM Good Corporate Governance (GCG) is realized through the application of the principles of Good Corporate Governance (GCG). Regional Drinking Water Company (PDAM) is one of the State-Owned Enterprises found in every province, district and city throughout Indonesia. PDAM is a regional company as a means of providing clean water that is supervised and monitored by the local government. The PDAM as a regional company is given the responsibility to develop and manage a clean water supply system and serve all consumer groups at affordable prices. In addition, the PDAM is responsible for day-to-day operations, activity planning, project preparation and implementation, and negotiating with the private sector to develop services to the community.

Based on the background of the above problems, the authors are interested in knowing and studying about regionally owned companies engaged in service services related to company profitability "Analysis of the implementation of the principles of Good Corporate Governance on public perceptions and financial performance at the Palopo City Regional Drinking Water Company (PDAM)".

METHOD

This research uses a balanced qualitative and quantitative mixed approach (Concurrent Triangulation), using a case study approach. The object of research at PDAM Jln. Pongsimpin-Latuppa No.22, Palopo City. The data sources in this study used primary and secondary data. The sampling technique used in this study was purposive sampling. The number of samples in this study were 36 PDAM employees and 50 people for the Murante sub-district, where the entire community was divided into 8 RW. Data collection techniques using interviews, observations, triangulation, questionnaires. Data analysis techniques using qualitative and quantitative analysis techniques. In qualitative data analysis is inductive, namely an analysis based on the data obtained, then developed into a hypothesis. Then in Quantitative data analysis using statistics, namely descriptive statistics, and inferential / inductive statistics.

RESULT AND DISCUSSION

An Overview Of Pre And Post GCG Implementation In PDAM Palopo City

The application of the principles of Good Corporate Governance at PDAM Palopo City only refers to the Regulation of the Minister of State-Owned Enterprises Number PER-01 / MB / 2011 dated August 01, because PDAM is a regionally owned company or BUMD and there is no basis for applying the principles of Good Corporate Governance issued by the local government, but the implementation is the same as the provisions issued by the Ministry of BUMN because as a company that has good governance it must apply the principles of transparency, accountability, responsibility, independence, fairness.

In the situation before the implementation of GCG principles, namely in 2010-2012 the company had not fully implemented it, such as meetings in each division in recording the results of work meetings that were not carried out and divisional meetings that were not scheduled, only the minutes of the meeting. In contrast to after the application of GCG principles, namely in 2012-2014, where the GCG principles were almost fully implemented. One form of GCG implementation that is running is the existence of published financial reports and social responsibility that has been applied before, such as preserving the environment and nature.

Perception of the surrounding community towards PDAM Palopo City

Table

Criteria for the value of the perception of the surrounding community towards PDAM Palopo City

NO.	ALTERNATIVE ANSWER	FREKUENSI	%
1.	SANGAT BAIK	238	31,73
2.	BAIK	377	50,27
3.	CUKUP BAIK	130	17,33
4.	BURUK	5	0,67
5.	SANGAT BURUK	0	0
JUMLAH		**750**	**100**

From the data it can be concluded that the public perception of PDAM Palopo City is classified as good with a total of 50.27%. The community has had a good perception of the PDAM because the production process, the impact of the existence of PDAM (social, economic, environmental) and customer satisfaction with PDAM services so far can be categorized as good.

Financial Performance

To find out how the description of financial performance at PDAM Palopo City, the authors present it in tabular form as follows:

Table 2
Financial statements of PDAM Palopo City with the calculation of Profitability Ratio (Period 2010-2014)

TAHUN	NPM	ROA	ROE
2010	10,77 %	8,70 %	34,82 %
2011	6,50 %	5,24 %	12,10 %
2012	8,82 %	5,52 %	8,94 %
2013	3,38 %	17,91 %	2,51 %
2014	3,46 %	1,76 %	2,31 %

From the data table above, it can be seen that there is a very significant decrease every year regarding financial performance with the calculation of profitability ratios, in obtaining profits and the efficiency of the company using assets or capital owned is very low, it can be seen from the Net profit margin (NPM) in 2010 is very high due to the profit in the company is greater than operating income and there is a very significant decrease until 2014 due to the profit earned by the company is very small compared to operating income.

Likewise, Return on equity or the company's level of efficiency in managing its equity to produce the company's net profit which has decreased every year due to the percentage of the company's net profit is very small while the equity (Government capital and PDAM capital) is greater. Return on assets or the company's ability to earn profits by utilizing assets owned there is a significant increase from 2010 to 2013 due to the activation of the bambalu mega project so that in 2013 there was an increase of 17.91%. Financial performance at PDAM Palopo City from 2010 to 2014 decreased so that the success rate of PDAM from the financial aspect has a value of 45 (Less).

The relationship between the implementation of *Good Corporate Governance* (GCG) and the financial performance of PDAM Palopo City

Table 3

Spearman Rank Analysis Test Results and Kendall Tau

Correlations				
			SEBELUM_GCG	SESUDAH_GCG
Kendall's tau_b	SEBELUM_GCG	Correlation Coefficient	1.000	.169
		Sig. (1-tailed)	.	.079
		N	36	36
	SESUDAH_GCG	Correlation Coefficient	.169	1.000
		Sig. (1-tailed)	.079	.
		N	36	36
Spearman's rho	SEBELUM_GCG	Correlation Coefficient	1.000	.232
		Sig. (1-tailed)	.	.087
		N	36	36
	SESUDAH_GCG	Correlation Coefficient	.232	1.000
		Sig. (1-tailed)	.087	.

		N	36	36

From the results of the table above, it is known that the magnitude of the correlation between before the implementation of Good Corporate Governance (GCG) and after the implementation of Good Corporate Governance (GCG) is 0.169 (Kendall's tau correlation) and 0.232 (Spearman rho correlation). The two correlations above produce a low positive correlation between before the implementation of the principles of Good Corporate Governance (GCG) and after the implementation of the principles of Good Corporate Governance (GCG) at PDAM Palopo City. In this case before and after the application of Good Corporate Governance (GCG) which has a positive relationship and has a low change from before the application of the principles of Good Corporate Governance (GCG) to after the application of the principles of Good Corporate Governance (GCG).

The relationship between the implementation of Good Corporate Governance on financial performance is not in line with the application of the principles of Good Corporate Governance (GCG), due to the problems faced by the company. The implementation of the principles of Good Corporate Governance (GCG) at PDAM Palopo City has a role in terms of strengthening administration, so that the impact on financial performance in terms of profitability is only small. Based on the data obtained, only Return on Asset has increased in line with the application of the principles of Good Corporate Governance (GCG) but only lasted 2 years from after the application of the principles of Good Corporate Governance (GCG) and decreased again in the following year.

CONCLUSION

Based on the results of the analysis that has been carried out, it can be concluded that: *First*, The condition of PDAM in 2010 to 2012 Palopo City before the implementation of the principles of *Good Corporate Governance* was going well because almost all the principles of *Good Corporate Governance* (GCG) were applied in the company even though there were no regulations from the local government governing *Good Corporate Governance* (GCG) Whereas in 2012 to 2014 after the implementation of the principles of *Good Corporate Governance* (GCG), the condition of PDAM was very good because all the principles of *Good Corporate Governance* (GCG) were applied and had a direct impact on company administration, such as recording and scheduling every meeting in each division and the quality of human resources owned by the company was getting better. *Second*, Public perception of PDAM Palopo City is classified as good with a total of 50.27%. From the data, it is known that the community has had a good perception of the PDAM because the production process, paying attention to impacts (social, economic, environmental) and customer satisfaction with PDAM services have been carried out well.

Third, Financial Performance at PDAM Palopo City from 2010-2014 has decreased significantly in terms of profitability and can be said to be poor financial performance at PDAM, where the NPM indicator has decreased in 2010 by 10.77% while in 2014 by 3.46%, the cause is the cost of raw materials, overhead, and labor costs are very high so that revenue is greater than the profit earned by the company. The ROE indicator has a very significant decrease, where the percentage in 2010 amounted to 34.82% while in 2012 it was only 2.31% due to the profit earned by the company being very small compared to the company's equity. While the ROA indicator has increased in 2013 by 17.91% due to the activation of the bambalu mega project so that the profit earned from asset management is very high.

Fourth, In terms of the application of *Good Corporate Governance* (GCG), there is a low positive relationship before the application of the principles of *Good*

Corporate Governance (GCG) to after the application of *Good Corporate Governance* (GCG) in terms of management both in terms of company administration and programs planned by the company, financial performance has not increased after the application of *Good Corporate Governance* (GCG) and only good ROA indicators have increased compared to before the application of GCG. So it can be concluded that the implementation of GCG only strengthens in the administration of the company and does not have a strong relationship with the financial performance of PDAM Palopo City.

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