

## **EFFECT OF GOOD CORPORATE GOVERNANCE ON SALES GROWTH AT “KSU BROSEM” BATU CITY**

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**Abstract.** A company needs better corporate governance to survive for long-term growth and survival. Therefore, implementing Good Corporate Governance can support the company's development, especially in KSU BROSEM. The research was conducted at KSU BROSEM Batu City with a purposive sampling method. This type of data uses primary data from interviews from various sources, including managers, heads of finance, and heads of divisions. Data analysis was carried out through three stages: data reduction, data presentation, and conclusions, which were then assessed using a likert scale score. The results obtained from the implementation of GCG at KSU BROSEM Batu City are included in the excellent category, where the average value obtained is 3.66. The application starts from transparency (transparency), accountability (accountability), responsibility (responsibility), independence (independence), and fairness (fairness or equality). Recommendations that can be given are to improve the performance of KSU BROSEM by paying more attention to aspects that can affect the development of KSU BROSEM in the future.

**Keywords:** Company, Good Corporate Governance, KSU BROSEM.

### **INTRODUCTION**

Corporate governance is a broad term that describes the processes, customs, policies, laws, and institutions that direct organizations and companies in how they act, manage and control their operations (Putri et al., 2021). This governance achieves organizational goals and manages relationships between stakeholders, including the board of directors and shareholders (Setiawati & Sari, 2022). It also deals with individual accountability through mechanisms that reduce principal-agent problems in organizations. Good corporate governance is an essential standard for building the conspicuous investment environment competitive companies need to gain a strong position in efficient financial markets (Damayanti et al., 2020). Good governance is the basis for establishing the company's policies used to make decisions. Good corporate governance will have a positive impact on company performance which will increase company value. Corporate governance is an essential factor for corporate value as a control tool to maintain a balance between obligations and rights for shareholders, managers, creditors, government, employees, and stakeholders (Jo & Harjoto, 2011). Good corporate governance can protect the interests of shareholders and creditors as owners of external funds to obtain a fair, appropriate, efficient return on investment and ensure that management pays close attention to the interests of the company (Noviarti & Stefhani, 2022).

The creation of Good Corporate Governance (GCG) in the organization is one of the elaborations of the implementation of organizational risk management mechanisms through a system designed to identify and analyze risks that may occur, both those arising from external factors and internal factors that have the potential to hinder (Budiarti, 2011). According to KNKG (2006), the general guidelines for good corporate governance are that it requires companies whose shares have been listed on the stock exchange, state companies, regional companies, companies that collect and manage public funds, and companies whose products or services are used by the wider community, as well as companies that have a broad impact on environmental sustainability. It is hoped that the company will

be the pioneer in implementing these GCG guidelines (Budiarti, 2011). Implementing Good Corporate Governance is needed to maintain a company's survival. This implementation is based on five principles, including transparency, accountability, responsibility, independence, and fairness. However, not all companies carry out the principles of Corporate Governance well. Therefore, good Corporate Governance (GCG) is needed to encourage the creation of an efficient, transparent, and consistent market with laws and regulations (KNKG, 2006).

The implementation of GCG needs to be supported by three interconnected pillars: the state and its apparatus as regulators, the business world as market players, and the public as users of business products and services. Meanwhile, every company must also ensure that the principles of GCG are applied to. Meanwhile, every company must also ensure that the principles of GCG are applied to every aspect of the business at all levels. Furthermore, the principles of GCG, namely transparency, accountability, responsibility, independence, fairness, and equality, are needed to achieve business continuity (sustainability) by paying attention to stakeholders. The phenomenon of good corporate governance is so important, so this study refers to the implementation of good corporate governance at KSU BROSEM Batu City, which as a Multipurpose Cooperative has implemented the principles of good corporate governance overall. One example of applying the principles of good corporate governance is whether the decision-making process is transparent, financial reports are presented on time and audited, whether employee salaries are by the UMK and whether suppliers have been treated fairly and reasonably. Therefore, companies need better corporate governance for long-term growth and survival (Sari & Sukmasari, 2018). Good corporate governance can occur in organizations by balancing ownership and control and also among the interests of the company's stakeholders (Khamisah et al., 2020).

## **METHODS**

**Table 1.** Instruments of GCG Measurement Indicators

No	GCG Indicators (Good Corporate Governance Instruments)
1	Transparency <ul style="list-style-type: none"> <li>a. Transparent decision-making process</li> <li>b. Appointment of managers or staff is transparent</li> <li>c. Regular meetings between management</li> <li>d. Regular meetings between management and managers</li> <li>e. Manager meets with unit head and staff</li> <li>f. Meeting results are documented and disseminated</li> <li>g. The results of the meeting were not followed up.</li> </ul>
2	Accountability <ul style="list-style-type: none"> <li>a. Financial reports submitted on time</li> <li>b. Preparation of financial statements using the Accounting Information System</li> <li>c. Internal audit of financial reports</li> <li>d. Organ D'internal audit</li> <li>e. D 'externe audit des rapports financiers.</li> </ul>
3	Responsibilities include the following: <ul style="list-style-type: none"> <li>a. Make a strategic plan</li> <li>b. An internal environmental protection program</li> <li>c. Corporate Social Responsibility (CSR) Program</li> <li>d. Environmental and waste management program.</li> </ul>
4	Independence <ul style="list-style-type: none"> <li>a. Intervention management</li> <li>b. Professional management</li> <li>c. Organs that work effectively and with full accountability</li> <li>d. Financial independence or financial stability</li> <li>e. The ability of members to make a lot of money.</li> </ul>
5	Justice <ul style="list-style-type: none"> <li>a. Satisfaction of external parties (business partners) fair and just rights</li> <li>b. Reasonable price policy</li> <li>c. Compliance with all that applies</li> <li>d. Fair and fair internal party rights (salary) satisfaction.</li> </ul>

Source: Primary Data, 2022

The research was conducted at KSU BROSEM Batu City. The sample was selected by the purposive sampling method. The purposive side is a sampling technique with certain considerations (Sugiyono, 2015). Primary data sources are derived from the results of interviews from various sources. Researchers use this technique to ensure that the selected informants are truly appropriate and appropriate to the research needs, including managers, heads of finance, and heads of divisions. There are three stages in analyzing data: data reduction, data presentation, and conclusions. Assessment of the questionnaire using a likert scale score. The value on the likert scale is the variable to be measured and translated into variable indicators and used as a starting point for compiling instrument items (Sugiyono, 2015). The criteria for the likert scale score used in this study include 3.5 - 4 (good); 3.5 - 2.75 (enough); 2.75 - 1.75 (less) 3; and < 1.75 (not good).

## **RESULT AND DISCUSSION**

### **3.1 KSU BROSEM Profile**

Multipurpose Cooperative (KSU) BROSEM is a small industrial business using apples as the primary ingredient. This business defines its company as a Multipurpose Cooperative (KSU) because the residents own this business. The results are for the benefit of the residents, where the funds used to come from the community to strengthen capital. BROSEM is an abbreviation of Bromo Semeru, established on January 14, 2004. The origin of BROSEM's product was apple jenang. Every week, BROSEM Multipurpose Cooperative (KSU) produces three kinds of jenang, namely soursop jenang, apple, and carrot. In August 2004, it began to make developments by adding products, namely apple cider drinks, whose production process was carried out once a week. After producing for a year, this business did not develop, so the funds were reduced and even almost exhausted, due to the use of jenang experiments so that the quality and taste of the jenang produced improved. pple jenang has a relatively vulnerable shelf life or short storage time, so the production process of apple jenang begins to decrease and focuses more on producing apple cider drinks. Apple cider drink became the flagship product of the Multipurpose Cooperative (KSU) BROSEM. It started to do online marketing, adding it to souvenir outlets in Batu and Malang, outlets of the Multipurpose Business Cooperative (KSU) BROSEM, and up to now, it has been known and recognized. Widespread in East Java and even outside Java, such as Kalimantan and NTB.

The Multipurpose Business Cooperative (KSU) BROSEM has several awards, namely UKM AWARD East Java for packaged drinks; November 2013 won 1st place, 1st place for achievements in developing food security at the East Java province level in 2007 in the category of community groups, 2nd place in the activity " "Processed Products" in 2006 and Indonesia CSR AWARD 2011 (platinum) on community empowerment. In addition, multipurpose Cooperative (KSU) BROSEM also has several certifications, namely Industrial Registration Certificate (TDI) No. 530/118/442.209/TDI/2004, BROSEM Multipurpose Cooperative Legal Entity No.518/56/BH/XVI.38/422.402/ 2006, Home Industry Food Production P-IRT No.2133579020075-19 (apple cider), HALAL Certificate from MUI-JATIM No.07100005571107, HACCP Certificate (Food and Beverage Safety), KAN (National Accreditation Committee), and ISO 9001 Certificate:2008.

### **3.2 Implementation of GCG KSU BROSEM**

Based on Ministerial Decree number: KEP-117/M-MBU/2002. The principles of Good Corporate Governance are transparency, accountability, responsibility, independence, and fairness. These principles are described in Table 2.

**Table 2.** Implementation of GCG KSU BROSEM

<b>No</b>	<b>GCG Principle</b>	<b>Score</b>
1	Transparency	3,7
2	Accountability	3,4
3	Responsibilities	3,3
4	Independence	4
5	Fairness	3,9
<b>Amount</b>		<b>18,3</b>
<b>Average</b>		<b>3,66</b>

Source: Primary Data, 2022

In Table 2, it can be explained that the implementation of GCG at KSU BROSEM Batu Malang, with an average of 3.66, can be said to be good. The performance of the five principles of GCG at KSU BROSEM Batu can be explained as follows:

### **3.2.1 Transparency**

Transparency is the disclosure of information in decision-making and in disclosing material and relevant information about the company. Implementing information disclosure (Transparency) at KSU BROSEM Batu has improved with an indicator of 3.7. This is indicated by tiered and periodic meetings, starting with a meeting between the Management and the Management the Supervisor. With regular tiered conferences, there is transparency in the decision-making process. Financial management also runs openly and transparently due to the one-year Budget & Revenue Plan as a guideline. KSU BROSEM has been transparent about policies verbally and in writing and has also been evident to the government by paying taxes and BPJS every month.

### **3.2.2 Accountability**

Accountability is the clarity of functions, structures, systems, and responsibilities of the company's organs so that the company's management is carried out effectively. KSU BROSEM already has an organizational structure and clear duties and responsibilities by providing job descriptions and conducting performance evaluations for employees. The reward and punishment system (promotion and demotion) has been appropriately implemented. Accountability financial statements are transparent and reliable. This is indicated by the existence of a supervisor as an internal audit organ that has been running with its functions and responsibilities. All irregularities, especially in the financial sector, will be conveyed to the management and managers to improve the system and mechanism of financial governance procedures. Financial reports at KSU BROSEM are fast, timely, and accurate because they have used the Accounting Information System. However, KSU BROSEM still does not use external audits because the internal audit is still quite adequate and cost-effective.

### **3.2.3 Responsibilities**

Corporate responsibility is conformity and compliance in the company's management to sound corporate principles and applicable laws and regulations. KSU BROSEM's responsibility for tax regulations, BPJS for employment, and the environment has been implemented and complied with. KSU BROSEM has also issued CSR or corporate social responsibility funds for various social, educational, health, and environmental activities. The source of CSR funds is 2.5% of operating profit, designated as CSR funds, namely helping the poor and needy, Eid al-Qurban, and environmental cleanliness. On the other hand, KSU BROSEM also improves internal welfare by increasing material welfare (equivalent to the minimum wage) and non-material (equal career opportunities and a conducive work environment). The salary pattern uses the concept of profit sharing with the principle that if the income is high, the employee's income/salary is also high.

### **3.2.4 Independence**

Independence is a condition when the company is managed professionally without any conflict of interest and influence from any party not by the applicable laws and regulations and sound corporate principles. KSU BROSEM has been handled professionally and independently without pressure from any party. This is indicated by the development and growth of KSU BROSEM's revenue and profit which are growing sustainably. However, the independence of working capital can affect KSU BROSEM's ability to complete all obligations to the banking sector. Where KSU BROSEM has minimal debt, capital independence is developed using members buying cooperative shares. On the other hand, when sales increase, production increases, and sufficient capital is required. To overcome this, the collective makes investment capital that is in great demand by investors because it is safe, with returns ranging from 2-4% per month and a short period of up to 2 months.

In Table 3, the average sales growth rate is 4.9% per year which is included in the excellent category. The challenge for KSU BROSEM is to work harder, smarter, and more sincere to maintain and increase this growth. The strategy that can be done is always to analyze changes in the company's internal and external environment and adjust these changes. KSU BROSEM has been managed independently and professionally without pressure and intervention from any party. On the other hand, KSU BROSEM has also fulfilled its internal obligations by paying employees according to the minimum wage and obligations of external parties to suppliers, contractor partners, banks, and the government.

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**Table 3.** Assets and Sales for 2017-2020

Years	Assets	Sale	Sales Growth
2017	2.723,1	4.206,8	-
2018	3.020,7	4.826,9	14,7
2019	4.149,2	5.930,8	22,7
2020	3.529,4	3.098,4	-47,7
2021	3.918,7	4.025,5	29,9
<b>Amount</b>	<b>17.341,1</b>	<b>22.088,4</b>	<b>19,6</b>
<b>Average</b>	<b>3.468,2</b>	<b>4.217,7</b>	<b>4,9</b>

Source: Secondary Data, 2022 (processed)

### 3.2.5 Equality and Fairness

Equality and fairness can be defined as fair and equal treatment in fulfilling the rights of stakeholders that arise based on agreements and applicable laws and regulations. HR management at KSU BROSEM has done it fairly and equally. This means that every employee is given the same opportunity to have a career up to the manager level. The contract pattern every two years for managerial staff needs to be reviewed because, theoretically, top, middle and lower management are the driving force of the organization's wheels. On the other hand, the remuneration provided to employees is by the capabilities and labor regulations. With external parties, KSU BROSEM has also tried to fulfill agreements with partners/contractors according to the signed contract.

## CONCLUSION

Based on the research and the results of the discussions that have been carried out, it can be concluded that the implementation of GCG at KSU BROSEM Batu City is included in the excellent category, where the value obtained is 3.66. The implementation starts with transparency, accountability, responsibility, independence, and fairness. Recommendations can be given to improve KSU BROSEM; it is necessary to have a five-year RESTRA (Strategic Plan) and make an excellent corporate governance guidebook to improve management performance and performance. In addition, there is a need for regeneration of management who are younger, creative, innovative, and professional. In increasing independence, there needs to be product development, for example, apple tea..

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