

## Conference Paper

# The Implementation of Good Governance Business Shariah in Indonesia Shariah Banking

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## Abstract

The aim of this research is to describe the implementation of Good Governance Business Shariah in Indonesia Shariah Banking. Content analysis is used in this study to identify GGBS indicators. Indicators in this research is formed from KKNG. The lowest percentage of implementation GGBS is Bank Mega Syariah. There's 6 Shariah Banking that taking the leads of the GGBS implementation. The results show that the average implementation of GGBS in Indonesia Shariah Banking is 94%, this shows that shariah banking have implemented a good GGBS to maintain Indonesia Shariah Banking survivability and safeguard the interests of stakeholders. But several items may not disclosed in Shariah Banking Annual Report.

**Keywords:** Good Governance Business Shariah, Content Analysis, Implemetation

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## 1. Research Background

The discussions about Good Corporate Governance has been motivated by a case that afflicted Enron who failed to manage his company resulting in a lot of fraud in his operations (Kelly, 2003) This phenomenon is very interesting to be discussions more deeply. Islamic banks have growing rapidly in Indonesia followed by various kinds of offered services creates problems for the community. In addition to maintaining their financial performance, Islamic banks must also provide benefits to the community and ensure all operations are in accordance with the provisions of sharia (Ibrahim dan Pramono, 2005).

Bank Indonesia strives to encourage sharia-based banking activities to be strong both financially and issued by PBI No. 11 of 2009. Islamic banks apply the principles of GCG, namely Transparency, Accountability, Responsibility and Fairness, submit and comply with Sharia regulations (Unknown, 2009). Good Governance Indonesia Shariah

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Bankingness Shariah (GGBS) is an important element in an effort to maintain its sustainable growth and sustainability. The application of GGBS in accordance with sharia regulations and provisions will foster a healthy working culture of Islamic banks in all fields and make investors satisfied with the performance and value of the company (Meilani, 2015).

So far, in terms of assessing the performance of Islamic banks and conventional banks there is no difference, even though the two banks have different operating activities both principles and philosophy (Mohammed dan Taib, 2015). Generally, Syariah Banks are measuring their performance just using a performance ratio, such as CAMELS and EVA. (Antonio et al., 2012). Syariah Banks should not focus only on Material things, but also Non-Material things such as Good Governance Business Shariah. It is important because Syariah System purpose is about Maslahah.

There are many research about Good Corporate Governance in Shariah Banking, but it is still hard to find some research about Good Governance Business Shariah. The research about Good Corporate Governance have done by Tania (2017). The results of her research is proves that the majority of the Board of Commissioners on Syariah Bank in Indonesia has not been independent. Another research about GCG have done by Sary et al. (2016) the results describe that implementation GCG in BNI Yogyakarta formed in intenal control and internal auditor. Setyani (2012) has been done a research about implementation of GCG, she said that implementation about performing GCG at various institute carries on business to get profit's orientation, notably financial institution/syari'ah bank, constitute a certainty, even syari'ah's financial institutions in particular bank syari'ah, ought to becomes pionir, since to carried on terminological islamic principles.

The research gap between this research and previous research is GCG index. Previous research is using GCG index (conventional) on KNKG. This research is using GGBS index on KNKG. Seeing the importance of Good Governance Business Shariah in achieving the objectives of sharia banking organizations, this research is trying to describe the application of sharia good governance Indonesia Shariah Bankingness in Sharia Banks in Indonesia.

## 2. Research Method

Descriptive method is used on this research. This research purpose is trying to describe how is the implementation of GGBS in Shariah Banking. This research is taking the object of Islamic commercial banks operating and recorded at Bank Indonesia and reporting

complete financial statements in accordance with PSAK 101 in the annual report for the 2015-2017 period. Based on purposive sampling method, the object that used in this research is PT Bank Mega Syariah, PT Bank BCA Syariah, PT Bank Muamalat Indonesia, PT Bank BNI Syariah, PT Bank BRI Syariah, PT Bank Panin Syariah, PT Bank Victoria Syariah, PT Bank Syariah Mandiri, and PT Bank Jabar Banten Syariah.

The unit of analysis used in this study is the annual report and indicators of GGBS implementation based on Bank Indonesia Regulation no. 11 namely:

1. Implementation of duties and responsibilities of the Board of Commissioners and Directors.
2. Completeness and implementation of duties and committees and functions that carry out internal control of Sharia Commercial Banks.
3. Implementation of duties and responsibilities of the Sharia Supervisory Board (DPS).
4. Application of compliance function, internal audit and external audit.
5. The maximum limit for fund distribution.
6. Transparency of financial and non-financial conditions of Islamic Commercial Banks.

Data analysis techniques in this study are: (1) using content analysis by giving the code "1" for the GGBS indicator which is disclosed in the annual report of Bank Syariah, and giving the code "0" for the GGBS indicator which is not disclosed in the annual report of Islamic banks, (2) the results of the coding put into the coding table and entered into tabulation of data to be used as a percentage, (3) drawn a conclusions relating to the development of the implementation of GGBS Indonesia Shariah Banking by; (a) discussing about which one is the biggest and the smallest percentage of GGBS, (b) About any item/indicators GGBS is not displayed in Annual Report, (c) discussing about implementation of GGBS in Indonesia Shariah Banking.

### 3. Result and Discussion

Based on table 1, generally, Syariah Banking in Indonesia in 2015 until 2017 is doing well on implementation of Good Governance Business Shariah. It can be seen on item-item GGBS in Table 1. The average of GGBS disclosure in 2015 until 2017 is 43, 44, 44 from

TABLE 1: List of GGBS Disclosure.

No	Name of Bank	Year		
		2015	2016	2017
1	BMS	39	40	40
2	BCAS	44	44	44
3	BMI	44	44	44
4	BNIS	44	44	44
5	BRIS	44	44	44
6	PANIN SYARIAH	38	44	44
7	BVS	44	44	44
8	BSM	44	44	44
9	BJB	44	44	44
AVERAGE		43	44	44

47 indicators. Overall, the average of GGBS disclosure is 94%. It means that only 3 items are not disclose in annual report of Shariah Banking.

Based on graphic 1, it can be seen that seven banks have been consistently disclose their GGBS items in annual report. The seven banks who have the highest score in GGBS disclosure is: BCA Syariah; Bank Negara Indonesia; Bank Rakyat Indonesia Syariah; Bank Victoria Syariah; Bank Syariah Mandiri; Bank Muamalat Indonesia; and Bank Jabar Banten. 45 from 47 items have been disclosed by seven banks. The lowest score in GGBS disclosure is BMS. Its score is 40 items in 2017. But, BMS still trying to increase its GGBS Disclosure based on the graphic 1, 39 in 2015 and its increase in 2016, from 39 to 40. Panin Syariah is the lowest GGBS score in 2015, but it is significantly increase in 2016. Panin Syariah is knowing that GGBS is important, so Panin is upgrading their GGBS in 2016.

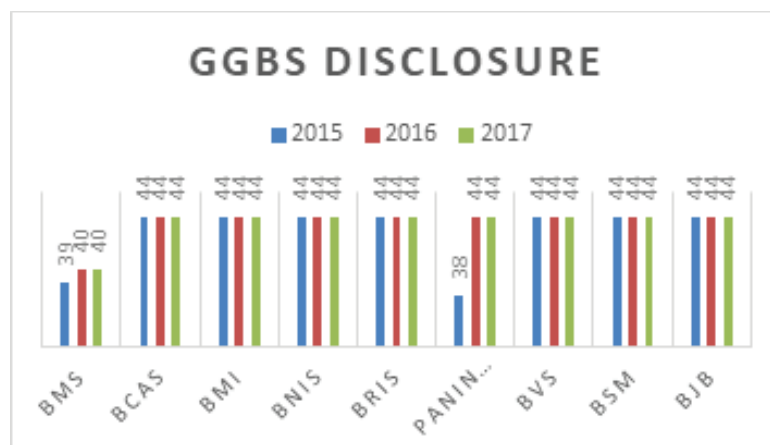


Figure 1: GGBS Disclosure 2015 until 2017.

The 3 items can not be found in Bank Shariah Annual Report. The 3 items are (1) aspects of GGBS that have not been implemented along with the reasons,, (2) Transaction between two or more parties that have a gap of interest, (3) implementing of obudsman function. The first, aspects of GGBS that have not been implemented along with the reasons. BUS are not disclosing about the aspect of GGBS that have not been implemented along with the reasons in their annual report. It is caused by the competition in banking sector is getting tougher. Each bank competes to show good GGBS, because GGBS is a strategy to attract customer. That's why BUS are not disclosing their aspects of GGBS that have not been implemented along with the reasons.



Figure 2: GGBS Disclosure and not Disclosure 2015-2017.

The second, Transaction between two or more parties that have a gap of interest. During the periode 2015 until 2017, all of BUS in Indonesia don't have any transaction with two or more parties that have a gap of interest. It is because of BUS are trying to maintain their independency on Good Corporate Governance. BUS are using amanah and awareness principles to implementing their Good Corporate Goovernance. Both of the principles are important in company operation. The third item is implementing of obudsman function. Implementing of ombudsman function, is used to accommodate any informations about possibility of irregularities. BUS are not using ombudsman function to accommodate any informations about possibility of irregularities. In other side, to prevent the possibility of fraud, BUS in Indonesia through the board of directors are

building a Compliance Committee. The duty of Compliance Committee is to observe the compliance of bank operation. It is intended so that operational activities are in accordance with sharia laws and principles.

#### 4. Conclusion

Based on result and discussion, the conclusion of this research is Good Governance Business Shariah in Bank Umum Syariah Indonesia have been implemented so well. It is because only 3 items of GGBS are not disclose in BUS annual report, so the percentage of GGBS in BUS Indonesia is 94%. There are seven banks who can maintain their GGBS with high score of GGBS disclosure. They are BSM, BMI, BJB, BCAS, BNIS, BRIS, and BVS. In other side, there is a bank who have the lowest score of GGBS, it is BMS. In annual report of Bank Umum Syariah, in generally, only 3 items who didn't appear in annual report. The items are (1) aspects of GGBS that have not been implemented along with the reasons,, (2) Transaction between two or more parties that have a gap of interest, (3) implementing of obudsman function.

#### 5. Limitation and Suggestion

Data analysis technique on this research is using content analysis, so there is pontenial of subjectivity. In determining of Godd Governance Business Syariah items on annual report, researcher subjectivity may applied. To minimalizing the potential of subjectivity, researcher need to do checklist over and over again. Another suggestion to minimalizing the potential of subjectivity is making an data analysis team. The suggestion for next research is using comparative study beetwen indonesia syariah banking and syariah banking from another country.

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