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Evaluation of The Implementation of POJK No.4/POJK.03/2015 Concerning The Implementation of Governance for Rural Banks at PT. BPR Dana Multi Guna

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ABSTRACT

Good corporate governance or GCG is an important component for all types of businesses, especially rural banks (BPR). The main objective of GCG is to safeguard the interests of stakeholders, increase productivity in the organization, and minimize risks. Financial Services Authority Regulation (POJK) No. 4/POJK.03/2015 concerning the Implementation of Governance for Rural Banks was issued by the Financial Services Authority (OJK) in 2015. The application of GCG principles in BPR, including elements of transparency, accountability, responsibility, independence, and justice, is strictly regulated in this POJK. According to this law, BPR must apply governance principles in every aspect of its business, at every level of the organization. The purpose of this study is to evaluate the extent to which rural banks (BPR) have complied with POJK No. 4/POJK.03/2015, especially related to the duties and obligations of the Board of Directors and Board of Commissioners. The purpose of this study is to collect information about the BPR governance process through interviews with PT. BPR Dana Multi Guna. After that, the data is checked and compared with related regulations to see if they are complied with. The evaluation findings show that PT. BPR Dana Multi Guna has fulfilled all directives of the Financial Services Authority regarding governance as outlined in POJK No. 4/POJK.03/2015. However, the study also reveals that rural banks should be more committed to implementing good governance and raising awareness of it. This is important so that BPR can improve performance, reduce potential risks, and safeguard the interests of stakeholders effectively.

INTRODUCTION

On April 1, 2015, the Financial Services Authority Regulation Number 4/POJK.03/2015 was issued which regulates the implementation of governance of rural banks (BPR). This action was carried out in response to the increasing volume of business and service expansion experienced by BPR, thus increasing the dangers faced by the institution. BPR should adopt good governance as soon as possible in response to this situation. Improving the performance of rural banks, safeguarding the interests of stakeholders, strengthening legal and regulatory compliance, and advancing moral principles generally applicable in the banking industry are the objectives of this regulation. Therefore, the Financial Services Authority emphasizes how important the implementation of efficient governance is for rural banks.

The POJK requires BPR to implement Governance in every business activity at all levels or levels of the organization. The implementation of Governance must at least be realized in the following forms:

a. Fulfilling the obligations of the Board of Directors
b. Carrying out the tasks and duties of the Board of Commissioners
c. The thoroughness and execution of the committee's responsibilities

d. The management of conflicts of interest
e. Putting compliance, internal audit, and external audit functions into practice
f. Implementing risk management, which includes an internal control system
g. Uppermost credit limit
h. The business plan of BPR
i. Financial and non-financial situations should be transparent

Currently, it has been 6 (six) years since the regulation was required in BPR. The author is interested to know how the implementation of governance in BPR after the regulation is required by the Authority. The author wants to know how the implementation of governance in BPR Dana Multi-Guna. This is because one of the missions of this BPR is to provide financial services by providing good service products, at reasonable prices, with full honesty, integrity, and ethics in all aspects of the business. Of course, this mission can only be achieved if the BPR Management, in this case, the directors and commissioners of BPR implement good governance. So that the problems in the object of this study do not deviate from what is expected, the author only limits the implementation of the duties and responsibilities of the directors and commissioners at PT. BPR Dana Multi Guna at POJK NO 4/POJK.03/2015.

LITERATURE REVIEW

Bank

Financial institutions called banks are primarily responsible for collecting money from the public and returning it in the form of credit or loans to improve everyone's standard of living. In the same sense, the Italian term "Banco" is the origin of the word "bank" in Indonesian. Banking Law of the Republic of Indonesia Number 10 dated November 10, 1998 defines a bank as a business entity that aims to collect public money through savings and reinvest it back into the community. This description is especially evident in Chapter 1 verse 2. This is done to raise the standard of living of the community, either by providing loans or by other means. In addition, the bank has 3 specific functions, namely: 1) Agent of Trust, 2) Agent of Development, and 3) Agent of Service.

Rural Bank (BPR)

Rural Bank (BPR) is a bank that does business either traditionally or by Sharia law; it does not offer payment traffic services as part of its operations. Bank Perkreditan Rakyat (BPR) functions as a bank and is primarily responsible for conducting financial intermediation services. Obtaining funds from society and returning them in the form of credit or other ways is the responsibility of this task. The main purpose of this activity is to increase the commercial activity of the community, mainly by focusing on retail enterprises and providing small loans. This demonstrates how one method BPR promotes local economic growth is through financial support, particularly to small and medium-sized businesses. In actuality, BPR operations are not as comprehensive as those of commercial banks. BPR is designed to function as a microfinance organization due to its unique conditions. Consequently, financial institutions that offer services to proprietors of small and medium-sized businesses, especially those domiciled in the vicinity are often referred to as People's Credit Banks (BPR). BPR has various limitations in carrying out its operations. Among them are not being able to accept deposits in the form of demand deposits, prohibitions on conducting foreign exchange business activities, prohibitions on investing that deviate from banking prudential principles, and prohibitions on conducting insurance business. People's Credit Banks (BPR) collect general public deposits in the form of time deposits and savings. In addition, BPR uses a profit-sharing model to offer credit and financial services to customers. When BPR has more money than needed, BPR can invest it in other financial products. Includes savings at other banks, time deposits, certificates of deposit, and/or Bank Indonesia Certificates (SBI).

Good Corporate Governance

Many organizations have defined the notion of corporate governance. Here are some definitions that are often cited in talks and papers: Good Corporate Governance is generally understood as the structure of internal control and regulation of the company. "Hard definition" describes the system of relationships that exist between various parties in charge of running a business. It consists of procedures, guidelines, and systems that control how the board of directors, management, and shareholders communicate with each other. Meanwhile, the values of the management mechanism are referred to in the "soft definition". A company's business and operational activities are regulated, guided, or led by a series of methodical and orderly procedures known as corporate governance. Increasing organizational value and ensuring business continuity are the main objectives of implementing corporate governance. One of the major organizations that actively supports the adoption and advancement of corporate governance throughout the globe is the Organization for Economic Cooperation and Development (OECD). According to the OECD, corporate governance is (Sutojo and Aldridge, 2005). The definition of corporate governance as stated by Shleifer and Vishny (1997) is a set of procedures and arrangements set to increase corporate efficiency and responsibility, the Board of Directors, the Board of Commissioners/Board of Supervisors, and the Shareholders/Capital Owners.

GCG Principles

The term "BPR" alludes to the TARIF (Transparency, Accountability, Responsibility, Independence, and Fairness) General Guidelines of the GCG. Transparency to increase objectivity in business activities, BPR will always take the initiative to provide and disclose material and relevant information and policies in writing and on time in a clear, easily accessible, and understandable manner by all shareholders. Since accountability is a requirement for achieving good and sustainable performance, BPR must be managed accurately, quantitatively, and following its interests while always keeping stakeholders' and shareholders' interests in mind. In addition, as a shareholder with a duty to the community and the environment, BPR will consistently use the prudential principle and adhere to BPR's internal policies in the course of conducting business. Independence BPR will always try to run its business independently and avoid domination practices by any party. Then fairness BPR will always try to pay attention to and treat the interests of shareholders and third parties related to or conducting transactions with the Company with equality and fairness.

From the description of the previous theory, the research model is presented below:

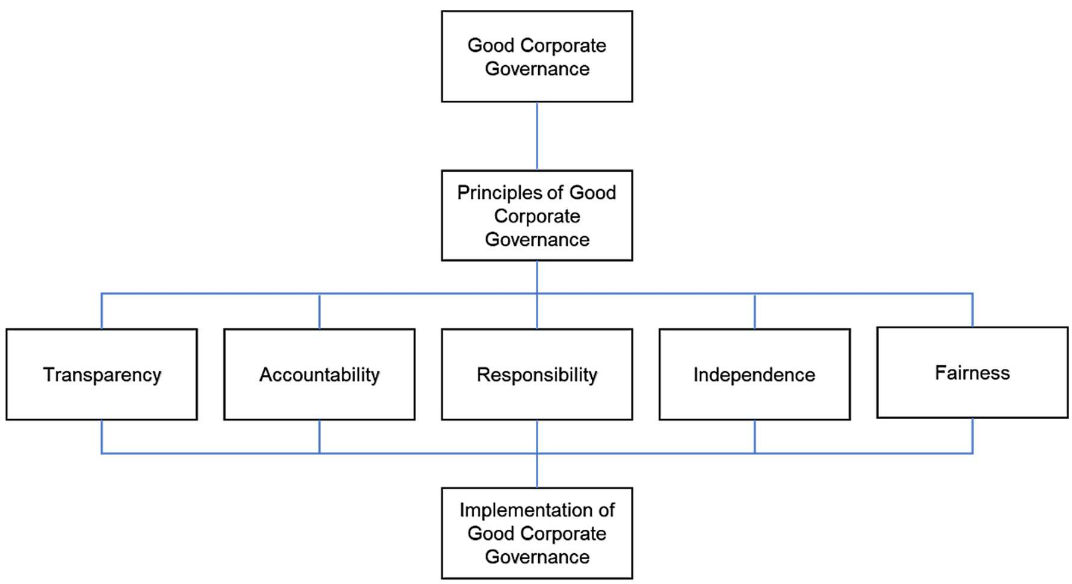

Figure 1. Framework

RESULTS AND DISCUSSION

Based on the findings of the Self-Assessment conducted, the scope of Good Corporate Governance of PT. BPR Dana Multi Guna details are as follows:

1. The Board of Directors' membership qualifications, makeup, and number are all fully compliant with the rules. Among them: the Board of Directors has numbered 2 (two) people, the Board of Directors is led by the President Director, the Director concurrently serves as Director under the Compliance Function, and OJK has established standards and procedures for the Board of Directors.

2. Duties and Responsibilities of the Board of Directors include: The Board of Directors is in complete charge of managing PT. BPR. Dana Multi Guna, the Board of Directors is in charge of overseeing PT. BPR follows the powers and responsibilities delineated in the PT. BPR Articles of Association and associated laws and regulations. The Board of Directors is also in charge of putting good governance practices into effect throughout all PT. BPR business operations, at all organizational levels, based on suggestions and conclusions from internal and external audits of PT. BPR, the Board of Commissioners, the Board of Directors must conduct a follow-up, among other authorities, including the Financial Services Authority.
3. The Board of Directors will take suggestions from the Board of Commissioners further, namely: have carried out or involved employees in training/socialization related to governance and risk management, Achieve Business Plan targets every semester, have made adjustments to the organizational structure, have fulfilled the number of Board of Commissioners and appointed executive officers Compliance and risk management, and others.
4. Competency Improvement, including: Members of the Board of Directors can assist the Board of Commissioners' implementation of their duties and accountability, as well as their obligations and responsibilities based on competence and ongoing learning.
5. The Board of Commissioners' membership qualifications, number, and makeup are all met following the rules, including: The President Commissioner and Commissioners are two (two) members of the Board of Commissioners as of December 31, 2020, and the Board of Commissioners has fulfilled all standards and obligations set by the OJK.
6. Duties and Responsibilities, including: Ensuring that all BPR business operations adhere to good corporate governance is the responsibility of the Board of Commissioners. The Board of Commissioners must carry out its obligations on its own. In addition to providing recommendations to the Board of Directors, the Board of Commissioners oversees the Board of Directors in carrying out its duties.
7. Recommendation of the Board of Commissioners to the Board of Directors. The Board of Directors has received various recommendations from the Board of Commissioners regarding how to carry out their roles and obligations, including: approving the 2021 BPR Business Plan, providing recommendations for BPR internal training courses offered in 2020, educating each employee about the BPR Business Plan, and others.

The Board of Commissioners has held continuing education to increase comprehension and enable it to fulfill its duties. In 2020, the Board of Commissioners holds regular meetings.

The condition of BPR when the research was carried out has implemented POJK No. 4/POJK.03/2015 concerning Evaluation, it can be seen that all articles governing BPR Management have been fulfilled. Only in the governance report, it has not been written about the application of the prohibition of directors in granting general power of attorney related to unlimited authority and duties, but it is already in the self-assessment and BPR gives a value of 2 on a range scale of self-assessment (good). BPR does not have committees such as audit committees, risk monitors, remuneration, and nomination committees because BPR does not need to form.

Based on the results of the self-assessment of the implementation of Good Corporate Governance (GCG) on 11 (eleven) assessment factors, the assessment results as of December 2020:
1. The composite GCG Composite value is 2.01 with a Good predicate.

The assessment results of each factor are as follows:

Table 1. Assessment Results

Factor	1	2	3	4	5	6	7	8	9	10	11	Composite Value
Total Assessment	0.30	0.23	0.00	0.31	0.25	0.25	0.03	0.23	0.17	0.12	0.13	
Composite predicate							Good					

Source: Researchers Processing (2024)

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Table 2. Assessment of Each factor

No	Assessment Factors	Score 1-5	Weight	Weighted Score
1	**Implementation of Duties and Responsibilities of the Board of Directors**	**1.50**	**20.00%**	**0.30**
	1.1 Governance Structure	**1.33**	**50.00%**	**0.67**
	1.2 Governance Process	**1.63**	**40.00%**	**0.65**
	1.3 Governance Outcome	**1.80**	**10.00%**	**0.18**
2	**Implementation of Duties and Responsibilities of the Board of Commissionersz**	**1.53**	**15.00%**	**0.23**
	2.1 Governance Structure	**1.56**	**50.00%**	**0.78**
	2.2 Governance Process	**1.62**	**40.00%**	**0.65**
	2.3 Governance Outcome	**1.00**	**10.00%**	**0.10**
3	**Completeness and Implementation of Duties or Functions of the Committee**	**0.00**	**0.00%**	**0.00**
	3.1 Governance Structure	**0.00**	**0.00%**	**0.00**
	3.2 Governance Process	**0.00**	**0.00%**	**0.00**
	3.3 Governance Outcome	**0.00**	**0.00%**	**0.00**
4	**Conflict of Interest Handling**	**3.10**	**10.00%**	**0.31**
	4.1 Governance Structure	**4.00**	**50.00%**	**2.00**
	4.2 Governance Process	**2.00**	**40.00%**	**0.80**
	4.3 Governance Outcome	**3.00**	**10.00%**	**0.30**
5	**Implementation of the Compliance Function**	**2.47**	**10.00%**	**0.25**
	5.1 Governance Structure	**2.00**	**50.00%**	**1.00**
	5.2 Governance Process	**3.00**	**40.00%**	**1.20**
	5.3 Governance Outcome	**2.67**	**10.00%**	**0.27**
6	**Implementation of Internal Audit Function**	**2.45**	**10.00%**	**0.25**
	6.1 Governance Structure	**2.60**	**50.00%**	**1.30**
	6.2 Governance Process	**2.50**	**40.00%**	**1.10**
	6.3 Governance Outcome	**1.50**	**10.00%**	**0.15**
7	**Implementation of External Audit Function**	**1.10**	**2.50%**	**0.03**
	7.1 Governance Structure	**1.10**	**50.00%**	**0.50**
	7.2 Governance Process	**1.00**	**40.00%**	**0.40**
	7.3 Governance Outcome	**2.00**	**10.00%**	**0.20**
8	**Implementation of Risk Management including SPI**	**2.33**	**10.00%**	**0.23**
	8.1 Governance Structure	**2.33**	**50.00%**	**1.17**
	8.2 Governance Process	**2.29**	**40.00%**	**0.91**
	8.3 Governance Outcome	**2.50**	**10.00%**	**0.25**
9	**Maximum Lending Limit**	**2.30**	**7.50%**	**0.17**
	9.1 Governance Structure	**2.00**	**50.00%**	**1.00**
	9.2 Governance Process	**3.00**	**40.00%**	**1.20**
	9.3 Governance Outcome	**1.00**	**10.00%**	**0.12**
10	**BPR Strategy Plan**	**1.53**	**7.50%**	**0.12**
	10.1 Governance Structure	**1.67**	**50.00%**	**0.83**
	10.2 Governance Process	**1.50**	**40.00%**	**0.60**
	10.3 Governance Outcome	**1.00**	**10.00%**	**0.10**
11	**Transparency of Financial and Non-Financial Conditions**	**1.75**	**7.50%**	**0.13**
	11.1 Governance Structure	**2.00**	**50.00%**	**1.00**
	11.2 Governance Process	**1.50**	**40.00%**	**0.60**
	11.3 Governance Outcome	**1.50**	**10.00%**	**0.15**
	Total Score : 2.01 **Predicate Composite : Good**			

Source: Researchers Processing (2024)

Overall, PT. BPR Dana Multi Guna has applied the principles of good governance. Their dedication in upholding GCG principles and taking appropriate steps to meet these requirements is a

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reflection of this. If there are shortcomings in the implementation of GCG, the management of BPR Dana Multi Guna is obliged to immediately fix it. PT. BPR Dana Multi Guna has incorporated governance principles into every aspect of its company operations. If there is a conflict of interest, management will not act in a way that harms the business or lowers its revenue. The Self-Assessment Working Paper on the Implementation of Good Corporate Governance as of December 31, 2020 has also been prepared by BPR.

CONCLUSION

Based on the BPR governance report and self-assessment that has been conducted by BPR, BPR has implemented all articles governing the Board of Directors and Board of Commissioners. And a total Self-Assessment score of 2.01, BPR Dana Multi Guna has implemented regulations by Self-Assessment, this is also evidenced by the evaluation conducted by the author who compares the existing conditions in BPR with the articles governing the governance of BPR Management, where BPR has implemented all articles governing BPR Management in the POJK.

PT. BPR Dana Multi Guna still needs to increase awareness and commitment to the implementation of good governance, so that BPR can protect the interests of stakeholders, improve performance and prevent risks.

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