The Effect of The Application of Good Corporate Governance (GCG) Principles on Job Satisfaction and Employee Performance

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ABSTRACT

Applying the principles of good corporate governance in general is very important in all companies, especially in the banking world. Good corporate governance principles make all stakeholders feel fairness, transparency, independence, accountability, and accountability. This study aims to analyse the effect of applying good corporate governance principles on job satisfaction and employee performance, as well as the effect of job satisfaction on employee performance. Public trust in state-owned banks is higher than in private banks. The researcher chose BNI as the research object because BNI is the only state-owned bank that operates full branches globally and is very good at implementing good corporate governance, as evidenced by obtaining a very trusted predicate based on the Corporate Governance Perception Index (CGPI) score. Specifically, the object of research is permanent employees of BNI Regional Office 15 located in East Jatinegara, Jakarta. This study used a survey by distributing questionnaires to 125 respondents. The research method uses SEM PLS. The results showed that applying good corporate governance principles positively affected job satisfaction and employee performance, but job satisfaction did not influence employee performance. The contribution of this research is expected to provide managerial implications for redesigning positions, promotions, salaries, or rewards for permanent employees to provide job satisfaction to employees.

Introduction

Business competition is increasingly rapid and tight, and every company must have advantages to meet customer needs through products and services. Management must be able to manage the company well to maintain performance in order to compete with competitors. Good corporate governance must be implemented by all organisations, especially in the banking world (Nasution, Tambunan, & Aulia, 2022). The development of the banking world in a better direction requires good corporate governance to increase
public trust because banks have business fields related to customer trust; besides that, banks also must maintain customer information and the security of the assets they manage. Public trust in banks can be grown by implementing effective good corporate governance. Good company management is believed to increase the certainty that organisations can provide long-term benefits by empowering companies that are fairer, responsible for every activity, and more straightforward.

Indonesian Regulation No.8/4/PBI of 2006 and Bank Indonesia Regulation No.8/14/PBI of 2006, which regulate the implementation of Good Corporate Governance for Commercial Banks, set standards for implementing good corporate governance for the country. Banks must apply the principles of good corporate governance (openness, accountability, responsibility, independence, and fairness) in carrying out their operations to improve performance. The fulfilment of bank employee satisfaction with using good corporate governance standards in their organisation is one of the important things because the fulfilment of work can support representative implementation. According to (Kurniawati & Wulansari, 2021), the principle of good corporate governance undoubtedly has the potential to improve employee performance. Employee performance is key to achieving organisational goals (Abun, Ranay, Magallanes, & Encarnacion, 2022), as employees who are happy with their work will try to achieve positive work results and productivity.

In previous studies, Employee job satisfaction was positively correlated with applying good corporate governance principles. In their research, (Harma, Ahri, & Ambas, 2020) stated that parties related to the company can feel fairness, independence, responsibility, transparency, and accountability if the company adheres to the principles of good corporate governance. It is very important to increase everyone's awareness about the need to apply the principles of good corporate governance because it will increase employee job satisfaction (Hijazi, 2020). In addition, Yufei (2022) conducted a study that analysed the quality of implementing good corporate governance (transparency, accountability, and fairness) and positively impacted employee satisfaction. A company's success depends on its employees, and an employee who is satisfied with his or her job is more likely to be productive.

Other research conducted by (Gilang, Fakhri, Pradana, Saragih, & Khairunnisa, 2018), Sulaiman et al. (2019), (Fahmi, Jalaluddin, & Amri, 2019), (Harma et al., 2020), (Adnyana & Dewi, 2020), and (Ismail, 2021) stated that the principles of good corporate governance positively influence employee performance. Applying good corporate governance principles in an organisation can improve the performance of the organisation's employees. Research findings conducted by (Fahmi et al., 2019) and (Harma et al., 2020) show that the principles of good corporate governance (transparency, accountability, independence, fairness, and responsibility) have a beneficial effect on the performance of an employee. Thus, it can illustrate that employee performance can reveal the organisation's capacity to apply good corporate governance principles.

According to Riyanto et al. (2021), companies need active employee involvement by providing motivation and encouragement and fulfilling their job satisfaction to achieve
and improve employee performance. Pelitian (Sabuhari, Sudiro, Irawanto, & Rahayu, 2020) show that employee job satisfaction positively influences employee performance. The success of banking depends on employee job satisfaction; if employees are happy with their work, they will dedicate themselves to it. Based on the results of hypothesis testing by (Rosmaini & Tanjung, 2019), (Sabuhari et al., 2020), (Dewi & Frianto, 2020), (Harahap & Tirtayasa, 2020), (Fajri, Amelya, & Suworo, 2022), showed that job satisfaction improves employee performance.

However, this study differs from previous ones in several ways. By Bank Indonesia Regulation No. 8/14/PBI of 2006, the variables of good corporate governance principles are used in this study to apply transparency, accountability, independence, fairness, and responsibility. Previous research used different principles of good corporate governance: openness, fairness and equality, accountability, participation, and integrity. (Adnyana & Dewi, 2020) research only uses four principles: fairness, transparency, accountability, and responsibility. In addition, job satisfaction and employee performance measurement differ from research conducted by (Harma et al., 2020) and (Hijazi, 2020). Then, this research was carried out in the banking sector, while the previous research by (Harma et al., 2020) was carried out in hospitals, and (Hijazi, 2020) was carried out in the public sector in Jordan.

The object studied is PT. Bank Negara Indonesia. State-owned banks were chosen because people have higher trust than private banks. In addition, PT. Bank Negara Indonesia is the only state-owned bank that operates fully branched globally and is very good at implementing good corporate governance, as evidenced by obtaining a very trusted predicate based on the Corporate Governance Perception Index (CGPI) score. So, it is interesting to describe the impact of implementing good corporate governance standards on job satisfaction and employee performance at PT. Bank Negara Indonesia. Specifically, research was conducted at PT. Bank Negara Indonesia regional office 15 is located in Jatinegara, East Jakarta because PT. Bank Negara Indonesia regional office 15 covers almost eighty per cent of position levels and oversees all business lines in BNI. This research is expected to contribute to the science of human resource management by providing real implementation in the management of PT. Bank Negara Indonesia.

Research Methods

This study uses primary data taken from field research. To collect data in this study, questionnaires were distributed to respondents online through Google Forms using statements prepared by researchers based on previous research and theories about the principles of good corporate governance related to job satisfaction and employee performance. For good corporate governance principles variables, openness is measured by four statements: accountability consists of 5 statements, responsibility consists of 2 statements, independence consists of 2 statements, and fairness consists of 3 statements adapted and modified from. Employee performance variables are measured using ten statements taken and modified from (Kuswati, 2020). In total, there were 31 statement items in this research questionnaire.
In data analysis, the Likert scale model was used to assess answers from respondents as a research scoring technique. The answers given by respondents will be categorised into five categories of affirmativeness. In the questionnaire, five answer choices can be chosen by respondents with a value of 5 meaning strongly agree (SS) with the statement, value four means agree (S) with the statement, value 3 means neutral (N), value two means disagree (TS) with the statement, and value 1 means strongly disagree (STS) with the statement (Awaludin, Mantik, & Fadillah, 2023).

This study has a population of 480 employees of PT. Bank Negara Indonesia Regional Office 15, which is all permanent employees. PT. Bank Negara Indonesia Regional Office 15 is in Jatinegara, East Jakarta. The purposive sampling technique is used because the sample in this study is nonprobability. Sampling in this study is done by considering several criteria: permanent employees with Assistant to AMGR (Assistant Manager) levels and service periods above three years at PT. Bank Negara Indonesia. This criterion is set because the object of research has been able to assess the conditions of its work environment, both relationships with the company and relationships with colleagues.

This research tests its hypothesis using quantitative analysis. The quantitative research model was analysed using the SEM Partial Least Square (PLS) method. PLS SEM analysis is used in cases with more than one latent variable but with a relatively small sample size. Microsoft Excel and SmartPLS software are used to process data. It can be seen from the statistical probability and t values that hypothesis testing is required. A p-value less than 0.05 (0.05) and an alpha of 5% is used to calculate probability values. The hypothesis must be accepted if the t-statistic is higher than the t-table. 1.96 is the t-table value for alpha 5%. If the t-statistic is greater than 1.96, then the hypothesis is accepted.

Results and Discussion

The first step in this study was to distribute questionnaires to 125 respondents who had met the criteria that had been set. Overall, the respondents of this study were permanent employees of PT Bank Negara Indonesia Regional Office 15 with Assistant to AMGR (Assistant Manager) levels and a working period of more than three years. Employee profile data in this study shows that respondents with undergraduate education have the highest percentage of 80.8%, and the age range of 31-40 years has a percentage of 46.4%. Thus, the respondents are a productive age group who are considered to have the ability to analyse each item of the statement from the questionnaire and analyse matters related to the importance of applying the principles of good corporate governance. In addition, from the respondent profile data, it is also known that respondents with a working period of 3-5 years have the highest percentage of 38.4%, and the highest level/position is in the position of analyst with a percentage of 54.8%. With a working period of 3-5 years, respondents have been able to assess the condition of their work environment, both relationships with companies and relationships with colleagues. Thus, respondents can objectively assess the statements on the questionnaire.
In this study, there were 31 questionnaire statement items, but researchers eliminated seven items considered to have the same intention as other statements. Thus, the total statements in this research questionnaire amounted to 24 statements, consisting of 11 statements related to the principles of good corporate governance, five statements about job satisfaction, and eight statements related to employee performance.

The data collection technique begins with a pretest of 30 respondents (Awaludin et al., 2023). During the pretest, researchers used Microsoft Excel to test the validity and reliability of questionnaire statements. Using a significance value of 0.05 (5%), a Pearson correlation measurement value was tested for validity testing. The formula used in Table R is pdf = (N-2, 0.05). The Table R-value for the 30 respondents was also 0.374. Data is considered valid if the r count (correlation coefficient value) has a higher value or has the same value as the r table, and vice versa; data is considered invalid if the r count has a lower value or the value is equal to the r table. Cronbach’s Alpha measurement is used to test reality. If Cronbach’s Alpha is close to > 0.7, it means better reliability (Sanaky, 2021).

Each statement has an r-table smaller than the r-count, which means the validation conditions have been met based on the test results conducted on the pretest with 24 statement items. For the reliability test using Cronbach’s Alpha, 0.966 was obtained based on the results. This value is greater than the reference value of 0.70; thus, the data is reliable. The results of the pretest analysis are in Appendix 4.

The first stage in SEM PLS is to test the entry statement items in the research model. The findings of this study show that the principles of good corporate governance have an AVE value of 0.491. Job satisfaction has an AVE value of 0.655. Employee performance has an AVE value of 0.534. In the variable principles of good corporate governance, the AVE value is small from 0.5. (Hair, Risher, Sarstedt, & Ringle, 2019) stated that the AVE value is optional or not required but also strengthens reliability. In this study, researchers are more likely to see the value of construct reliability as a measure of reliability.

After the AVE test confirms that the indicator is included in the model, a model fit test is carried out. According to (Hair et al., 2019) When to use and how to report the results of PLS-SEM (Hair et al., 2019), the fit test has several measures to state that the proposed model is acceptable, namely R Square, Q Square, SRMR, PLS Predict, and Goodness of fit index (GoF Index). Based on the results obtained show a good match, namely R Square = 0.5 (moderate influence), Q Square = >0.5 (high influence), SRMR = 0.096 (acceptable fit), PLS predict has medium prediction results, and Goodness of Fit (GoF) = 0.576 (high GoF). The complete data can be seen in the attachment. From testing R-square, Q Square, SRMR, PLS Predict, and Goodness of fit index (GoF Index), the model formed is accurate so that hypothesis testing can be done. The image below is a t-value chart.
To test the hypothesis can be done by looking at two things: the first is looking at the probability value, and the second is comparing the value of t-statistics with the value on the t-table. Probability is seen with a p-value with an alpha of 5% or less than 0.05. Alpha 5% has a t-table value of 1.96. Therefore, the t-statistic value must be higher or equal to 1.96, and the p-value must be less than 0.05. The proposed hypothesis is acceptable. Based on Figure 2, the results of hypothesis testing can be presented, namely:

<table>
<thead>
<tr>
<th>Hypotesis</th>
<th>T Table</th>
<th>T Statistics</th>
<th>P Values</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: There is a positive relationship between the principles of good corporate governance and job satisfaction</td>
<td>1.96</td>
<td>18.441</td>
<td>0.000</td>
<td>Accepted Hypothesis</td>
</tr>
<tr>
<td>H2: There is a positive relationship between the principles of good corporate governance and employee performance</td>
<td>1.96</td>
<td>7.167</td>
<td>0.000</td>
<td>Accepted Hypothesis</td>
</tr>
<tr>
<td>H3: There is a positive relationship between job satisfaction and employee performance</td>
<td>1.96</td>
<td>1.320</td>
<td>0.188</td>
<td>Hypothesis Rejected</td>
</tr>
</tbody>
</table>

Source: PLS Processed Data
After conducting a hypothesis test, results were obtained that showed that two variables had a positive effect, namely, the variable principles of good corporate governance had a positive influence on job satisfaction and on employee performance, where t-statistics (job satisfaction = 18.441, employee performance = 7.167) were greater than t-table (1.96), and had p-values of 0.000. Thus, hypothesis one and hypothesis two are accepted. A p-value greater than 0.05, which is 0.188, indicates that the job satisfaction variable does not positively affect employee performance. T-statistics have a value smaller than the value of t-table (1.320 > 1.96). Based on these results, it can be said that the proposed hypothesis three was rejected. The first result of this research data analysis is the implementation of the principles of good corporate governance, namely openness, accountability, responsibility, independence, and fairness) has a positive impact on PT's level of job satisfaction. Bank Negara Indonesia Regional Office 15. The better the use of good corporate governance principles, the higher the level of fulfilment of PT worker satisfaction. Bank Negara Indonesia Regional Office 15. The results of this study are from previous research conducted by (Hijazi, 2020).

Implementing the principles of good corporate governance is the main thing to do because it will positively impact job satisfaction among employees (Hijazi, 2020). PT. Bank Negara Indonesia Regional Office 15 has implemented accountability well, where the organisation has successful internal control in managing the organisation. If PT. Bank Negara Indonesia Regional Office 15 has an effective internal control system in its management, it can increase job satisfaction among employees. One of the internal control systems considered effective in its management is the payroll internal control system. In addition, performance measures that are consistent with the goals of PT. Bank Negara Indonesia Regional Office 15, as well as the existence of a reward and sanction system, are also among the factors that provide employee job satisfaction. In carrying out his work, the employee works by the main duties assigned to him. Employee performance appraisal of their work is carried out consistently by implementing a reward and sanction system. Employees can be motivated to work as hard as they can with this system. In addition, a line manager or direct supervisor helping and supporting employees at work can increase employee job satisfaction. Employees can communicate and consult directly with their superiors about work progress and obstacles that are being faced. So that employees can complete their work well.

The second result obtained based on this study is the performance of PT. Bank Negara Indonesia Regional Office 15 is positively influenced by the principles of good corporate governance. This means that the application of good governance principles at PT is better. Bank Negara Indonesia Regional Office 15 will improve employee performance. The results of this study support research conducted by (Adnyana & Dewi, 2020), (Ismail, 2021), (Kurniawati & Wulansari, 2021), and Sulaiman et al. (2019). Improving employee performance is the purpose of implementing the principles of good corporate governance in a company.
Respondents rated that PT. Bank Negara Indonesia Regional Office 15 has effective internal control, so employees also work effectively. This is shown by the high value given by respondents regarding statements that respondents carry out work effectively—the internal control system of PT. Bank Negara Indonesia Regional Office 15 has a strict division of functional responsibilities. Each employee carries out their duties using the PT. Bank Negara Indonesia Regional Office 15 procedures. Thus, employees can focus on their responsibilities so that work can be done effectively and efficiently. Internal control must be effective to avoid wasting time and human resources by performing routine tasks not required by the company (JANNAH, 2021).

One of the assessments of high employee performance is increased employee morale caused by PT. Bank Negara Indonesia Regional Office 15 assesses performance consistently by company objectives and has a reward and sanction system. Established performance measures carry out employee performance appraisal. In conducting an assessment of employees, PT. Bank Negara Indonesia Regional Office 15 already has certain assessment standards so that the assessment can be carried out objectively and measurably. In addition, employees also have high morale because of the reward system given if employees have good performance, and vice versa; employees will be sanctioned if they have poor performance.

This study's third finding shows no positive influence between job satisfaction and employee performance at PT. Bank Negara Indonesia Regional Office 15. This means PT's level of job satisfaction is high. Bank Negara Indonesia Regional Office 15 will not affect their good or bad performance. Job satisfaction and employee performance are important things that companies must consider when managing employees. When employee needs are met, job satisfaction is achieved. The findings in this study are different from the research of (Rosmaini & Tanjung, 2019), (Sabuhari et al., 2020), (Harahap & Tirtayasa, 2020), (Fajri et al., 2022), showing that employee satisfaction at work can have a positive impact on their performance.

Even so, several studies have the same results as this study, namely previous research by (Fauziek & Yanuar, 2021), (Azhari, Resmawan, & Ilkhan, 2021), and (Basri & Rauf, 2021) found that job satisfaction did not have a positive influence on employee performance. This may happen because job characteristics emphasise work results more than satisfaction (Fauziek & Yanuar, 2021). According to (Basri & Rauf, 2021), job satisfaction is not almost the same for employees in a company.

Several things become the basis of the assessment, such as employee satisfaction at work not having a positive influence on the performance of PT employees. Bank Negara Indonesia Regional Office 15. First, the monthly salary and facilities employees will receive are not determined based on how much an employee can complete his work. PT. Bank Negara Indonesia Regional Office 15 determines the provision of salaries and facilities by the level/position. Even if employees do not achieve the performance targets set, the salary and facilities they will receive will not be reduced. Conversely, if employees achieve work targets more than what has been set, the salary and facilities they will receive will not increase. Thus, the salary and facilities employees receive do not
affect their performance. In addition, the majority of respondents have an undergraduate education background. Thus, respondents assume that the salary and facilities received are fair in terms of their qualifications and expertise.

Second, the work will be done by PT employees. Bank Negara Indonesia Regional Office 15 already has its standard operating procedures (SOPs), so employees only perform work according to their responsibilities. Each employee does not need innovation because performance appraisals are only measured based on the suitability of meeting SOPs set by PT. Bank Negara Indonesia Regional Office 15. Respondents in this study have a background with an average working period of 3-5 years, which makes respondents enter a period of saturation with monotonous work. Thus, employee satisfaction also decreases because there is no opportunity for them to develop themselves while doing work.

Third, opportunities to advance and excel, as well as opportunities to develop expertise, are still limited to the employee unit placed. PT. Bank Negara Indonesia Regional Office 15 has not implemented an employee rotation system between units. Not a few employees work in one unit for a certain period, causing demotivation in employees, which affects low job satisfaction.

Conclusion

Based on research findings and data analysis, it can be proven that job satisfaction and employee performance of PT. Bank Negara Indonesia Regional Office 15 is positively influenced by the principle of good corporate governance. Job satisfaction and employee performance can increase when a company can apply the principles of good corporate governance very well. However, this study also found that job satisfaction affects the performance of PT employees. Bank Negara Indonesia Regional Office 15. Here, the salary factor is the main factor affecting employee dissatisfaction. This finding indicates that management needs to make improvements to improve employee performance, especially in evaluating salary policies.

Managerial implications can be applied to increase employee satisfaction at work and performance by implementing the principles of good corporate governance in the company. First, management is expected to maintain consistency in assessing performance evaluations to increase employee morale at work, which will impact their performance. Second, management is expected to ensure that the duties or job descriptions given to employees are clear and according to their level/position so that employees do not have a heavy workload.
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Bibliography


