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

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KEYWORDS

| Good Corporate Governance | Job Satisfaction | Employee Performance |

ABSTRACT

The application of good corporate governance principles is vital in all companies, particularly in the banking sector. This study examines the impact of good corporate governance on job satisfaction and employee performance, as well as the relationship between job satisfaction and employee performance. Public trust in state-owned banks is higher than that of private banks, making BNI an interesting case study. BNI, as the only state-owned bank operating globally, is known for its good corporate governance practices, as evidenced by its high CGPI score. This study focuses on permanent employees of BNI’s Regional Office 15 in East Jatinegara, Jakarta. A survey was conducted among 125 respondents using SEM PLS. The results show that good corporate governance principles positively affect job satisfaction and employee performance, but job satisfaction does not directly impact employee performance. This research contributes to managerial implications, suggesting that companies can redesign positions, promotions, salaries, or rewards to enhance job satisfaction among employees. The findings of this study are expected to provide insights for managers to improve employee satisfaction and performance by implementing good corporate governance practices.

1. Introduction

Business competition at this time is increasingly rapid and tight, wherever company must have advantages in order to meet customer needs, both through products and services. Management must be able to manage the company effectively maintain performance in order to compete with competitors. Good corporate governance is an important thing to be applied by all organizations, especially in the banking world. The development of the banking world in a better direction requires (Nasution et al., 2022) good corporate governance to increase public trust, because banks have business fields related to customer trust, besides that banks also have the obligation to 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 corporate management is believed to increase certainty that organizations can deliver long-term benefits by empowering companies that are fairer, accountable for every activity, and more straightforward (Committee on Banking Supervision, 2012) Governed, (2019).

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 the implementation of good corporate governance for the country. Banks are required to apply the principles of good corporate governance (openness, accountability, responsibility, independence, and fairness) in carrying out their operations as an effort to improve performance. The fulfillment of bank employee satisfaction with the use of good corporate governance standards in their organization is one of the important things because the fulfillment of work can support representative implementation. According to him, the principle of Kurniawati (2021) good corporate governance undoubtedly has the potential to improve employee performance. A key factor in achieving organizational goals is employee performance, since employees who are happy with their work will make every effort to achieve positive work results and productivity. (Aa et al., 2022)

Employee job satisfaction was shown to be positively correlated with the application of good corporate governance principles in previous studies. In his research, Harma et al. (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 raise everyone’s awareness about the need to apply the principles of good corporate governance as it will increase employee job satisfaction (Hijaja, 2021). In addition, conducting research that analyzes the quality of the implementation of Yufei (2022) good corporate governance (transparency, accountability, and fairness) has a positive impact on 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 et al. (2018), Sulaiman et al. (2019), F et al. (2019) Harma et al. (2020), Adnyana (2020), Saputro & Efendi (2021) states that employee performance is positively influenced by the principles of Ismail (2021) good corporate governance. With the application of the principles of good corporate governance in an organization, it can improve the performance of employees of the organization (Saputro & Efendi, 2021). Research findings conducted by F 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 capacity of the organization in applying the principles of good corporate governance.

The companies need active employee involvement by providing motivation and encouragement, as well as fulfilling their job satisfaction, so as to achieve and improve employee performance. Research shows that employee performance is positively influenced by employee job satisfaction. The success of banking depends on employee job satisfaction, if employees are happy with their work, then they will dedicate themselves to their work. Based on the results of hypothesis testing by how that job satisfaction improves employee performance. Riyanto et al. (2021), Sabuhari et al. (2020), Lie (2018), Rosmaini & Tanjung (2019), Sabuhari et al. (2020), Dewi & Frianto (2020), Hosted by Harahap & Tirtayasa (2020), Qomariah et al. (2020), Nurrohmat & Lestari (2021), Fajri et al (2022), Suryawan & Salsabilla (2022).

Previous research was conducted by Abun et al. (2022) The results of the analysis found that there is a significant correlation between corporate governance and individual employee performance (Adnyana, 2020). This research shows that Good Corporate Governance (fairness, transparency, accountability and responsibility) has a positive effect on employee performance. While the results of research from (Alpi, 2019). Based on the results of the model feasibility test, it is known that free profession, namely the principle of good corporate government, which consists of
openness, accountability, responsibility, independence and fairness, partially and simultaneously has a significant influence on employee performance.

However, this study differs from previous ones in several ways. In accordance with Bank Indonesia Regulation No. 8/14/PBI of 2006, the variables of good corporate governance principles are used in this study on the application of transparency, accountability, independence, fairness, and responsibility as principles of good corporate governance. Previous research used different principles of good corporate governance, namely openness, fairness and equality, accountability, participation, and integrity. The study Adnyana (2020), using only four principles, namely fairness, transparency, accountability and responsibility. In addition, the measurement of job satisfaction and employee performance is also different from research conducted by Harma et al. (2020). Then this research was carried out in the banking field, while the previous research by was carried out in hospitals, and research Harma et al. (2020), Hijazi (2021) 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 operating full branch globally and very well at implementing good corporate governance which is proven by getting a very reliable predicate based on the score Corporate Governance Perception Index (CGPI). So it is interesting to elaborate on the impact of implementing standards good corporate governance with the fulfillment of job satisfaction and employee performance at PT. Bank Negara Indonesia. Specifically, research was conducted at PT. Bank Negara Indonesia regional office 15 located in Jatinegara, East Jakarta, because PT. Bank Negara Indonesia regional office 15 covers almost eighty percent 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. Previous research was conducted.

2. Materials and Methods

In this study using primary data taken from field research. To collect data in this study using questionnaires distributed to respondents online through google form in the form of 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 variables the principles of good corporate governance, namely openness is measured by 4 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 (National Committee on Governance Policy, 2006) The variable of job satisfaction is measured by 5 kinds of statements taken and modified from. Employee Lie (2018) performance is measured using 10 kinds of statements taken and modified from. In total, there were 31 statement items in this research questionnaire.

In conducting data analysis, the Likert scale model used to assess answers from respondents was used as research scoring technique. The answers given by respondents will be categorized into five categories of affirmativeness. In the questionnaire there are five answer choices that can be chosen by respondents with a value of 5 meaning strongly agree (SS) with the statement, value 4 means agree (S) with the statement, value 3 means neutral (N), value 2 means disagree (TS) with the statement, and value 1 means strongly disagree (STS) with the statement (Awaludin et al., 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 located in Jatinegara, East Jakarta. Purposive sampling technique is used because the sample in this study is a nonprobability sample. Sampling in this study by considering several criteria, namely 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 fellow colleagues.

This research in testing its hypothesis using quantitative analysis. The quantitative research model was analyzed using the SEM Partial Least Square (PLS) method. PLS SEM analysis is a method used in cases that have more than one latent variable but with a relatively small sample size (Yulia, 2021). Microsoft Excel and SmartPLS software are used to perform data processing. It can be seen from the statistical probability and t values that hypothesis testing is required. A p-value that is less than 0.05 (0.05) and has 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.

3. Result 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 3 years. Employee profile data in this study is known that respondents with undergraduate education have the highest percentage of 80.8%, and the age range of 31-40 years with a percentage of 46.4%. Thus, the respondents are a productive age group who are considered to have the ability to analyze each item of the statement from the questionnaire, and analyze 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 fellow colleagues. Thus, respondents can provide an objective assessment of the statements on the questionnaire.

In this research, here were 31 questionnaire statement items, but researchers eliminated 7 statement items that were 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, 5 statements about job satisfaction, and 8 statements related to employee performance.

The data collection technique began with a pretest to 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 df = (N-2, 0.05). The table R value for the 30 respondents was also 0.374. Data is considered valid if r count (correlation coefficient value) has a higher value or has the same value as r table, and vice versa, data is considered invalid if r count has a lower value or value equal to r table (Janna & Herianto, 2021). Cronbach's Alpha measurement is used to test reality. If Cronbach’s Alpha has a value close to > 0.7, it means better reliability.

Each statement has an r-table smaller than the r-count, which means that the validation conditions have been met based on the results of the validation test conducted on the pretest with 24 statement items. For the reliability test using Cronbach's Alpha, based on the results obtained a value of 0.966. This value is greater than the reference value of 0.70, thus the data has good reliability. 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. states that the AVE value is Hair et al (2019) optional or not required but also strengthens reliability, so in this study researchers are more likely to see the value of construct reliability as a measure of reliability.

After the AVE test can be confirmed that the indicator is included in the model, then a model fit test is carried out. According to, the fit test has several measures to certify that the proposed model is acceptable, namely Hair et al (2019) 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) it can be seen that the model formed is accurate, so hypothesis testing can be done. The image below is a t-value chart.

![Figure 2. T-Value Path Chart](image)

To test the hypothesis can be done by looking at two things, the first is looking at the probability value, the second is comparing the value of t-statistics with the value on the t-table. Probability is seen with a p-value that has an alpha of 5% or less than 0.05. Alpha 5% has a t-table value of 1.96. Therefore, the value of the t-statistic 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 1: The results of hypothesis test

<table>
<thead>
<tr>
<th></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 towards 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 on 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 there were two variables that 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 amounted to 0.000. Thus, then hypothesis one and hypothesis two proposed are accepted. A p-value greater than 0.05, which is 0.188, indicates that the job satisfaction variable does not have a positive effect on 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.

Discussion

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 the level of job satisfaction of PT. Bank Negara Indonesia Regional Office 15. That is, the better the use of good corporate governance principles, the higher the level of fulfillment of PT worker satisfaction. Bank Negara Indonesia Regional Office 15. The results of this study are in accordance with previous studies conducted, and Harma et al. (2020), Hijashwi (2021), Yufei (2022), Wenda et al. (2022).

Applying the principles of good corporate governance is the main thing because it will have a positive impact on increasing job satisfaction among employees (Hijaja, 2021). PT. Bank Negara Indonesia Regional Office 15 has implemented accountability well, where the organization has successful internal control in managing the organization. When PT. Bank Negara Indonesia Regional Office 15 has an effective internal control system in its management, so it can increase job satisfaction in employees. One of the internal control systems that is considered effective in its management is the payroll internal control system. This is evidenced by the high level of employee satisfaction with the salary they receive. According to salary, it is a form of financial compensation for employee performance that increases job satisfaction. If an employee’s salary is based on their job responsibilities, skills, and job title, they will feel satisfied (Oktafien & Bayyinah, 2017).

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 one of the factors that provide employee job satisfaction. In carrying out his work, the employee works in accordance with the main duties assigned to him. Employee performance appraisal of their work is
carried out consistently with the implementation of a reward and sanction system. Employees can be motivated to work as hard as they can with this system. In addition, the existence of a line manager or direct supervisor in helping and supporting employees at work can increase employee job satisfaction. Where employees can communicate and consult directly with their superiors, both 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 better the application of good governance principles at PT. Bank Negara Indonesia Regional Office 15 will improve employee performance. The results of this study support research conducted by Saputro & Efendi (2021), Adnyana (2020), Ismail (2021), Kurniawati (2021), Sulaiman et al. (2019). Improving employee performance is the purpose of applying the principles of good corporate governance in a company.

Respondents rated that PT. Bank Negara Indonesia Regional Office 15 has effective internal control so that employees work effectively as well. This is shown by the high value given by respondents regarding statements that respondents carry out work effectively. Internal control system of PT. Bank Negara Indonesia Regional Office 15 has a strict division of functional responsibilities. Each employee carries out their duties in accordance with the procedures set by PT. Bank Negara Indonesia Regional. Thus, employees can focus on working in accordance with 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 that are not required by the company (Ogwiji & Lasisi, 2022).

One of the assessments of high employee performance is increased employee morale caused by PT. Bank Negara Indonesia Regional Office 15 assesses performance consistently in accordance with company objectives, in addition to having a reward and sanction system. Employee performance appraisal is carried out in accordance with established performance measures. That is, 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.

The third finding in this study shows that there is no positive influence between job satisfaction and employee performance at PT. Bank Negara Indonesia Regional Office 15. This means that the level of job satisfaction of PT. Bank Negara Indonesia Regional Office 15 will not affect their good or bad performance. Job satisfaction and employee performance are important things that must be considered by companies in managing employees in the company. When employee needs have been met, job satisfaction will be achieved. The findings in this study are different from the research, showing that employee satisfaction at work can have a positive impact on their performance. Rosmaini & Tanjung (2019), Sabuhari et al. (2020), Hosted by Harahap & Tirtayasa (2020), Qomariah et al. (2020), Nurrohmat & Lestari (2021), Fajri et al (2022), Suryawan & Salsabilla (2022).

However, there are several studies that have the same results as this study, namely previous research by and found that job satisfaction did not have a positive influence on employee performance. This may happen because job characteristics emphasize work results more than satisfaction. According to, job satisfaction is not almost all the same in employees in a company Fauziek & Yanuar (2021), Azhari et al. (2021), Puspitawati & Atmaja (2021), Basri & Rauf (2021).

There are several things that become the basis of the assessment that employee satisfaction at work does not have a positive influence on the performance of PT employees. Bank Negara Indonesia Regional Office 15. First, the amount of salary and facilities that employees will receive each month is not determined based on how much an employee is able to complete his work. The provision of salaries and facilities has been determined by PT. Bank Negara Indonesia Regional Office 15 in accordance with the level/position. That is, even if employees do not achieve the performance targets that have been set, it will not reduce the salary and facilities they will receive. Conversely, if employees
achieve work targets more than what has been set, it will not increase the salary and facilities they will receive. Thus, the amount of salary and facilities received by employees does not affect the good or bad of their performance. In addition, the majority of respondents have an undergraduate education background, thus respondents assume that the amount of salary and facilities received is a fair value for their qualifications and expertise.

Second, the work that will be done by employees of PT. Bank Negara Indonesia Regional Office 15 already has its own standard operating procedures (SOPs), so that employees only perform work in accordance with the responsibilities given to them. This makes there is no need for innovation from each employee 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 begin to enter a period of saturation with monotonous work. Thus, employee satisfaction also decreases because there is no opportunity to develop themselves in 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 of time, causing demotivation in employees which has an effect on low job satisfaction.

4. 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 is able to apply the principles of good corporate governance very well. However, in this study it was 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 in employee dissatisfaction. This finding indicates that management needs to make improvements in an effort to improve employee performance, especially evaluating salary policies. Limitations and several directions for research improvement in the future, among others, first, research is limited to only one business field, namely banking. Second, this research model and framework can still be developed so that future studies can use a different framework by adding other variables. Third, this research was conducted using only one component of good corporate governance, for subsequent research it is expected to add other components such as the structure of good corporate governance. Managerial implications that can be applied in order to increase employee satisfaction at work and performance in employees with the implementation of the principles of good corporate governance in the company are, first, management is expected to maintain consistency in assessing performance evaluations, so as to increase employee morale at work which will have an impact on their performance. Second, management is expected to ensure that the duties or job descriptions given to employees are clear and in accordance with their level / position, so that employees do not have more workload than they should. Third, giving employees the opportunity to be able to occupy positions in accordance with their competencies and rotate regularly to avoid employee boredom at work. In this case, the leader can provide work according to the ability and capacity of employees, so that work can be completed effectively, so that employees feel satisfied with their work. Fourth, management can redesign salary standards to match the salary guide of the banking sector, in addition, management can add performance achievement factors in the calculation of salary components to be given to employees. This means that employees will receive additional salary if they reach the target that has been set. Thus, there will be a difference in the salary received by employees in accordance with the targets achieved. Thus, employees will feel that their hard work is valued and has more value in the eyes of the company.
5. References


