



# PROCEEDINGS

## Business Conference 2014

3<sup>rd</sup> - 5<sup>th</sup> November 2014  
Kasem Bundit University Bangkok

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“ASEAN ECONOMIC COMMUNITY 2015:  
OPPORTUNITIES & THREATS”



ENBA



B-3

## PAPER 15

## THE EFFECT OF IMPLEMENTATION GOOD CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE IN CORPORATION WHICH PARTICIPATE IN CORPORATE GOVERNANCE PERCEPTION INDEX (CGPI)

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### *Abstract*

The results of the survey conducted by the SWA with the Indonesian Institute for Corporate Governance (IICG) in 2006 on the reasons companies implement good corporate governance is to maintain the confidence of stakeholders and apply transparency. In addition, the reasons that the implementation of good corporate governance mechanisms to improve internal business processes, creating sustainable growth, face regulatory demands, improving competitiveness. The framework is built in the corporate governance should ensure the strategic guidance of the company, effective oversight of management by the board of commissioners, and shareholders.

The research method of this study is ex post facto; research method is a method of research that is done by examining the events that have occurred. Then try to explain the effect of the implementation of good corporate governance on financial performance. The type of data used is quantitative data, while the researchers obtained data sources through an intermediary medium published.

These results indicate that the implementation of GCG effect on financial performance. Implementation of GCG affects ROA of 3.6 % and is able to influence the implementation of GCG ROE of 15.4 %

**Keyword:** *Good Corporate Governance, Return on Asset, Return on Equity*

### **Background Issues**

The continued development of studies and research on good corporate governance has given rise to a measure that represents the level of implementation of good corporate governance in the company. The measure is a score or index of corporate governance (CG), the ranking of companies based on the level of implementation of GCG. CG index is expected to reflect a comprehensive CG practices in the company, because it has been widely used in various surveys about the level of implementation of Good Corporate Governance good ranking in companies in a ranking of countries as well as between countries.

Results of a survey conducted by SWA together Indonesian Institute for Corporate Governance (IICG) in 2006 on the reasons companies implement good corporate governance is to maintain the confidence of stakeholders and to implement transparency. In addition, the reason that the application of good corporate governance mechanisms to improve internal business processes, measurement of financial performance of the company was conducted to determine whether the results achieved in accordance with the planning. With the increase in the company's financial performance means the company