GOVERNANCE INDEX MODEL FOR FOUNDATION IN INDONESIA

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ABSTRACT

The long-term goal of this study is to provide measurements of the quality of Internet-based Sharia Foundation Legal Entity governance. The hope is that it can make an important contribution to policy makers / regulations related to the implementation of good governance for legal entities that run foundation activities with sharia principles. The specific target to be achieved in this study is the presentation of methods for measuring the quality of governance of Islamic legal entities through the use of IBCG Ratings from Grzybkowski and Wójcik (2006), which have been developed into IBCG Rating Modified by Musdholifah and Hartono (2015). The rapid development of foundation legal entities in Indonesia should also be supported by the measurement of the quality of the foundation's legal entity governance. On that basis, it is necessary to prepare a model for measuring the quality of governance for these entities which will be used in this study. The findings of this study are also expected to contribute to the theory of signalling, asymmetrical Information Theory and agency theory in explaining the quality of governance, especially in sharia legal entities. This research uses descriptive qualitative analysis tools and IFIAS. The object of this research is the legal entity foundation that runs the sharia principles registered by the Indonesian Ministry of Law and Human Rights. This research resulted in several things, including: 1) the presentation of the measurement model for the quality of governance of internet-based legal entities; 2) the results of measurements of the quality of governance of internet-based foundation legal bodies by applying the measurement model and applying it to the sample company website.

KEY WORDS

Foundation, governance, internet.

The current governance has become a necessity for every legal entity if it wants to continue to exist and maintain its sustainability. This governance vocabulary adapts well to the type of legal entity it engages. When dealing with companies, becoming corporate governance, in the realm of government becoming government governance, the scope of the university is also known as university governance. The importance of governance can be seen in many perspectives, one of which is related to the quality and competitive power of a country. The better governance, it is believed the better the quality of life of the nation and state, and minimizes the opportunities for corruption that can shackle people's welfare. Special publication data / transparent report International 2018, ranked Indonesia as the 89th country out of 180 countries analyzed.

The way to measure the quality of good governance has been developed from year to year. Prior to 2003, the quality of governance for corporate entities was measured by a partial approach, where governance was represented by the presence or absence of audit committees, managerial ownership, institutional ownership, etc. that were partial (Hartono et al., 2013). After 2003, aggregate quality assessments of governance began to emerge. Critics from Bohren and Oddegaard in 2003 have led to index measurements. The redevelopment occurred when information technology experts gave sharp criticism for the weakness of the methodology carried out by index-based governing quality rating agencies. Initiated by Grzybkowski and Wójcik in 2006, came the idea of using the internet in measuring the quality of governance which then recommended the use of the Internet Based Corporate Governance (IBCG) Rating and was also developed by Musdholifah and Hartono (2015) into IBCG Rating Modified. The problem is that the measurement model is suitable for

profit-oriented entities and has not yet touched non-profit institutions such as foundation legal entities engaged in social, religious and humanitarian activities. This proposal was prepared to meet the vacancy.

This study has the following specific objectives to presenting the main components and sub-components of the measurement of The Governance Index for Foundation in an effort to present measurements of the quality of the legal entity's foundation, and presenting the formulation of The Governance Index for Foundation in an effort to present the measurement of governance of the foundation's legal entity.

The importance of this research can be shown by two things. First, related to the phenomenon of the rapid development of the number of foundations as set out in the consideration of the issuance of Law Number 16 of 2001, where: 1) the founding of the Foundation in Indonesia so far has been carried out based on customs in the community, because there is no statutory regulation governing the Foundation; 2) that the Foundation in Indonesia has developed rapidly with various activities, aims, and objectives; and 3) the importance of ensuring legal certainty and order for the Foundation to function in accordance with its aims and objectives based on the principles of openness and accountability to the community. This phenomenon certainly demands the need to measure The Foundation governance Index as a basis for assessing its quality.

The second urgency, until now there has been no measurement of the quality of governance of the legal entity foundation, while in other entities, especially profit organizations, there have been many similar measurements. For example, Darmadi (2013) measures the quality of governance, especially in Islamic banking in Indonesia through the CGDI (Corporate Governance Disclosure Index). Sulaiman et al. (2015) measures the quality of governance of Islamic financial institutions in Malaysia by using the CGD Index. However, the various measurements are reminiscent of the criticisms of Grzybkowski and Wójcik (2006) of the weak methodological transparency of the use of the governance index. Furthermore, the emergence of an internet-based corporate governance assessment (IBCG rating modified) developed by Musdholifah and Hartono (2015) has not been able to meet the needs of sharia corporate governance measurement, because it only assesses the quality of corporate governance for conventional companies. The emergence of The Sharia Corporate Governance Rating (MUSDHOLIFAH et al., 2017), also has limitations, because of the broad scope of the assessed sector, measurement results should vary according to the sector variations assessed. Studies on sharia corporate governance conducted in Malaysia and the Middle East (Abu-Tapanjeh, 2009) only focus on the banking sector, minimal research into the development of quality governance in other financial sectors outside of banking.

Another urgency of this research is related to the fulfillment of the principles of efficiency and effectiveness. It is understood that an effective and efficient evaluation will be more meaningful if it utilizes information technology as a supporting vehicle. Utilization, can / can reduce costs so that the agency cost theory can be minimized. The use of information technology is also expected to be able to encourage the efficiency of evaluation time and can be done anywhere, anytime, and reaches any wider society. Based on this background, this study would like to examine the Legal Entity Governance Model Quality Measurement Foundation by utilizing the internet as a vehicle for its measurement.

LITERATURE REVIEW

Agency theory in this study is used to explain the urgency of governance within foundations, especially foundations that have business units. Jensen and Meckling (1976) state that agency costs arise from differences in interests between owners and managers. The difference in importance between the owner and management lies in maximizing the benefits (utility) of the owner (principal) with the constraints (utility) benefits (utility) and incentives that will be received by management (agent). Because different interests often arise conflicts of interest between shareholders / owners (principal) and management (Jensen and Meckling, 1976). And in other hand, a good quality company will give a signal to

the market, thus the market is expected to be able to distinguish good and bad quality companies. For these signals to be effective, the market must be captured and perceived well, and not easily imitated by poor quality companies (Megginson et al., 2008).

METHODS OF RESEARCH

This research is based on its purpose, including the type of explanatory research. Explanatory research tries to examine the quantity relationship between research variables formed from the structure of theory in explaining causality. The population of this research is foundations that are active in the social, religious and humanitarian fields. The unit of analysis of this research is the foundation that owns the website and reports on its activities on the foundation's website. The sample used in the study was selected using targeted / purposeful sampling methods, based on certain criteria, namely: 1) Foundation legal entities registered at the Ministry of Law and Human Rights Republic of Indonesia; 2) the foundation has its own website, and is not under maintenance (maintenance), and provides an annual report on the foundation's website; and 3) Companies registered with the Indonesian Ministry of Law and Human Rights for a minimum of 5 years.

The data source in this study is secondary data, namely the foundation's website and the annual report in 2016 obtained from the website of each sample foundation. The measurement of the quality of corporate governance uses the Sharia IBCG Rating index which will be developed in this study. The measurement model was originally designed by Grzybkowski and Wojcik (2006) namely IBCG Rating. The index has been developed by Musdholifah and Hartono (2015) into a modified IBCG rating consisting of 134 criteria and divided into five main categories. The Sharia IBCG Rating which will be developed in this study is prepared based on sharia principles based on the Qur'an and Hadith. The rating system of the IBCG Rating is based on 'yes / no responses', where if there is information desired from the required criteria, the points obtained are 1. However, if the desired information is absent then the points obtained are 0. The following table shows the number of questions and the maximum number of points and percentage (weighted points) generated for each category.

The stages of this research are as follows:

1. Utilizing the modified IBCG rating from Musdholifah and Hartono (2015) as a result of the development of the model from Grzybkowski and Wojcik (2006), development of these measures is based on sharia principles based on the Qur'an and Hadith for Islamic financial institutions in Indonesia.

2. Calculate the value of the quality of sharia corporate governance of each sharia financial institution. The steps to calculate the quality value are as follows:

- Look at the whole foundation website to be examined, as well as important points relating to the Sharia IBCG Rating measurement criteria;
- Navigate by exploring the structure of the website built by the foundation by paying attention to the points of questions that must be filled;
- Use sitemaps and try internal search engines to find the information needed. because there are various efficiency variations offered by various existing search engines, the researcher will only use google search as a parameter in limiting the way the webpage is searched;
- View documents, both in pdf file format, or words published by the foundation, including the foundation's annual report (annual report);
- Conduct external testing related to web publication standards using the World Wide Web Consortium 1 validator. Because of the complexity of the structure of a web page, only the front page of the website will be tested. Website testing can be done by visiting the site <http://validator.w3.org/>;
- The final stage of the testing process will be a re-check of each of the question points specified, so that if it still doesn't get results, then the points for that question are 0, and vice versa.

Table 1 – The governance index for foundation

No	GIF Category	Max Points	Max Weighted Points
1.	Stakeholder	50	25
2.	Transparency	74	20
3.	Management	43	30
4.	Accessibility	18	10
5.	Accountability	8	15
Total		193	100

Note: The governance index for Foundation = ((score/max points) x 100%) x (max weighted points).

Table 2 – Categories Scoring GIF Weighted

No	Score	Category
1.	0 – 20	Very Bad
2.	21 – 40	Bad
3.	41 – 60	Enough
4.	61 – 80	Good
5.	81 – 100	Excellent

RESULTS OF STUDY

The formulation of the substance of the internet-based foundation's governance index until the preparation of this progress report was prepared, presented in several activities including: a) coordination of activities with the parties, b) initial draft measurement; c) Finalization of measurement instruments; and d) measurement results.

The components and sub-components of the measurement are then formulated to obtain a governance index ranging from 0-100. This measurement model adopts IBCG Rating measurements from Grzybkowski and Wójcik (2006), which have been developed into IBCG Rating Modified by Musdholifah and Hartono (2015).

The rating system of the IBCG Rating is based on 'yes / no responses', where if there is information desired from the required criteria, the points obtained are 1. However, if the desired information is absent then the points obtained are 0. The following table shows the number of questions and the maximum number of points and percentage (weighted points) generated for each category.

Table 3 – The Scoring Result

No	GIF Category	Score	GIF Weighted	Category
1.	Stakeholder	20	10,00	ENOUGH
2.	Transparency	51	13,78	
3.	Management	12	8,37	
4.	Accessbility	13	7,22	
5.	Accountability	2	3,75	
TOTAL			43,12	

CONCLUSION

This research was conducted with the aim of presenting a model of measuring the quality of governance of foundations in Indonesia. It is hoped that this model can be used by interested parties, both the Financial Services Authority in preparing regulations in related fields, both Central and Regional Governments who are concerned with conducting the foundation management of foundations, quality rating agencies of corporate governance, and researchers who have a concern in the field of governance to be used as a measurement / proxy tool.

Based on this study, several conclusions can be summarized that are directly related to the research objectives, namely: 1. The components identified as part of the foundation's governance body index consists of six, among others: stakeholders, transparency, management, accessibility, and accountability; 2. The quality assessment formulation

includes stakeholders by 25 percent, transparency by 30 percent, management by 20 percent, accessibility by 10 percent, and accountability by 15 percent; and 3. The results of identification of the quality of governance of research objects indicate that the value obtained is 43.12 or is included in the sufficient category.

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