DIFFERENCES IN THE IMPLEMENTATION OF GOOD CORPORATE
GOVERNANCE IN CONVENTIONAL BANKS AND SHARIA BANKS
IN INDONESIA

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Abstract
This type of research is content analysis, namely analyzing various regulations and reports that have been published. The research sample consists of three Conventional Banks and three Islamic Banks. The results show that Conventional Banks and Islamic Banks have both complied with the law, Bank Indonesia regulations, OJK regulations. However, they have some differences regarding religious foundations in implementing GCG in Islamic Banks. The Sharia Supervisory Board (DPS) is only owned by Islamic Banks, as a company supervisor to remain sharia compliant. GCG external assessment must be carried out immediately by Islamic Banks, aiming to increase competition a conventional institutions in the Islamic financial industry.

Keyword: Good Corporate Governance, Conventional Banks, Sharia Banks

INTRODUCTION
Islamic finance is growing rapidly in Indonesia and plays an essensial role in the global
Islamic finance industry. Indonesia's position on The Global Islamic Economy Indicator in the
State of the Global Islamic Economy (SGIE) Report 2022, which DinarStandard launched in
Dubai in March 2022, Indonesia ranks fourth after Malaysia, Saudi Arabia and the United Arab
Emirates.¹ The great potential for Indonesia is considering to be able to create an Islamic finance

¹ Otoritas Jasa Keuangan, “Roadmap Pengembangan Perbankan Syariah Indonesia 2020-2025”
(Jakarta, 2020).
industry that is competitive, efficient, and sustainable as well as becoming an important player in Islamic finance globally.\(^2\)

In order to capture the great potential of global Islamic finance, Indonesia has a vision, namely to become the World's Leading Center for Islamic Economics and Be Able to Achieve a Global Ranking Regarding the Islamic Economy.\(^3\) In achieving this vision, Indonesia has a basic strategy, including strengthening the regulation and governance of Islamic financial institutions. The existence of a basic strategy is very important to ensure a solid foundation for the Indonesian Islamic Economy. Strengthening regulations and governance is a fundamental factor in achieving Indonesia's vision of becoming the center of the world's Islamic Economy.\(^4\)

The strategic function is held by the government as a regulator to provide direction for the development of the Islamic economic and financial industry in the next 5-10 years. There are two main focuses to develop the Islamic finance industry during 2020-2024, one of which focuses on strengthening the capacity, governance, and infrastructure of the Islamic financial industry in order to answer expectations and input from the public demand side, namely creating good Islamic financial services, so that they are comparable to financial institutions conventional. Implementation of a good governance system aims to reduce problems in the Islamic finance industry and further foster public trust and create a sense of security for customers.\(^5\)

The Financial Services Authority (OJK) as a regulatory and supervisory agency for Islamic financial institutions in Indonesia, of course, makes several rules and policies related to the implementation and reporting of governance of Islamic financial institutions in Indonesia. Based on POJK No. 55/POJK.03/2016 concerning the implementation of Governance for Commercial Banks and SEOJK No. 13/SEOJK.03/2017 concerning Implementation of Governance for Commercial Banks, as well as POJK No. 8/POJK.03/2014 concerning Assessment of Soundness Level of Sharia Commercial Banks and Sharia Business Units. SEOJK No. 10/SEOJK.03/2014 concerning Soundness Rating of Sharia Commercial Banks and Sharia Business Units. POJK No. 16/POJK.03/2022 Concerning Sharia Commercial Banks.

It was explained that the implementation of good governance is one of the efforts in good management of Conventional Banks and Islamic Banks, by applying the principles of:


\(^4\) Achdят, “Outlook Industri Jasa Keuangan Syariah Tahun 2022: Peluang & Tantangan.”

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transparency, accountability, responsibility, professionalism and fairness. The principles of good governance must be applied in the implementation of Bank activities, so that they are able to compete with other financial industries and help Indonesia achieve its vision of becoming a global financial center.

Several previous studies have shown that good governance globally is known as Good Corporate Governance (GCG). Corporate governance itself arises because of agency problems between company owners and company managers, where there are restrictions on personal interests in managing the company. Banking regulations place great emphasis on the need for effective GCG practices in the banking system, because the failure and weakness of a bank has contributed to the development of the country's financial crisis. Excellent governance practices will strengthen the performance of financial institutions against each other and the entire financial system.

Other studies have shown that corporate governance influences various financial performance measures and financial performance measures have been found to influence corporate governance.

The practice of implementing Islamic Corporate Governance (ICG) of Islamic Banks in Indonesia shows that the performance factors of the Sharia Supervisory Board (DPS), the Board of Commissioners and the Audit Committee have not been implemented consistently, because they have not run optimally. Other studies show that the role of the Sharia Supervisory Board needs to be increased to create a financial environment that complies with sharia principles in implementing Islamic Corporate Governance (ICG).

Other research results show that Islamic financial institutions have less risk than non-Islamic financial institutions. This is due to the integration with the principles of Islamic finance, in which the Bank better serves the interests of society, and does not tend to be profit-oriented. The practice of Good Corporate Governance,

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10 Nur Khusniyah Indrawati, “Best {Practice} of {Corporate} {Governance} Pada {Lembaga} {Keuangan} {Islam} {Bank} {Islam}},” Jurnal Aplikasi Manajemen 6, no. 3 (2020).

(GCG) in each country is different and varies greatly. Better corporate quality in governance has a direct impact on reducing agency problems.\textsuperscript{12}

Islamic banks differ from conventional banks in terms of business models and corporate governance mechanisms. Islamic banks are governed by additional internal governance mechanisms (DPS) to ensure Sharia compliance on the asset side, liability side, and off-balance sheet activities. DPS performance shows that Islamic banks positively affect managerial ability, which in turn affects liquidity performance. We also find that the board of directors of Islamic banks influences the creation of liquidity by increasing managerial ability.\textsuperscript{13} Banking regulations place great emphasis on the need for effective GCG practices in the banking system, because the failure and weakness of a bank has contributed to the development of the country's financial crisis. Superior GCG practices will strengthen the performance of financial institutions with each other and the entire financial system.\textsuperscript{14} Other research shows that GCG affects various financial performance measures and financial performance measures have been found to influence GCG.\textsuperscript{15}

This study tries to analyze the differences in the implementation of \textit{Good Corporate Governance} (GCG) in Conventional Banks and Islamic Banks seen from 3 aspects, namely: Regulatory aspects of regulations, Aspects of the basic principles of GCG implementation, and Aspects of GCG assessment. Then the researchers draw conclusions from these three aspects, whether there are differences in the implementation of GCG in Conventional Banks and Islamic Banks in Indonesia. The aim of the research is to find out and analyze the basic regulations and rules of GCG in Conventional Banks and Islamic Banks in Indonesia. Then know and analyze the differences in GCG principles between Conventional Banks and Islamic Banks in Indonesia. Finally find out and analyze the differences in GCG assessment between Conventional Banks and Islamic Banks in Indonesia.


\textsuperscript{14} Zagorchev and Gao, “Ac Ce Pt Cr t.”

\textsuperscript{15} Iqbal, Nawaz, and Elsan, “PT.”
THEORETICAL BASIS

A. Good Corporate Governance

Good corporate governance (GCG) is a system and structure for managing a company with the aim of increasing company value and allocating it to various interested parties such as creditors, suppliers, business associations, consumers, workers, the government and the wider community. GCG can also be interpreted as good corporate governance where there is a system that regulates, manages and oversees business control processes to increase corporate value, as well as a form of attention to primary and secondary stakeholders.¹⁶

GCG is a system and structure for managing a company with the aim of increasing company value and allocating it to various interested parties such as creditors, suppliers, business associations, consumers, workers, the government and the wider community. GCG by definition is a system that regulates and controls the company to create added value (value added) for all shareholders (stakeholders).¹⁷ The concept of Conventional Corporate Governance regarding corporate governance is a relationship limited to the relationship between those who supply capital, finance and management or more narrowly the relationship between shareholders and management. In contrast, in Islamic governance, companies certainly have a broad commission, with obligations to suppliers, customers, competitors and employees to embrace all with spiritual foundations.¹⁸

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GCG is a concept of sound corporate governance and a company management system that reflects a synergistic relationship between management, shareholders, creditors, the government and suppliers. GCG is basically a system (input, process, output) and a set of rules governing the relationship between various interested parties in the narrow sense and society in the broad sense. There are two concepts that need to be emphasized in GCG, namely: First, the importance of the right of shareholders to obtain company information correctly, accurately and in a timely manner. Second, the company's obligation to make accurate, timely and transparent disclosures of all information on company performance, ownership and stakeholders. The notion of stakeholders themselves is any party that has an interest in the company's performance. Theoretically, stakeholders are divided into two, namely: Primary stakeholders, which consist of shareholders, investors, employees, managers, suppliers, business partners, and the community. Secondary stakeholders, namely government, business institutions, social groups, academics, and competitors.

B. Commercial Banks in Indonesia

In Law no. 21 of 2008 concerning Islamic Banking, a bank is defined as a business entity that collects funds from the public in the form of savings and distributes them to the public in the form of credit and other forms in order to improve people's living standards.

Conventional Bank is defined as a Bank that carries out its business activities conventionally and based on its type consists of Conventional Commercial Banks and Rural Banks. Conventional Commercial Banks are Conventional Banks which in their activities provide services in payment traffic.

Sharia Banks are Banks that carry out their business activities based on Sharia Principles and by type consist of Sharia Commercial Banks and Sharia People's Financing Banks. Islamic Commercial Banks are Islamic Banks which in their activities provide services in payment traffic. Financing is the provision of funds or equivalent claims in the form of:

1. Profit sharing transactions in the form of mudharabah and musyarakah,
2. leasing transactions in the form of ijarah or leasing in the form of ijarah Muntamlik,
3. Sale and purchase transactions in the form of murabahah, salam, and istishna' receivables,

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20 Tjahjadi, Soewarno, and Mustikaningtyas, “Good Corporate Governance and Corporate Sustainability Performance in Indonesia: A Triple Bottom Line Approach.”
21 Undang-Undang Perbankan Syariah, “UU No. 21 Tahun 2008 Tentang Perbankan Syariah” (Jakarta, 2008).
22 Syariah.
23 Syariah.
4. Lending and borrowing transactions in the form of qardh receivables,
5. Service leasing transactions in the form of ijarah for multi-service transactions.

RESEARCH METHODS

A. Types of research

Content analysis research, which is a research that is in-depth discussion of the issue of written and printed information obtained from various sources and references. This study tries to explain how the implementation of good corporate governance (GCG) differs in conventional banks and Islamic banks in Indonesia, seen from the basic aspects of regulations, basic aspects of GCG principles and aspects of GCG assessment.

B. Research Sample

Researchers took several samples of Conventional Banks and Islamic Banks using a purposive sampling technique. Purposive sampling is a sampling technique with certain considerations. Purposive sampling criteria used in order to determine the right sample in accordance with the research objectives. The purposive sampling criteria used were:

1) BUKU 2-3 Banks, Banks with a core capital of IDR 1 Trillion to less than IDR 30 Trillion.
2) Consistently published Good Corporate Governance Reports for 3 years (2020-2022 period).

Based on the above criteria, the research samples taken were:

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<tbody>
<tr>
<td>1</td>
<td>Mandiri Bank</td>
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<td>2</td>
<td>Indonesian State Bank (BNI)</td>
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<td>3</td>
<td>People’s Bank of Indonesia (BRI)</td>
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<td>4</td>
<td>Indonesian Sharia Bank (BSI)</td>
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<td>5</td>
<td>Bank Muamalat Indonesia</td>
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<tr>
<td>6</td>
<td>Mega Syariah Bank</td>
<td>v</td>
<td>v</td>
<td>v</td>
</tr>
</tbody>
</table>

Source: 2023 secondary data
C. Data Types and Sources

The type of data used is secondary data, which is meant by secondary data here is data received through sources from books, journals, periodic reports, magazines, newspapers, or websites that have been collected by other parties. The data source was obtained from the Good Corporate Governance (GCG) Report of each bank for the 2020-2022 period.

D. Data collection technique

The data collection technique used in this study is the Documentation technique. Documentation techniques by collecting various kinds of information and sources needed in research, namely from GCG reports that have been published by each bank on the official website.

E. Data analysis technique

Data analysis is the process of systematically searching for and compiling data obtained from the results of documentation by organizing the data into categories, then breaking it down into units, compiling them into patterns, then choosing which ones are important and what will be studied, finally making conclusions so that easily understood by oneself and others.

In analyzing the data used in this qualitative research, the researcher uses a deductive method, namely a logic that starts from general knowledge and then becomes a starting point in assessing a specific fact.

RESEARCH RESULT

A. of Good Corporate Governance (GCG) Rules and Regulations

1. Basis for the Implementation of Good Corporate Governance in Conventional Banks

Good Corporate Governance (GCG) for Banks aims to deal with increasingly complex risks faced by banks, thus increasing the need for good governance practices by banks, in order to improve bank performance, protect the interests of stakeholders, and increase compliance with laws and regulations as well as generally accepted ethical values in the banking industry.25 Facing this, it is necessary to implement GCG to improve the quality of governance implementation, which is one of the efforts to strengthen the internal conditions of national banking.26

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Good governance is a procedure for managing the Bank that applies the following principles: transparency, accountability, responsibility, independency and fairness. Governance, which we then call Good Corporate Governance, has the following legal basis and rules:

**a. Regulation**


4) Regulations of the Financial Services Authority (POJK) and Circular Letters of the Financial Services Authority (SEOJK), among others:


6) POJK No. 18/POJK.03/2014 concerning Implementation of Integrated Governance for Financial Conglomerates.

7) POJK No. 33/POJK.04/2014 concerning Directors and Board of Commissioners of Issuers or Public Companies.

8) POJK No. 34/POJK.04/2014 concerning the Nomination and Remuneration Committee of Issuers or Public Companies.

9) POJK No. 35/POJK.04/2014 concerning the Corporate Secretary of Issuers or Public Companies.

10) POJK No. 21/POJK.04/2015 concerning Implementation of Public Company Governance Guidelines.

11) POJK No. 31/POJK.04/2015 concerning Disclosure of Information or Material Facts by Issuers or Public Companies.

12) POJK No. 55/POJK.04/2015 concerning the Establishment and Guidelines for the Implementation of Audit Committee Work.

13) POJK No. 56/POJK.04/2015 concerning the Formation and Guidelines for the Preparation of the Internal Audit Unit Charter.

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14) POJK No. 27/POJK.03/2016 concerning Fit and Proper Test for Main Parties of Financial Services Institutions.
15) POJK No. 55/POJK.03/2016 concerning the implementation of Governance for Commercial Banks.
16) POJK No. 11/POJK.04/2017 concerning Reports of Ownership or Any Changes in Ownership of Public Company Shares.
17) POJK No. 13/POJK.03/2017 concerning the Use of Public Accountant Services and Public Accounting Firms in Financial Service Activities.
18) POJK No. 37/POJK.03/2019 concerning Transparency and Publication of Bank Reports.
19) POJK No. 15/POJK.04/2020 concerning Plans and Implementation of General Meeting of Shareholders of Public Companies.
20) POJK No. 16/POJK.04/2020 concerning Implementation of Electronic General Meeting of Shareholders of Public Companies.
21) SEOJK No. 15/SEOJK.03/2015 concerning Implementation of Integrated Governance for Financial Conglomerates.
22) SEOJK No. 32/SEOJK.04/2015 concerning Guidelines for Public Company Governance.
23) SEOJK No. 13/SEOJK.03/2017 concerning Implementation of Governance for Commercial Banks.
24) SEOJK No. 36/SEOJK.03/2017 concerning Procedures for Using the Services of Public Accountants and Public Accounting Firms in Financial Services Activities.

b. **Other Guidelines**

1) Company Articles of Association,
2) The Company's Internal Regulations include the Company's policies regarding GCG,
3) Corporate Governance principles developed by the Organization for Economic Cooperation and Development (OECD),
4) Indonesian GCG Guidelines developed by the National Committee on Governance Policy (KNKG),
5) Principles for Enhancing Corporate Governance issued by the Basel Committee on Banking Supervision.
2. **Basis for the Implementation of Good Corporate Governance in Islamic Banks**

   *Good Corporate Governance (GCG)* factors is a review of the quality of the Bank's management of the implementation of GCG principles which refers to regulatory provisions.

   Basis for implementing GCG in Islamic Banks:

   b. Law No. 40 of 2007 concerning Limited Liability Companies and all of their amendments.
   c. Law No. 21 of 2008 concerning Islamic Banking and all of its amendments.
   d. OJK Regulation No. 16/POJK.03/2022 of 2022 concerning Islamic Commercial Banks and all their amendments.
   e. Bank Indonesia Regulation No.11/33/PBI/2009 dated December 7, 2009 concerning Implementation of Good Corporate Governance for Sharia Commercial Banks and Sharia Business Units and all of their amendments.
   f. Financial Services Authority Regulation No. 18/POJK.03/2014 concerning the Implementation of Integrated Governance for Financial Conglomerates and all their amendments.
   g. Financial Services Authority Regulation No. 8/POJK.03/2014 concerning Assessment of Soundness Level of Sharia Commercial Banks and Sharia Business Units and all their amendments.
   h. Financial Services Authority Regulation No. 37/POJK.03/2019 concerning Transparency and publication of Bank Reports and all their amendments.
   i. Financial Services Authority Regulation No. 65/POJK.03/2016 concerning Implementation of Risk Management for Sharia Commercial Banks and Sharia Business Units including all amendments and implementing provisions along with all amendments thereto.
   j. Financial Services Authority Regulation No. 15/POJK.04/2020 concerning Plans and Implementation of the General Meeting of Shareholders of Public Companies and all their amendments.
   k. Financial Services Authority Regulation No. 46 /POJK.03/2017 concerning the Implementation of Compliance Functions for Commercial Banks and all of their amendments.
   l. Financial Services Authority Regulation No. 39/POJK.03/2019 concerning Implementation of Anti-Fraud Strategy for Commercial Banks and all the amendments.

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m. Bank Indonesia Circular Letter No.12/13/DPbS dated 30 April 2010 concerning the Implementation of Good Corporate Governance for Sharia Commercial Banks and Sharia Business Units and all their amendments.

n. Circular Letter of the Financial Services Authority No.10/SEOJK.03/2014 concerning Soundness Rating of Sharia Commercial Banks and Sharia Business Units and all their amendments.

o. Financial Services Authority Circular No. 10/SEOJK.03/2020 concerning Transparency and Publication of BUS and UUS Reports and all their amendments.

p. Sharia Council Fatwa Association (DSN).

q. Articles of Association.

r. Risk Management Policy.

s. GCG implementation guidelines as follows:

- (1) *Corporate Governance* principles developed by the *Organization for Economic Cooperation and Development* (OECD).

- (2) Indonesian GCG Guidelines developed by the National Committee on *Governance Policy* (KNKG).

### B. Aspects of Basic Principles of Good Corporate Governance (GCG)

#### 1. Principles of Good Corporate Governance in Conventional Banksː[^34][^35][^36]

a. **Transparency**

1) The company discloses information in a timely, adequate, clear, accurate and comparable manner and can be accessed by interested parties (*stakeholders*).

2) The company discloses information which includes but is not limited to the vision, mission, business objectives, corporate strategy, financial and non-financial condition of the company, the composition of the Board of Directors and the Board of Commissioners, controlling shareholders, risk management, monitoring and internal control systems, implementation of the compliance function, systems and implementation of corporate governance as well as material information and facts that may influence investors’ decisions.

3) Company policies must be written and communicated to *stakeholders* who are entitled to obtain information about these policies.

4) The principle of openness continues to pay attention to provisions on Company secrets, job secrets and personal rights in accordance with applicable regulations.

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[^35]: BRI, “Laporan GCG BRI 2021.”
b. Accountability

1) The company sets business goals and strategies to be accountable to stakeholders.
2) The company establishes clear duties and responsibilities for each organ of the members of the Board of Commissioners and the Board of Directors and all levels under them which are aligned with the vision, mission, values of the Company, business goals and strategy of the Company.
3) The company must believe that each member of the Board of Commissioners and Directors as well as all levels under them have the competence according to their responsibilities and understand their role in implementing corporate governance.
4) The company establishes a check and balance system in managing the company.
5) The company has performance measurements from all levels of the company based on agreed measures consistent with the company's values (Core Values) business goals and strategies. The company has a rewards and punishment system.

c. Accountability

1) The company adheres to prudential banking practices and ensures compliance with applicable regulations.
2) The company as a good corporate citizen cares about the environment and carries out social responsibility fairly.

d. Independence

1) The company avoids unfair domination by any stakeholder and is not influenced by unilateral interests and is free from conflicts of interest.
2) The company makes decisions objectively and is free from any pressure from any party.

e. Fairness

1) The company pays attention to the interests of all stakeholders based on the principle of equality and fairness (equal treatment).
2) The company provides opportunities for all stakeholders to provide input and express opinions for the interests of the company and open access to information in accordance with the principle of transparency.

2. Principles of Good Corporate Governance in Islamic Banks

a. Transparency

Disclose information in a timely, adequate, clear, accurate and comparable manner and can be accessed by interested parties (stakeholders). Have a written Company Policy and communicated to stakeholders who are entitled to obtain information about the policy. Applying the principle of openness while still paying attention to applicable laws and regulations and office...
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secrets. The basic verse of the Qur'an: "Indeed, Allah orders you to convey the mandate (rights/information) to those who are entitled to receive it" (QS. An-Nisa: 58).

b. Accountability

Business goals and strategies can be accountable to stakeholders. Clear duties and responsibilities for each organ of the members of the Board of Commissioners, Sharia Supervisory Board, and Directors as well as all levels under them which are aligned with the vision, mission, corporate values, business objectives and corporate strategy. Each member of the Board of Commissioners, Sharia Supervisory Board, and Board of Directors as well as all levels under them have competence according to their responsibilities and understand their role in implementing GCG. Check and balance system implemented in the management of the company.

Performance based on agreed measures is consistent with company values, business goals and strategies as well as the reward and punishment system. The basic verse of the Qur'an: "Indeed, those who fear Allah among His servants are only scholars (those who are knowledgeable)" (QS. Fathir: 28). "Is there the same people who are knowledgeable with those who are not knowledgeable" (QS. Az-Zumar: 9). "Allah elevates those who believe among you and those who have knowledge by degrees. Allah is All-Knowing of what you do" (QS. Al-Mujaadilah: 11).

c. Accountability

In carrying out its operations, the Bank must be responsible by adhering to the principle of prudence and ensuring compliance with sharia principles, applicable laws and regulations and having concern for the environment and carrying out social responsibility fairly. The basic verse of the Qur'an is Responsibility, namely: “Everyone is responsible for what he has done” (QS. Al-Muddatsir: 38).

d. Professional

Sharia Banks define professionals as competent, able to act objectively, free from influence/pressure from any party (independent), avoid conflicts of interest and have a high commitment. Avoid unfair domination by stakeholders and not be influenced by unilateral interests and be free from conflicts of interest. Make decisions objectively and free from any pressure from any party. The basis of the hadith, namely: “Whoever imitates a people, then he is..."
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included in their group” (HR. Abu Daud). "Indeed, Allah loves someone when they do something work, it is done professionally (itqon)” (Narrated by Abu Ya'la and authenticated by Albany).46

e. **Fairness and Equality**

Paying attention to the interests of all *stakeholders* based on the principle of equality and fairness. Provide opportunities for all *stakeholders* to provide input and express opinions for the benefit of the Bank. Have adequate competence to support the implementation of duties and responsibilities.47 Basic verses of the Qur’an, namely: "Verily Allah commands you to act justly and do good” (QS. An-Nahl: 90). “O you who believe, be true upholders of justice, bear witness for Allah even if it is against yourself or your parents and relatives …” (QS. An-Nisa: 135).48

C. **Assessment Aspect of Good Corporate Governance (GCG)**

GCG Assessment at Conventional Banks consists of Independent Assessments and Assessments from External Parties. The GCG assessment aims to map the strengths and weaknesses of the company's GCG implementation, which are reviewed from three aspects, namely:

*Governance Structure.* Assessment of *governance structure* is an aspect that assesses the completeness of the organization, structure and infrastructure to build a corporate resilience system to the dynamics of change according to the values, principles and rules of governance in order to create added value for stakeholders to ensure sustainable growth in an ethical and dignified manner.49

*Governance Process.* This aspect is an assessment of effective and efficient operational systems and mechanisms to build a company's resilience to the dynamics of change according to the values, principles and rules of Governance in order to create added value for stakeholders to ensure sustainable growth in an ethical and dignified manner.50

*Governance Outcomes.* This aspect is an assessment of the quality of achievements and benefits that are successful and efficient to build a corporate resilience system to the dynamics of

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46 Bank, “Laporan GCG Bank Muamalat 2020.”
47 BSI, “Laporan GCG BSI 2020.”
change in accordance with the values, principles and rules of Governance in order to create added value for stakeholders to ensure sustainable growth in an ethical and dignified manner.\textsuperscript{51}

1. **GCG Assessment in Conventional Banks**
   
a. **Self-Assessment**

   Individual GCG implementation self-assessment includes 11 (eleven) GCG implementation assessment factors. The self-assessment process for the implementation of GCG independently involves the entire Board of Commissioners, Directors and work units related to GCG assessment factors. Table 4.1 shows indicators of self-assessment by the Bank, namely:

   \textbf{Table 4.1}
   \begin{center}
   \begin{tabular}{|l|l|}
   \hline
   \textbf{No} & \textbf{Criteria} & \textbf{Self Assessment Indicator} \\
   \hline
   1 & Governance Structure & Implementation of duties and responsibilities of the Board of Commissioners. \\
   2 &  & Implementation of duties and responsibilities of the Board of Directors. \\
   3 &  & Completeness and implementation of the duties of the Committee. \\
   4 & Governance Process & Handling conflict of interest. \\
   5 &  & Implementation of the compliance function. \\
   6 &  & Implementation of the internal audit function. \\
   7 &  & Implementation of the external audit function. \\
   8 &  & Implementation of risk management including the internal control system \\
   9 &  & Provision of funds to related parties and large exposure. \\
   10 & Governance Outcomes & Transparency of the Bank's financial and non-financial conditions, reports on the implementation of Good Corporate Governance and internal reporting. \\
   11 &  & Bank Strategic Plan \\
   \hline
   \end{tabular}
   \end{center}

   Source: POJK No. 55/POJK.03/2016 concerning the implementation of Governance for Commercial Banks and SEOJK No. 13/SEOJK.03/2017 concerning Implementation of Governance for Commercial Banks.

b. **Assessment from External Parties**

   1) \textit{Corporate Governance Perception Index (CGPI)}

   In assessing the quality of GCG implementation, Conventional Banks participate in the CGPI research and rating program held by The Indonesian Institute of Corporate Governance (IICG). CGPI is attended by public companies (issuers), BUMN, banks and other private companies. The party conducting the CGPI assessment is The Indonesian Institute for Corporate Governance (IICG).\textsuperscript{52,53,54} The CGPI assessment criteria are shown in the table below:


\textsuperscript{52} Bank, “Laporan GCG Bank Mandiri 2022.”
### Table 4.2

**GCG Assessment Indicators by CGPI**

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<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>Assessment Indicator</th>
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<tbody>
<tr>
<td>1</td>
<td>Governance Structure</td>
<td>Indicators of Shareholders and GMS</td>
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<tr>
<td>2</td>
<td></td>
<td>Board of Commissioners Indicators</td>
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<td>3</td>
<td></td>
<td>Directors Indicator</td>
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<td>4</td>
<td></td>
<td>Indicators of Supporting Organs for the Board of Commissioners</td>
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<td>5</td>
<td></td>
<td>Board of Directors completeness organ indicator</td>
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<tr>
<td>6</td>
<td></td>
<td>Functional Management Indicators</td>
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<tr>
<td>7</td>
<td>Governance Process</td>
<td>Indicators of the System and Mechanism of Shareholder Governance and the implementation of the GMS.</td>
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<td>8</td>
<td></td>
<td>Indicators of the Board of Commissioners and Board of Directors Governance System and Mechanism</td>
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<td>9</td>
<td></td>
<td>Indicators of Organizational Behavior Governance Systems and Mechanisms</td>
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<td>10</td>
<td></td>
<td>System Indicators and Mechanisms for Information Disclosure and Disclosure Governance</td>
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<tr>
<td>11</td>
<td></td>
<td>Indicators of System and Mechanism of Risk Governance, Compliance and Control and Supervision</td>
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<tr>
<td>12</td>
<td></td>
<td>Governance System and Mechanism Indicators Building the Company's Shared Vision</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td>Indicators of Organizational Infrastructure Governance Systems and Mechanisms</td>
</tr>
<tr>
<td>14</td>
<td></td>
<td>Indicators of Creativity and Innovation Governance Systems and Mechanisms</td>
</tr>
<tr>
<td>15</td>
<td></td>
<td>Indicators of Social and Environmental Responsibility Governance Systems and Mechanisms</td>
</tr>
<tr>
<td>16</td>
<td></td>
<td>System and Mechanism Indicators for Business and Industry Governance</td>
</tr>
<tr>
<td>17</td>
<td>Governance Outcomes</td>
<td>Results and Impact Indicators of Corporate Organ Governance</td>
</tr>
<tr>
<td>18</td>
<td></td>
<td>Results and Impact Indicators of Conformity of Organizational Behavior</td>
</tr>
<tr>
<td>19</td>
<td></td>
<td>Results and Impact Indicators of Risk Governance, Compliance and Control and Supervision</td>
</tr>
<tr>
<td>20</td>
<td></td>
<td>Results and Impact Indicators of Social and Environmental Responsibility Governance</td>
</tr>
<tr>
<td>21</td>
<td></td>
<td>Results and Impact Indicators Building Corporate Resilience</td>
</tr>
</tbody>
</table>

Source: Aspects of the 2021/2022 CGPI assessment

2) **ASEAN Corporate Governance Scorecard (ACGS)**

One of the other forms of assessment carried out is related with the implementation of GCG in the Bank is the **ASEAN Corporate Governance Scorecard** is a measurement parameter agreed Governance practices by the **ASEAN Capital Market Forum (ACMF)**. The parameters are

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53 BNI, “Laporan GCG BNI 2022.”
54 BRI, “Laporan GCG BRI 2021.”

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created based on the OECD *Principles* and expected to improve investor confidence in listed companies in ASEAN. The party conducting the *ASEAN Corporate Governance assessment The scorecard* is *ASEAN Capital Market Forum (ACMF)*. A criteria Used *The components of the ASEAN Corporate Governance Scorecard* assessment are as follows:

a) Shareholder Rights  
b) Equal Treatment of Shareholders  
c) The Role of Stakeholders  
d) Disclosure and Transparency  
e) Responsibilities of the Board of Directors and Board of Commissioners

### 2. GCG Assessment in Islamic Banks

#### a. Self-Assessment (Self-Assessment)

Sharia Banks are required to routinely carry out *self-assessments of GCG implementation*. GCG factor assessment is a study of the quality of the Bank's management of the implementation of GCG principles which refers to regulatory provisions. GCG implementation assessment is carried out every semester, namely at the end of June and December. Assessment of GCG implementation is carried out through a *self-assessment* carried out by the *Compliance Group*. The indicators in the GCG report for Islamic Banks consist of 11 aspects, namely:

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>Self Assessment Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Governance Structure</td>
<td>Implementation of duties and responsibilities of the Board of Commissioners.</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Implementation of duties and responsibilities of the Board of Directors.</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td>Completeness and implementation of the duties of the Committee.</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>Implementation of duties and responsibilities of the Sharia Supervisory Board.</td>
</tr>
<tr>
<td>5</td>
<td>Governance Process</td>
<td>Implementation of sharia principles in fundraising activities and distribution of funds and services.</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>Handling conflict of interest.</td>
</tr>
<tr>
<td>7</td>
<td></td>
<td>Implementation of the compliance function.</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>Implementation of the internal audit function.</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>Implementation of the external audit function.</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>Maximum Fund Distribution Limit (BMPD).</td>
</tr>
</tbody>
</table>

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55 Bank, “Laporan GCG Bank Mandiri 2022.”  
56 BNI, “Laporan GCG BNI 2022.”  
57 BRI, “Laporan GCG BRI 2021.”  
58 Bank, “Laporan GCG Bank Muamalat 2022.”  
59 BSI, “Laporan GCG BSI 2022.”  
60 Bank, “Laporan GCG Bank Mega Syariah 2022.”
Angrum Pratiwi, Slamet Haryono: Differences In The Implementation of Good Corporate Governance In Conventional Banks and Sharia Banks In Indonesia

<table>
<thead>
<tr>
<th>No</th>
<th>Criteria</th>
<th>Assessment Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aspects of Governance Structure</td>
<td>Defined as the completeness of the organization, structure and infrastructure to build a corporate resilience system against the dynamics of change according to the values, principles and rules of governance in order to create added value for stakeholders to ensure sustainable growth in an ethical and dignified manner.</td>
</tr>
<tr>
<td>2</td>
<td>Governance Process Aspects</td>
<td>Defined as an effective and efficient operational system and mechanism to build a company's resilience to the dynamics of change according to the values, principles and rules of governance in the framework create added value for stakeholders to ensure sustainable growth in an ethical and dignified manner.</td>
</tr>
<tr>
<td>3</td>
<td>Results Aspects of Governance</td>
<td>It is defined as the quality of results and benefits that are effective and efficient to build a company's resilience system to the dynamics of change according to the values, principles and rules of governance in order to create added value for stakeholders to ensure sustainable growth in an ethical and dignified manner.</td>
</tr>
</tbody>
</table>

b. External Party Assessment

1) Corporate Governance Perception Index (CGPI)

Corporate Governance Perception Index (CGPI) assessment organized by The Indonesian Institute for Corporate Governance (IICG). CGPI is a GCG research and ranking program to evaluate the quality of a company's corporate governance. CGPI is attended by public companies (issuers), BUMN, banks and other private companies.61

For companies participating in the CGPI Program, they can provide benefits which, among other things, become the basis for managing the company through reviewing the application of GCG principles to create added value for stakeholders. The CGPI results show the seriousness of companies in Indonesia in improving the quality of implementing GCG principles. The CGPI assessment criteria are shown in the table below:

Table 4.4

<table>
<thead>
<tr>
<th>GCG Assessment Indicators by CGPI</th>
</tr>
</thead>
</table>

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61 BSI, “Laporan GCG BSI 2022.”
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Source: In CGPI 2021 with the theme Building Corporate Resilience within the GCG framework

2) **ASEAN Corporate Governance Scorecard**

In order to continue the refinement process Governance as well as a form of commitment and consistency over implementation, Islamic Banks do alignment of GCG practices by adopting the principles developed by the *Organization for Economic Cooperation and Development* (OECD) and has been agreed upon by the *ASEAN Capital Market Forum* (ACMF), which is called *ASEAN Corporate Governance (CG) scorecard*. The criteria used *The ASEAN CG Scorecard* is used to assess practice GCG is open in ASEAN countries. Assessment is based on publicly available information including Annual Reports, *Audited Financial Reports*, *Sustainability Report*, Announcements and Calls General Meeting of Shareholders, Website Company as well as other public information. As for the assessment components of the ASEAN CG Scorecard are as follows:

- a) Shareholder Rights
- b) Equal Treatment of Shareholders
- c) The Role of Stakeholders
- d) Disclosure and Transparency
- e) Responsibilities of the Board of Directors and Board of Commissioners

**DISCUSSION**

**A. Regulatory Aspects and Good Corporate Governance Regulations**

Based on the results above, it shows that there are several differences in the aspects of regulation and implementation of GCG regulations between Conventional Banks and Islamic Banks, namely:

<table>
<thead>
<tr>
<th>Category</th>
<th>Conventional Banks</th>
<th>Islamic Bank</th>
</tr>
</thead>
</table>

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62 BSI.
<table>
<thead>
<tr>
<th>Law</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law No. 27 of 2022 concerning Personal Data Protection.</td>
<td>Regulation of the State Minister for Owned Enterprises State (BUMN) No. PER 01/MBU/2011 concerning the Implementation of GCG in SOEs as amended by the Regulation of the State Minister for SOEs No. PER 09/MBU/2012.</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>PBI No.11/33/PBI/2009 dated 07 December 2009 concerning Implementation of GCG for Sharia Commercial Banks and Sharia Business Units and all of their amendments.</td>
</tr>
<tr>
<td>-</td>
<td>SEBI No.12/13/DPbS dated 30 April 2010 concerning Implementation of Good Corporate Governance for Sharia Commercial Banks and Sharia Business Units and all of their amendments.</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>Regulation of the Minister of State for State-Owned Enterprises State Owned (BUMN) No. PER-12/MBU/2012 of 2012 concerning Supporting Organs for the Board of Commissioners or Board of Trustees of State-Owned Enterprises which has been amended several times, most recently by Minister of BUMN No. PER-14/MBU/10/2021.</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>PBI No.11/33/PBI/2009 dated 07 December 2009 concerning Implementation of GCG for Sharia Commercial Banks and Sharia Business Units and all of their amendments.</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Regulation</td>
<td>Document</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>Regulation of the State Minister for Owned Enterprises State (BUMN) No. PER-13/MBU/09/2021 regarding the Sixth Amendment to the Regulations Minister of State Owned Enterprises No. PER-04/MBU/2014 concerning Determination Guidelines Income of the Board of Directors, Board of Commissioners, and BUMN Supervisory Board.</td>
<td>-</td>
</tr>
<tr>
<td>Regulations of the Financial Services Authority (POJK) and Circular Letters of the Financial Services Authority (SEOJK), among others:</td>
<td>POJK No. 16/POJK.03/2022 of 2022 concerning Islamic Commercial Banks and all their amendments.</td>
</tr>
<tr>
<td>POJK No. 18/POJK.03/2014 concerning Implementation of Integrated Governance for Financial Conglomerates.</td>
<td>POJK No. 8/POJK.03/2014 concerning Assesssment of Soundness Level of Sharia Commercial Banks and Sharia Business Units and all their amendments.</td>
</tr>
<tr>
<td>POJK No. 33/POJK.04/2014 concerning Directors and Board of Commissioners of Issuers or Public Companies.</td>
<td>POJK No. 37/POJK.03/2019 concerning Transparency and publication of Bank Reports and all their amendments.</td>
</tr>
<tr>
<td>POJK No. 34/POJK.04/2014 concerning the Nomination and Remuneration Committee of Issuers or Public Companies.</td>
<td>POJK No. 65/POJK.03/2016 concerning Implementation of Risk Management for Sharia Commercial Banks and Sharia Business Units including all amendments and implementing provisions along with all amendments thereto.</td>
</tr>
<tr>
<td>POJK No. 35/POJK.04/2014 concerning the Corporate Secretary of Issuers or Public Companies.</td>
<td>POJK No. 15/POJK.04/2020 concerning Plans and Implementation of General Meeting of Shareholders of Public Companies and all amendments .</td>
</tr>
<tr>
<td>POJK No. 21/POJK.04/2015 concerning Implementation of Public Company Governance Guidelines.</td>
<td>POJK No. 46 /POJK.03/2017 concerning the Implementation of Compliance Functions for Commercial Banks and all of their amendments.</td>
</tr>
<tr>
<td>POJK No. 31/POJK.04/2015 concerning Disclosure of Information or Material Facts by Issuers or Public Companies.</td>
<td>POJK No. 39/POJK.03/2019 concerning Implementation of Anti-Fraud Strategy for Commercial Banks and all the amendments.</td>
</tr>
<tr>
<td>POJK No. 55/POJK.04/2015 concerning the Establishment and Guidelines for the Implementation of Audit</td>
<td>SEOJK No.10/SEOJK.03/2014 concerning Assessment of the Soundness Level of Sharia Commercial Banks and Sharia Business Units and all their amendments.</td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Committee Work.</th>
<th>Other Platforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>POJK No. 56/POJK.04/2015 concerning the Formation and Guidelines for the Preparation of the Internal Audit Unit Charter.</td>
<td>-</td>
</tr>
<tr>
<td>POJK No. 27/POJK.03/2016 concerning Fit and Proper Test for Main Parties of Financial Services Institutions.</td>
<td>Al-Qur'an and Al–Hadith</td>
</tr>
<tr>
<td>POJK No. 55/POJK.03/2016 concerning the implementation of Governance for Commercial Banks.</td>
<td>-</td>
</tr>
<tr>
<td>POJK No. 11/POJK.04/2017 concerning Reports of Ownership or Any Changes in Ownership of Public Company Shares.</td>
<td>Sharia Council Fatwa Association (DSN).</td>
</tr>
<tr>
<td>POJK No. 13/POJK.03/2017 concerning the Use of Public Accountant Services and Public Accounting Firms in Financial Service Activities.</td>
<td>-</td>
</tr>
<tr>
<td>POJK No. 15/POJK.04/2020 concerning Plans and Implementation of General Meeting of Shareholders of Public Companies.</td>
<td>Risk Management Policy.</td>
</tr>
<tr>
<td>POJK No. 16/POJK.04/2020 concerning Implementation of Electronic General Meeting of Shareholders of Public Companies.</td>
<td>GCG principles developed by the Organization for Economic Cooperation and Development (OECD).</td>
</tr>
<tr>
<td>SEOJK No. 15/SEOJK.03/2015 concerning Implementation of Integrated Governance for Financial Conglomerates.</td>
<td>Indonesian GCG Guidelines developed by the National Committee on Governance.</td>
</tr>
</tbody>
</table>

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Committee on Governance Policy (KNKG).

Based on Table 5.1 above, it shows that Conventional Banks have a GCG foundation that is different from Islamic Banks. Other regulations such as the Al-Qur'an, Hadith, DSN-MUI Fatwa form the basis of Islamic Bank GCG, and we do not find them in Conventional Banks. Conventional Banks and Islamic Banks each have a different legal basis. Bank Mandiri, BNI and BRI, as state-owned companies, have their own policies for implementing GCG. The Financial Services Authority (OJK) has full authority in regulating the implementation of GCG in Conventional Banks and Sharia Banks, so there are many rules that must be obeyed.

As Islamic finance continues to grow and is a new industry, it needs to develop a consistent and streamlined structure to build strong corporate governance practices. Islamic financial institutions are unique in their governance according to Islamic principles. Due to the relatively new industry, Islamic Finance can learn from conventional finance. The findings reveal that the practices implemented by Islamic Financial Institutions in protecting the rights of Investment Holders are not effective enough, considering that the standard principles of GCG have not gone well. Another thing found that the lack of responsibility, accountability and independence in decision making, as a corporate governance principle, contributed to the ineffectiveness of corporate implementation practices in Islamic Financial Institutions.

Another concept of GCG in Islamic Financial Institutions, namely Islamic Corporate Governance (ICG) no longer plays the role of supervisor and regulator in Islamic financial institutions. The existence of intense competition, the failures experienced by the Islamic finance industry, unprecedented challenges, and other considerations have become a new approach that influences the growth of the Islamic finance industry to maintain its viability in the challenges of the world's global financial industry, and increase prosperity. The findings of the paper argue that there are significant differences and divergences of corporate GCG structures in Islamic Banks in Southeast Asian countries. This position acknowledges that there are deficiencies in the

63 Emily Samra and Emily Samra, “Corporate Governance in Islamic Financial Institutions” 22, no. 22 (2016).
existing governance framework for Islamic Banks that require further refinement and standardization.\textsuperscript{66}

B. \textbf{Aspects of the Basic Principles of Good Corporate Governance}

The basic principles in the implementation of Good Corporate Governance (GCG), between Conventional Banks and Islamic Banks which consist of Transparency, Accountability, Responsibility, Professionalism and Fairness, have meanings and understandings that are not much different. Differences are found in the basic principles of GCG Islamic Banks, where banks add verses from the Qur'an and Hadith to strengthen sharia compliance in Islamic Banks.

The basis of the Qur'an and Hadith makes Islamic Banks different from Conventional Banks, a study shows that Islamic financial institutions have less risk than non-Islamic financial institutions. This is due to the integration with the principles of Islamic finance, in which the Bank better serves the interests of society, and does not tend to be profit-oriented. The practice of Good Corporate Governance (GCG) in each country is different and varies greatly. Better corporate quality in governance has a direct impact on reducing agency problems.\textsuperscript{67}

Other research shows that all models in corporate governance aim to reduce agency problems, the GCG model in Islamic companies shows that Islamic bank GCG is a multi-level governance system where religious elements play a sizable role in the organizational structure.\textsuperscript{68}

GCG refers to the relationship between the corporation and its constituents. The Islamic Corporate Governance model in Islamic finance proposes that the constituencies are broader because of the emphasis that Sharia law places on property and contractual rights. This means that while the conventional conception of corporate governance is shareholder-centric, the focus in ICG is much broader to include suppliers, customers, competitors and employers. The Islamic economic system is ultimately based on maintaining a just and harmonious social order in which the rights of the entire community are protected through the Sharia Council, which ensures that the institution complies with the rules of Sharia law. Theoretically, the concept of ICG is quite stable and is in line with various theories that emphasize corporate social responsibility. A good corporate governance structure is also required due to the emergence of Islamic Financial


\textsuperscript{67} Abdallah, Hassan, and McClelland, “Islamic Financial Institutions, Corporate Governance, and Corporate Risk Disclosure In Gulf Cooperation Council Countries.”

Institutions. However, one questions whether such a model can be practically implemented in Muslim countries.

C. Assessment Aspect of Good Corporate Governance (GCG)

Three aspects are assessed in the GCG B report on Conventional Banks and Sharia Banks, namely: *Governance Structure, Governance Process, Governance Outcome*. The difference is clearly seen in the *Governance Structure aspect*, where Sharia Banks place the Sharia Supervisory Board (DPS) on a par with the Directors, Commissioners and Committees. Islamic banks are different from conventional banks in terms of business models and GCG mechanisms. Islamic banks are governed by an internal GCG mechanism coupled with a Sharia Supervisory Board (DPS) to ensure Sharia compliance on the asset side, liability side, and off-balance sheet activities. DPS performance shows that Islamic banks positively affect managerial ability, which in turn affects liquidity performance. We also find that the board of directors of Islamic banks influences the creation of liquidity by increasing managerial ability.

The number of qualified Directors, Sharia Supervisory Board (DPS) have contributed to the sustainability of Islamic financial institutions. This shows that the larger the members of the Board of Directors and DPS, the more Islamic financial institutions will survive. The practice of implementing *Islamic Corporate Governance* (ICG) of Islamic Banks in Indonesia shows that the performance factors of the DPS, the Board of Commissioners and the Audit Committee have not been implemented consistently, because they have not run optimally. The role of DPS needs to be increased to create a financial environment that complies with sharia principles in implementing *Islamic Corporate Governance* (ICG). The results of the study found that the number of qualified Directors and Sharia Supervisory Board (DPS) contributed to the sustainability of Islamic financial institutions. This shows that the larger the members of the Board of Directors and DPS, the more Islamic financial institutions will survive.

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70 Safullah, Hassan, and Kabir, “Corporate Governance and Liquidity Creation Nexus in Islamic Banks—Is Managerial Ability a Channel?”
72 Indrawati, “Best {Practice} of {Corporate} {Governance} Pada {Lembaga} {Keuangan} {Islam} ({Bank} {Islam}).”
GCG assessment at Conventional Banks consists of independent performance assessments and external performance assessments. Independent performance evaluation is carried out by *self-assessment* of 11 GCG indicators and must be published in the form of a GCG report. External performance assessment is carried out by two programs, namely: *Corporate Governance Perception Index (CGPI)* and *ASEAN Corporate Governance (CG) scorecard*. Bank Mandiri, BNI and BRI have routinely conducted external GCG performance assessments.

The CGPI program is implemented with the aim of inviting all stakeholders in the business ecosystem, which consist of the Government, Business Actors, Business Communities and Business Support Parties to implement GCG best practices in the world of business and the economy in order to encourage sustainable economic prosperity, especially paying attention to the process of creating added value for all *stakeholders*. Another goal is to encourage companies to improve GCG quality through continuous improvement so that the CGPI program can become a strategic tool in compiling databases, mapping CG conditions in Indonesia, and becoming a benchmark for GCG implementation in Public Companies, BUMN and Private Companies in Indonesia. Meanwhile *ASEAN Corporate Governance (CG) Scorecard* for banks in the Southeast Asia region. The aim is to increase the competition and performance of each country's banks, so that they are able to enter the global financial market. GCG self-assessment of Islamic Banks has been carried out just like conventional banks, namely 11 indicators are assessed with slight differences. External performance assessments such as the CGPI program and the ASEAN Corporate Governance Scorecard have not been carried out by Bank Mumalat Indonesia and Bank Mega Syariah. The assessment carried out is only limited to an independent assessment by each bank, then it is reported in the form of a GCG Report.

**CONCLUSION**

The legal basis, in the form of Laws, Government Regulations, Bank Indonesia Regulations and Financial Services Authority (OJK) Regulations, both Conventional Banks and Islamic Banks are basically the same and complement each other. What is different is that the basis of the Al-Qur'an and Hadith is applied specifically by Islamic Banks to fulfill and carry out Sharia compliance when carrying out bank activities. The basic principles of *Good Corporate Governance* which consist of transparency, accountability, responsibility, professionalism and fairness are equally implemented by Conventional Banks and Islamic Banks. The difference lies in the basis of the Al-Qur'an and Hadith in each principle, this is done by Islamic Banks so that they have a strong basis in carrying out sharia compliance. The GCG assessment of Conventional Banks and Islamic Banks both has 11 indicators. However, there is something different, namely the existence of the Sharia Supervisory Board. Islamic banks need to carry out external
assessments in stages and continuously. The goal is that Islamic Banks can compete nationally and internationally.

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Samra, Emily, and Emily Samra. “Corporate Governance in Islamic Financial Institutions” 22, no. 22 (2016).


