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REVISITING THE CONCEPT AND GOALS OF CORPORATE GOVERNANCE IN THE INDONESIAN BANKING SECTOR

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Abstract

In 2015 and 2016, the Indonesian Financial Services Authority (IFSA) issued two main regulations respectively on corporate governance for People's Credit Banks (PCBs) and for general banks in Indonesia (the Indonesian banking sector). This article scrutinizes the concept of corporate governance and goals of corporate governance in the Indonesian banking sector in the above two existing IFSA regulations. It is found that in these two regulations, ISFA simply defines corporate governance as the implementation of transparency, accountability, responsibility, independence, and fairness (TARIF) principles by the industry. Basically, such kind of a conceptualization is not appropriate as it does not define the concept of corporate governance itself, but rather, it just reaffirms the general principles of good corporate governance. It is also revealed that IFSA does not clearly provide the goals of corporate governance for the industry. It is recommended that IFSA should re-conceptualize the definition of corporate governance by providing a more concise concept of corporate governance that highlighted in the international best practices and focusing more on the functions of the Indonesian banking sector boards. Meanwhile, the goals of corporate governance in the Indonesian banking sector should deal more with the achievement of long-term success and value creation as indicated in the international best practices on corporate governance.

Keywords: Corporate Governance, General Banks, Indonesian Financial Services Authority, People's Credit Banks, Revisiting.
