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Governance in Indonesia banking industries as an effort to improve their national competitiveness

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A B S T R A C T

The bank's transparency of their financial performance has been demanded by the public so that the banks have to demonstrate their products and activities. The banks' health level assessment, currently being enacted by Bank Indonesia is a risk approach that includes Risk Profile, Good Corporate Governance, Earning, and Capital (RGEC). The more Good Corporate Governance (GCG) assessment is geared today for the banks to strengthen their competitive position and increase investor confidence. This study is directed to test the accounting conservatism towards GCG as well as the consequence of GCG on the financial performance, Corporate Social Responsibility (CSR) and information asymmetry. This study used financial data published on the Indonesia Stock Exchange in 2008-2015 and 152 samples were taken from 19 banks data and tested using simple regression. The results show that Good Corporate Governance has an impact on financial performance, Corporate Social Responsibility, and information asymmetry. The better governance carried out by the banking system will have an impact on their competitiveness in an effort to increase public confidence to invest their funds.

A B S T R A K

Transparansi kinerja keuangan bank telah dituntut oleh publik sehingga bank harus menunjukkan produk dan aktivitasnya. Penilaian tingkat kesehatan bank yang saat ini diberlakukan oleh Bank Indonesia merupakan pendekatan risiko yang mencakup Profil Risiko, Tata Kelola Perusahaan, Pendapatan dan Modal (RGEC). Penilaian Tata Kelola Perusahaan (GCG) yang lebih baik saat ini ditujukan bagi bank untuk memperkuat posisi kompetitif dan meningkatkan kepercayaan investor. Penelitian ini diarahkan untuk menguji konservatisme akuntansi terhadap GCG serta konsekuensi GCG terhadap kinerja keuangan, Corporate Social Responsibility (CSR) dan asimetri informasi. Penelitian ini menggunakan data keuangan yang dipublikasikan di Bursa Efek Indonesia pada tahun 2008-2015 dan 152 sampel diambil dari 19 data bank dan diuji dengan menggunakan regresi sederhana. Hasil penelitian menunjukkan bahwa Good Corporate Governance berpengaruh terhadap kinerja keuangan, Corporate Social Responsibility, dan asimetri informasi. Tata kelola yang lebih baik yang dilakukan oleh sistem perbankan akan berdampak pada daya saing mereka dalam upaya meningkatkan kepercayaan masyarakat untuk menginvestasikan dananya.

1. INTRODUCTION

The national banks' products and activity development is currently growing more rapidly. In connection with this development, the transparency of banks' financial condition and performance to the public has become a primary demand. They are required to submit their financial condition and performance because they receive and distribute funds from the society. In this case, the society needs to know whether their money has been well managed. On one hand, for the responsible banks, they can certainly convey the information needed by the public voluntarily. On the other hand, the rapid increase of banks' development leads to the intense competition between banks as well. Therefore, they should be more dynamic and able to

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maintain the continuity of their business in order to be more trusted by the society. For that reason, the demand for the banks' effectiveness and efficiency is strongly influenced by the banks' governance.

Bank Indonesia, as the central bank in Indonesia, is responsible for overseeing all the banks in Indonesia. Bank Indonesia also uses financial statements that are presented by national banks as the basis for determining the status of a bank, whether the bank is healthy or not. Banking performance, which is now required by Bank Indonesia through SE No. 13/24/DPNP dated October 25, 2011, on the Assessment of Commercial Banks obliges commercial banks to carry out self-assessment of the bank, by using the risk approach (Risk-based Bank Rating). The risk approach includes Risk Profile, Good Corporate Governance, Earnings, Capital and is often called RGEC.

Good Corporate Governance (GCG) approach as the bank's measurement indicator of its health level. This is directed to show Transparency, Accountability, Responsibility, Fairness, and Independence. This approach includes eleven factors of GCG assessment, namely: 1) implementation of duties and responsibilities of the board of commissioners, 2) implementation of duties and responsibilities of the board of directors, 3) adequacy and implementation of duties of the committees, 4) handling of conflict of interests, 5) implementation of compliance function, 6) implementation of internal audit function, 7) implementation of external audit function, 8) implementation of risk management, 9) funding to related party, 10) transparency of financial and non-financial condition of the bank, 11) the bank's strategic plan.

Good governance can be achieved if the banks can meet the eleven indicators with very good score. GCG is the key element for improving the economic efficiency, which includes a series of relationships between the company's management, the board of directors, shareholders and other stakeholders (Zarkasyi 2008). The banking industry has tighter regulation than other companies. Therefore, the managers tend to take the initiative to do their banking earnings management in order to meet said criteria required by Bank Indonesia (Nasution & Setiawan 2007). Various accounting policies are implemented in order to influence earnings. The results of a research conducted by Supriyati & Erida (2015) proved that the banks with good governance tend to perform earnings management by increasing the accrual earnings.

Good governance has become a demand that must be met by the banking industry independently. Interest in the banking industry is shown by the increase in the value of the company. This increase in the value of the company acts an impact of the bank's good financial performance. Financial performance is an overview of the achievements of the undertaken activities or an analysis to see how far the company has been implementing the rules of financial performance correctly.

A research carried by David (2011), and Wishnu (2005) concluded that Good Corporate Governance (GCG) has significant influence on the profitability indicators of the banking sector. On the other hand, if the bank has implemented good governance, it will surely convey to society voluntarily related to its performance through disclosure of social responsibility (CSR). The concept of social responsibility (CSR) is the commitment of the prosperity of a society based on ethical principles. Soraya and Hartanti (2010) stated that today more and more companies have reported practices of social responsibility in its annual report.

The well- implemented governance within the banking industry is expected to be able to improve their financial performance. The tendency to show a better performance in terms of quantitative and qualitative will certainly make the banks which have already implemented good governance to be more careful in the report. This is what is called accounting conservatism principle used to address uncertainty in the business environment, towards less reliable actions of managers and owners. There are indications that the election motive of conservative accounting in a bank is associated with good corporate governance. The higher the demands of good governance, banks tend to perform accounting conservatism.

Accounting conservatism in the banking industry is very important because of their complexity, internal information asymmetry, and particular contract. Another condition shows that, internal banks conflicts are triggered by the interest of management. Management sometimes hold quicker, more valid, and more amount of information about the bank than the shareholders, so that it leads to information asymmetry. Information asymmetry causes the owner or manager attempt to manipulate the reported company's performance for their own sake. However, if the bank has already implemented good governance, it will be able to reduce the earnings management action.

The banks with good governance are certainly trying to achieve a good financial performance. They can compete and make investors increasingly interested to invest. Good banking governance is considered capable to strengthen the company's competitive position sustainably, process resources effectively, and increase investor confidence. This implementation of governance is capable of delivering progress towards the financial performance of banks, improving the quality of earnings, and reducing managers' action to manipulate its financial statements (Mariska 2013).

The implementation of banking governance that has just been implemented in 2007 will be a major phenomenon and it becomes a demand for the society in the future. Implementation of banking governance will be a benchmark whether banks will be capable to be more competitive with other industries. This study is focused on the impact of governance on the expectations of society that will be measured by financial performance, prudence (accounting conservatism), and its disclosure responsibility (CSR).

This research predicts the ability of the competitiveness of the banking industry with other industries, especially in the midst of major changes in the provision of banking and financial Accounting Standards. The formulations of the problem carried out in this study are: whether the accounting conservatism affects governance (GCG) and whether governance (GCG) affects financial performance, Corporate Social Responsibility (CSR) and accounting information asymmetry. Therefore, the purpose of this study is to examine the effect of Accounting Conservatism on governance (GCG), and the effect of governance (GCG) on the financial performance, Corporate Social Responsibility (CSR) and accounting information asymmetry.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

Negative Entrenchment Effect

This study used three main theories related to corporate governance, namely stewardship theory and agency theory. Stewardship theory developed by Donaldson and Davis (1991) is a theory that describes a situation where the manager is not motivated by the goals of individuals but rather they aimed at the target of their primary outcome for the benefit of the organization. This theory has a basis in psychology and sociology designed where executives as stewards are motivated to act in the principal desire. Besides, the behavior of a steward will not be about leaving the organization, because the steward will try to reach the target of the organization.

The agency theory developed by Jensen and Meckling (1976) described the relationship between the principal and agent, where the principal is the party who gives mandate to the agency. Principal delegates decision-making responsibility to the agency where rights and obligations of both parties indicated in a labor agreement that is mutually beneficial. This study was also based on the Signaling Theory where manager financing activities are believed to reflect the value of the company's shares. Signal theory states that the company provides signals to parties outside of the company with the aim to increase the value of the company (Hartono 2005).

Good Corporate Governance (GCG) of Banks in Indonesia

Good Corporate Governance is a series of structured processes used to manage and direct or lead corporate business with the aim to increase the values of the company and the business community. GCG can be defined as structures, systems and processes used by the organization of the company in an effort to provide value-added of the companies. The Organization for Economic Cooperation and Development or OECD (2003), quoted by (Zarkasyi 2008) stated that corporate governance as well as the company's goals act as means to achieve the objectives and monitor performance.

Surya & Yustiavandana (2008) define GCG in relation with effective decision-making, aims to achieve profitable business, manage risk efficiently and effectively, and be accountable having regard to the interests of stakeholders. Based on the text above, it can be concluded that GCG is governance rules used to manage, supervise and regulate mutual relations between the company and stakeholders in an effort to achieve organizational goals. The implementation of Good Corporate Governance of banks is characterized by the issuance of Bank Indonesia Regulation (PBI) No. 8/4/PBI/2006 on The Implementation of Good Corporate Governance for Commercial Banks and PBI No. 8/14/PBI/2006 on The Amendment of Bank Indonesia Regulation No. 8/4/PBI/2006. The scope of these regulations is the board of directors, special committees, compliance function, internal and external audit, risk management, related parties and large exposures funding, bank's strategic plan, and transparency.

The governance system related to banks in Indonesia adopts a two-chambered structure (two-tier system), which separates the board of commissioners who has oversight function and the board of directors who acts as a corporate executive. The BoC must establish a minimum of three special committees, namely audit committee, risk monitoring committee, and the remuneration and nomination committee, in order to support the effective implementation of their tasks and responsibilities. The Board of Directors is fully responsible for the implementation of the bank management.

To ensure compliance, the banks are obliged to appoint a Director of Compliance, and to assist implementation effectively, they should form a Compliance Unit which is independent on Operational Unit (SKO). Banks are also obliged to establish Internal Audit Unit which is independent on Operational Unit (SKO), and appoint Public Accounting Firm (KAP) registered at Bank Indonesia in the audit implementation of Financial Statements of the Bank. Since 2007, Bank Indonesia obliges to deliver the complete results of banks' Self Assessment on Good Corporate Governance implementation no later than five (5) months after the fiscal year ends. That statement of Good Corporate Governance includes a working paper of Good Corporate Governance Self Assessment of each factor, the summary calculation of composites value and composite predicate along with the general conclusion results of the implementation of banks' Good Corporate Governance Self Assessment.

Accounting Conservatism and Good Corporate Governance

Financial statement is the accountability made by the company to provide information on the performance of management in managing its resources. Information submitted through this financial statement is used by internal and external parties. This financial statement should meet the objectives, rules, and principles of accounting in accordance with Generally Accepted Accounting standards in order to produce financial statements which can be accounted for and beneficial to all users. Therefore, the concept of conservatism is required in the making process of financial statements.

Conservatism is a cautious reaction to face the unpredictability, in trying to ensure that the uncertainties and risks involved in the business situation have been considered. Conservatism as a practice reduces the profit (and shrink net assets) in response to bad news, but does not increase profit (elevating net assets) in response to good news. Watts (2003) defines conservatism the differential verifiability required for recognition of profits versus losses. Suwardjono (2010) defines conservatism as an attitude or stream (school of thought) in facing uncertainty to take action or decisions based on the worst possible outcome on these uncertainties.

Conservatism has basic principles items, namely: (1) do not anticipate earnings before it occurs, but admit losses that may occur. (2) when faced with two or more preferred methods of accounting, the accountants must choose a method that is most profitable for the company. The technique chosen is the one that produces the lowest assets and income value, or the highest debt and cost value. Ahmed and Duellman (2007) stated that when compared to conventional accounting, IFRS focus more on relevant recording, causing ever-greater dependence on various estimates and judgment.

Accounting conservatism in banks is implemented in different levels. Implementation of conservatism principle on the income statement is included in the determination of revenue recognition and burden of the bank. Income credit and earnings assets categorized as current are recorded on an accrual basis, while revenues and credit and earnings assets categorized as non-performing are recorded on cash basis.

The implementation of conservatism principle in the balance is the value of the existing conservative posts items, namely, allowance for uncollectible placements with other banks, allowance for losses on securities, allowance for uncollectible derivative receivables, and allowance for uncollectible loans, allowance for uncollectible acceptances receivables, and allowance for uncollectible investments, fixed assets and implementation of conservatism principle in a liability account. One of the factors that determine the level of conservatism in financial reporting of a company is the role of the board of commissioners and the internal party of the company in providing transparent, accurate and not misleading information for investors.

Banks that have implemented good governance seek to maintain public confidence. One of the ways is to be able to present good financial performance. Banks will be very careful in presenting the financial statements in order to avoid misstatements or doubts for the concerned parties in decision-making. A better implementation of governance of the bank will cause a higher level of prudence in the financial statements. Research conducted by Ahmed and Duellman (2007) reported a relation between conservative accounting practices with the characteristics of the board of directors, but it's not related with independent commissioner and managerial ownership. Ahmed et al. (2002) also stated that the choice of an accounting method is affected by the ownership structure as one of the mechanisms of GCG.

Good Corporate Governance and Financial Performance

Bank performance is an assessment of the bank's level of health as set by Bank Indonesia as well as a measure of success for bank directors. Financial performance assessment is one of the ways that can be done by management in order to meet its obligations to funders and achieve the goals set. The most appropriate performance measurement of banks to measure the banks' level of ability to generate profits, namely 1) Return on Assets (ROA) ratio, which indicates how much profit earned on average over any rupiah assets, 2) Non-Performing Loan (NPL), which is the rate of return loans granted to the depositor or the level of bad loans in the bank, 3) Net Interest Margin (NIM), which indicates banks' ability to generate net interest income with placement of earning assets.

Banks with good governance certainly have the hope to be able to present good financial performance. Healthy banks are certainly much more expected by the public because collected funds can be accounted transparently and accountably. A good financial performance certainly illustrates good operational activities and is expected to increase the acquisition of funds from the public and investors. A study conducted by David (2011), Aisha Ahram et al. (2014), Aimen Ghaffar (2014), Ika and Retno (2014) stated that Good Corporate Governance has significantly positive effect on profitability indicators in the banking sector which means that the level of achievement of maximum profit has become the main purpose of the banks.

GCG and CSR

Corporate Social Responsibility (CSR) according to Government Regulation No. 47/2012 is a concept or action taken by the company as a sense of corporate responsibility towards the social and the environment in which they operate, such as improving public welfare and protecting the environment, providing scholarships, and providing maintenance funds of public facilities that are useful for the community. CSR is also applicable to the banking industry in order for the stakeholders to be able to observe the activities of social responsibility that has been implemented by banks. The disclosure of CSR by Conventional Banks in Indonesia uses GRI (Global Reporting Initiative) index, which consists of 18 items indicators that can be revealed in the banking industry, among others, economic performance (7 indicators), environmental performance (1 indicator), practice of workforce (5 indicators), implementation of public disclosure (2 indicators), implementation of product liability disclosure (3 indicators).

In order to actualize a good bank management besides implementing the assessment of GCG indicators continuously and independently, the bank should also be able to convey or express the efforts that have been made in the form of CSR statements. If the bank has implemented good governance, it will be able to reveal all operational performance indicators in the form of CSR. This is because there's a structured mechanism of management and disclosure of CSR inside an operational of banks, which is also expected to be able to increase the competitiveness of the banking system.

The implementation of sustainable CSR can create positive impact and be beneficial for both companies and society at large. Research conducted by Helen and Raymond (2015) stated that financial performance is not the only factor affecting the implementation of banks' CSR. Chirisna and Indriastuti (2014) also said that Islamic banks should be able to make corrections in the measurement of CSR disclosure. On the contrary, Ati and Eko (2014) stated that not all indicators of GCG can broadly influence the disclosure of CSR.

GCG and Information Asymmetry

Managers tend to be more aware of internal information and company's prospects in the future compared to shareholders. In that case, a manager is obliged to give a signal about the state of the company to shareholders. The given signal can be delivered through the disclosure of accounting information such as financial statements. Financial statement is important for external users in decision making. This situation will lead to the emergence of a condition known as information asymmetry, a condition in which there is an imbalance of information acquisition between management as an information provider and the shareholders and stakeholders in general as the information user (user).

Scott (2006) stated that there are two kinds of information asymmetry, among others: 1) adverse selection, in which the managers as well as other insiders usually know more about the state and prospects of the company compared to outside party investors, 2) moral hazard, in which that the activities performed by a manager is not entirely known by shareholders and lenders so that managers can perform actions outside the knowledge of shareholders in violation of the contract and ethically or normally may not be worth doing. The existence of information asymmetry allows the con-

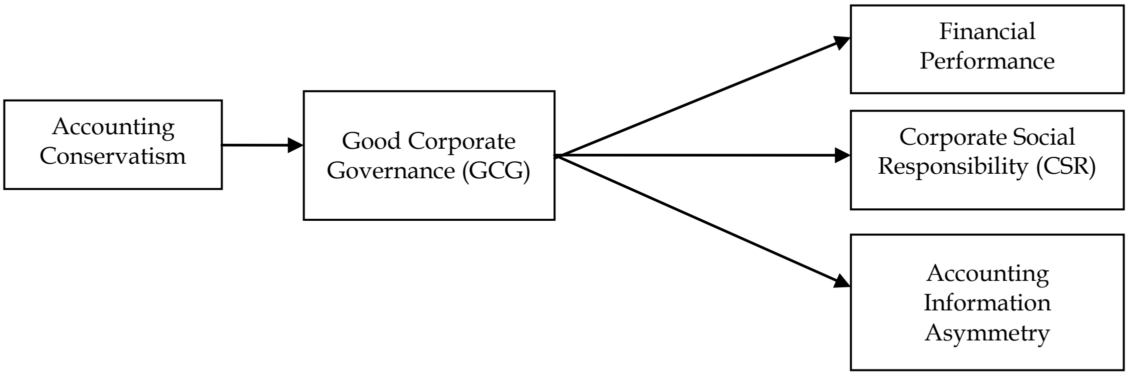

Figure 1
Conceptual Framework Model

flict between principal and agent to try to take advantage of other parties for its own interests.

The implementation of the principles of GCG implies the existence of transparency, openness, accountability. In this case, banks should be able to present both healthy or not condition for the concerned parties. However, this condition can be actualized when there is a balance of information provided by the owners and managers inside the bank itself. When an accounting information asymmetry occurs, allegedly, the bank is not managed well. It is because the bank is not able to maintain the principles of GCG. Research conducted by Wulandari and Widaryanti (2008) stated that mechanism indicator of GCG shown by information asymmetry and GCG mechanism does not affect the performance of the company. Meanwhile, Rahmawati (2006) stated that information asymmetry affect earnings management in the public banking companies listed in Indonesia Stock Exchange with the mechanism of Good Corporate Governance as its moderation.

Framework of Thought and Research Hypothesis

This study seeks to fill the gap of some previous studies. First, this study measured the practice of Good Corporate Governance (GCG) in the eleven aspect of GCG in accordance with the regulations of Bank Indonesia. Second, this study will focus on the impact of the implementation of good corporate governance in financial performance, the extent of CSR disclosure, and the emergence of accounting information asymmetry, as well as the linkage of accounting conservatism in the implementation of GCG (see Figure 1).

Research Hypothesis

H1: Accounting Conservatism affects Good Corporate Governance

H2: Good Corporate Governance affects Financial Performance

H2: Good Corporate Governance affects Corporate Social Responsibility

H3: Good Corporate Governance affects the Accounting Information Asymmetry.

3. RESEARCH METHOD

This is a quantitative study using data from the financial statements of banks which focused on the implementation of banking governance. The samples of this study are financial statements and banking annual reports publicized in 2008-2015, as well as statements on the implementation of Good Corporate Governance (GCG). The sampling technique used is purposive sampling method. The criteria for selection of the sample to be studied are: (1) the banking industry which is the entire banking industry listed in Indonesia Stock Exchange in 2008-2015, (2) the company which does not announce or release other policies such as share splits, share dividends, rights issue or other company announcements (corporate action), and (3) the data provided is complete (GCG Report and its Financial Statements).

Research Variable

The variables used in this study are GCG, Accounting Conservatism, Financial Performance, CSR and Accounting Information Asymmetry. Banks' GCG variable used a composite value of eleven assessment indicators of banks' GCG. Financial Performance variable was measured by using Return on Assets (ROA), which is used to measure the ability of assets to generate earnings. CSR variable is an indication of voluntary disclosure by using 18 indicators of banks' CSR assessment.

Accounting Information Asymmetry variable is accounting information signal delivered by manager to information user and this variable was measured by using relative bid ask spread. Accounting Conservatism variable is a level of caution on financial statements presentation, especially in

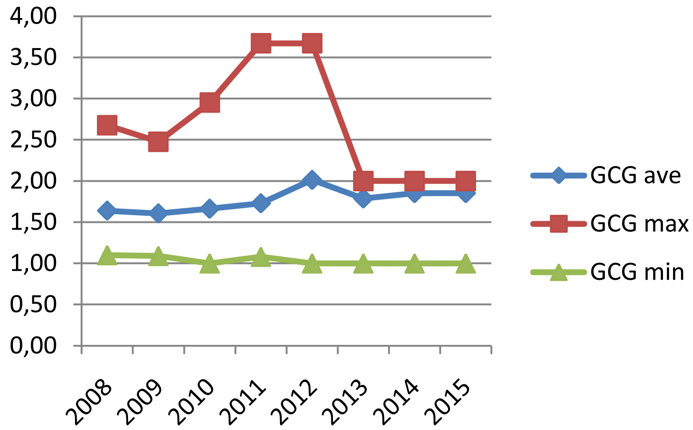

Figure 2
Developments of Banks' GCG Year 2008-2015

Source: GCG Implementation Statements.

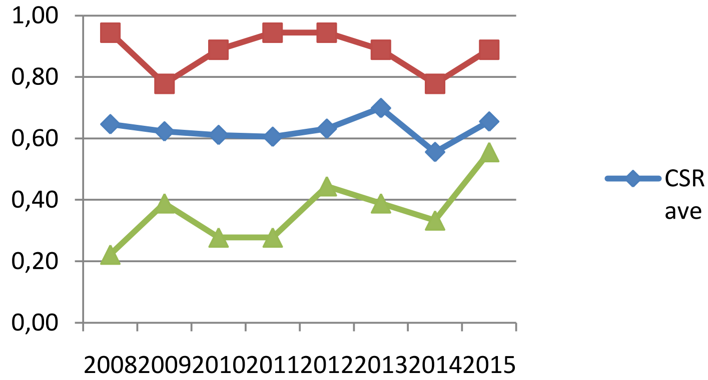

Figure 3
Development of Banks' CSR Year 2008-2015

Source: Annual statements, processed.

the face of uncertainty, measured by the ratio of its net income compared to operating cash flow of the company.

Data Analysis Technique
The hypothesis testing used in this study is simple linear regression approach. The steps that have been taken are, namely: 1) descriptive analysis of each variable, 2) test for normality using statistical test of non-parametric Kolmogorov Smirnov (K - S) and 3) hypothesis testing began with coefficient determination test and partial test (test t).

4. DATA ANALYSIS AND DISCUSSION

The data in this study were obtained from audited annual financial statements, annual statements, and GCG implementation statements in 2008-2015. The search results show from the 41 banks listed in the Indonesia Stock Exchange (BEI), only 19 banks that have complete data and can be processed or in the amount of 152 data.

The testing description of banks' governance (GCG) in Figure 2 shows the results of descriptive statistics of 19 sample banks' composite value and the average composite value is 1.77 or Pretty Good category. The implementation of Good Corporate Governance (GCG) shows that there are 70 data (46% of 152 data) obtained a below the average composite value or as many as 19 banks as the sample already has good governance of the company, while the remaining 54% obtained above the average composite value which shows that the banks still do not have good governance of the company.

The banks that obtained less than 1.5 composite value with excellent predicate are 47 (30.9%) of the data, good predicate are 89 of the data (59%), while quite good and less good composite value

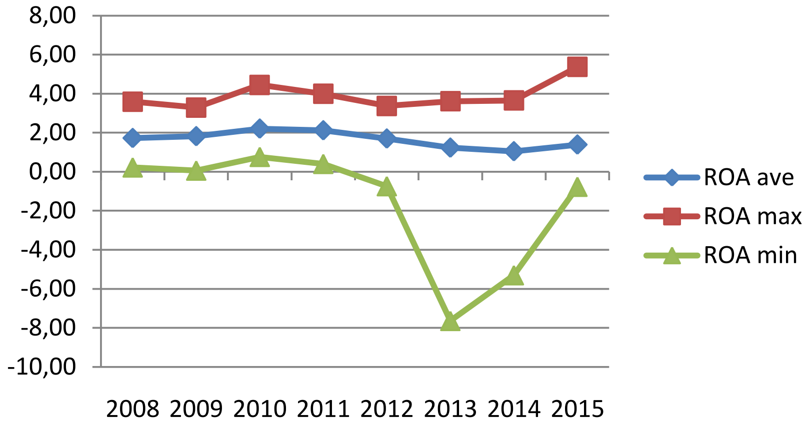

Figure 4
Developments of Banks' ROA Year 2008-2015

Source: ICMD, processed.

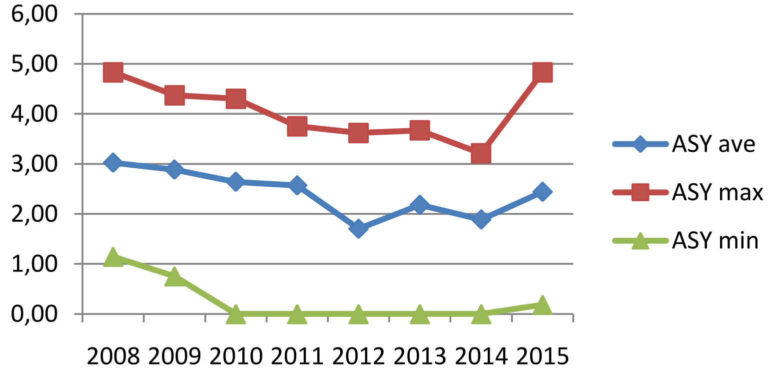

Figure 5
Developments of Banks' Information Asymmetry Year 2008-2015

Source: Annual Statements, processed.

respectively as many as 8 the data (5%). It can be concluded that most of the sample banks already have got a good governance of the company. This is in line with the demands of Bank Indonesia, which states that banks should be able to demonstrate an even better level of health.

Corporate Social Responsibility (CSR) index in this study shows the average value of 0.63 with a standard deviation of 0.15. A total 83 of data (55%) are below the average and 45% are above the average. This shows the disclosure of the bank is still not maximized due to the amount of below the average data is more than the amount of above the average data. Maximum index occurred in 2008 and 2011 (0.94) and the minimum occurred in 2008 in the amount of 0.22. The disclosure of the bank is still focused on information related to financial performance, and there are still no standard regulations issued by Bank Indonesia which is mandatory. Descriptive statistical test results show in Figure 3.

Descriptive testing of Return on Assets (ROA) of banks in Figure 4 shows an average of 1.240. This value is above the standard deviation (1.220) which shows the distribution of the data is good enough. A total 73 of data (48%) have below the average ROA values while the rest (52%) have above the average ROA values. From the amount of 152 data contained 3 data or 2% (from 3 different banks) with a negative ROA value, it indicates that the assets owned by the bank is not able to generate profits. Increasingly high bank performance demands affect the efforts to generate maximum profit on assets held as financial performance. Thus, it will demonstrate the ability of banks to compete and succeed to the concerned parties.

Figure 5 is a descriptive test on banks' Information Asymmetry. The figure shows the average of 2.41, which is a good distribution of data because the average value is above the standard deviation (1.18). A total of 71 data (47%) have below the average information asymmetry value, while the rest

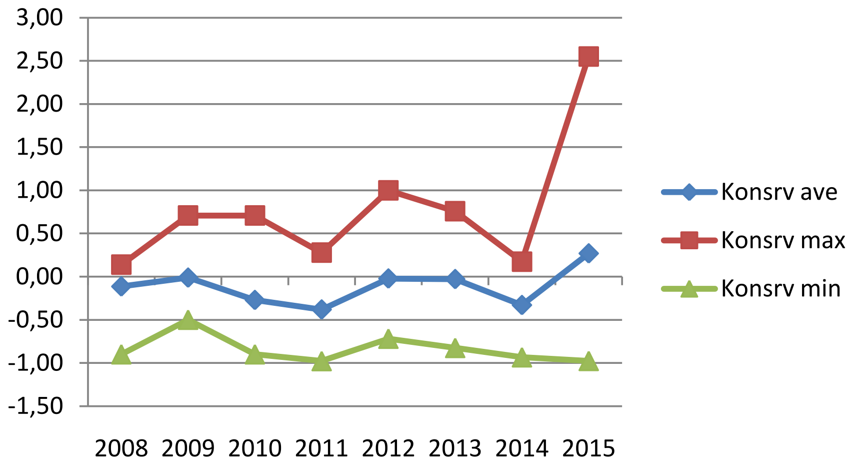

Figure 6
Developments of Banks' Accounting Conservatism Year 2008-2015

Source: Annual Statements, processed.

Table 1
Hypothesis Testing

Variable	Testing Results	Adjusted R Square	Conclusion
Accounting Conservatism on GCG	0.103	0.011	Not affected
GCG on Return on Assets (ROA)	0.001	0.070	Affected
GCG on CSR	0.001	0.066	Affected
CSR on Return on Assets (ROA)	0.816	-0.006	Not affected
GCG on Information Asymmetry	0.007	0.041	Affected

Source: Processed results by SPSS.

(53%) is above the average. This indicates a balance in the banking information provided to the owner, the manager and the parties concerned.

The banks 'conservatism is clearly illustrated in Figure 6. The data shows the average value of accounting conservatism is -0.11, which is below the value of the standard deviation (0.47) and indicates less good distribution of data. A total of 85 data (56%) have below the average conservatism value, while the rest (44%) are above the average. The sources of bank funding coming from public funds need to be accounted for correctly and timely. Banks should be more cautious in the selection of accounting policies so that the delivery of financial performance is not misleading for the parties concerned.

The results of regression testing states that there are only three accepted hypotheses and have a significant value below 0.05, namely GCG on Return on Assets (ROA), CSR and information asymmetry. Table 1 is the complete results of regression testing.

Good implementation of governance (GCG) in the banking industry indicates that the bank is healthy. The impact of the implementation of good governance in the banks is the presence of efforts on operational improvement, fulfilled policies and mechanisms management requirements as set by Bank Indonesia. Governance requirements as set by Bank Indonesia for the banking industry are strict requirements that must be met by all banks in Indonesia. It is intended to maintain banking operational and the other party funds deposited into the bank.

Good governance indirectly affects public confidence to keep their funds in the bank. Public confidence is increased when the bank's ability to generate profits also increased, since people expect no return for the funds invested. Conducted tests have also proven the better the corporate governance, the greater the bank's ability to generate profits. The results are consistent with research conducted by David (2011), Aisha Ahram et al. (2014), Aimen Ghaffar (2014), and Ika and Retno (2014).

Efforts to maintain consistency in the management of public funds with better implementation of governance seem to affect efforts to implement disclosure of Corporate Social Responsibility (CSR). Banks' awareness of the importance of CSR will also push the spirit to benefit the surrounding community. Undertaken activities are contained in the annual statements, and even more and more activities are being undertaken each year. This descriptive data support the results of the study which shows effects of GCG on CSR. The better the governance of the company is, the more the disclosure of CSR activities that they have done. The results of this study support the research that has been conducted by Helen and Raymond (2015), Chrisna and Indriastuti (2014), but does not support research conducted by Ati and Eko (2014).

Managers as the agents know more about internal information than the owners/shareholders. That stance led to the imbalance of information acquisition between the agent/manager as information providers and stakeholders in general. GCG implementation principles imply the existence of transparency, openness, and accountability. This can be achieved if there is a balance of information provided by the owners and managers. The results show that better governance turned out to be an impact on the decrease of information asymmetry. This means that banks are trying to provide balanced information to stakeholders.

The banks' effort to maintain the presentation of accounting information does not affect the implemented governance. The demand of good governance has become a mandatory policy, and the selection of accounting policies is not merely to maintain the consistency of financial statements. Banks have a tendency to present reliable, relevant, understandable and comparable financial statements. Descriptive data show a tendency of a very volatile level of conservatism. Meanwhile, GCG tends to be static, especially in the last 3 years, and is reinforced by less good distribution of data. This study is not consistent with research conducted by Ahmed and Duellman (2007) and Ahmes et al. (2002).

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

It can be concluded that Bank Indonesia still demands the banks that they should improve the transparency of financial condition and performance for the public in line with the development of the national banks' products and activities. For that reason, their financial condition and performance must be measured using a mechanism of achievement of Good Corporate Governance (GCG) and they should also disclose their quantitative and qualitative information. In terms of quantitative information, it can be seen from the annual financial statements that must be audited by a public accountant.

Bank Indonesia uses the financial statements as the basis for determining the status of a bank (whether a bank is healthy or not). On the other hand, good governance will affect the company's policy in contributing to the local community in the form of Corporate Social Responsibility (CSR) as well as the achievement of maximum profit. The existence of good governance affects more and more people who feel the direct impact of these activities.

This is a quantitative research using secondary data in the form of annual audited financial statements, GCG implementation report and ICMD starting in 2008-2015. The data obtained are as many as 152 data from 19 banks that can be processed for further testing. The normality test results stated that all data were normally distributed. The results of regression testing stated that GCG has a significant effect on financial performance, CSR, as well as information asymmetry. The banks need to produce a good performance, which will be shown on the achievement of maximum profit.

The limitations in this study among other things are: 1) some banks do not publish periodic reports; 2) there is no standardization of reporting the implementation of GCG. This study suggests that for further research, the researchers should undertake as follows: They should get the references from other sources (Bank Indonesia, the Indonesia Stock Exchange directly), and also look for the subject observation, in addition to the bank to obtain more amount of data.

The level of health assessment of the banking industries seems to be in line with the demand of the public. The public, as fundraisers should have transparent and accountable information on the management of their funds, which later can be used as the basis for consideration and decisions regarding their funds. On the other hand, that high demands from Bank Indonesia and the public make the banking industry seeks to be able to present the financial statements on a timely basis and also show a good performance.

It can be implied that the banking industries should make their continuous efforts to improve their governance in order that they can achieve a better level of health. The banking industries can find a better performance with these following ways: 1) good governance that affects increase in profits and banks' performance as set forth in Financial Accounting Standards, 2) do a lot of activities that involve the local community as part of their efforts to contribute benefits to the society, 3) provide impartial and adequate information for stakeholders, 4) constantly improve service and expand the excellent products to the public to be able to attract funds from the public.

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