

IMPLEMENTATION OF GOOD CORPORATE GOVERNANCE PRINCIPLES TOWARD THE PERFORMANCE OF FINANCIAL MANAGEMENT EMPLOYEES

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Abstract

This study aimed to obtain evidence and analyze the implementation of Good Corporate Governance Effect toward employee performance of financial management at the Regional Mineral Water Company in East Lombok. This research is an explanatory research with a quantitative approach that used application of SmartPLS 3.0 as a tool of analysis test. The research sample was determined by the census with the number of 62 respondents consisting of head of division, head of section, head of branches, the head of the unit, treasurer, cashier, billing staff and meter readers either at branch offices or at the office of the unit. The results showed that the variable transparency influenced positively and significantly toward the performance of employees' of financial management, accountability influenced positively and not significantly toward employees performance of financial management, accountability influenced positively and significantly toward employee's performance of financial operators, Independence influenced positively and not significantly toward employees' performance of financial management and Fairness influenced positively and significantly toward the performance of the financial management employees. The implications in terms of theoretical research may give implications for the development of public sector research employee

performance especially financial, practical implications of these findings may provide input for East Lombok regency government in an effort to improve the quality of implementation of principles of good corporate governance toward employee performance. While the implications of the policy is to be input for the local authorities in manufacture of derivatives regulation in the form of Regional Regulation about the principles implementation of good corporate governance for all Regional Companies in East Lombok.

Keywords: Transparency, Accountability, Responsibility, Independence, Fairness, Employee Performance

INTRODUCTION

The issue of Good Corporate Governance is one of the popular terms for the past decade. These terms are placed in the honor position. First, Good Corporate Governance is a key to be successful for growing and profitable company in the long term and also for winning the global business competition. Second, the economic crisis of Asian countries and Latin America are believed to arise because of the failure of the implementation of Good Corporate Governance (Daniri and Simatupang in Manossoh, 2016: 3).

Faced with competition in the ASEAN region, the company, especially in Indonesia should improve itself. Companies in Indonesia try to implement good corporate governance to meet the demands of business. The implementation is only in regulation, while at the operational aspects of the principle of good corporate governance is not yet fully integrated. Good Corporate Governance by companies that exist in Indonesia is very important to support the growth and sustainable economic stability (Hamdani, 2016: 22). As a form of government attention to the application of the principles of good corporate governance, government has been published the decision letter of State Minister for State Owned Enterprises No. Kep. 117 / M-MBU / 2002 about the Implementation of Good Corporate Governance as amended last by the Decree of State Minister for State Owned Enterprises Per-01 / MBU / 2011 about the application of practicing good corporate governance in State for State Owned Enterprises.

State Development Audit Agency (BPKP) took mobilizing its resources to promote the application of Good Corporate Governance in State-Owned Corporation (BUMN)/D. In Owned Corporation (BUMN)environment, this effort was also made in order to respond to the letter of the Minister of Finance No. 359 / MK.05 / 2001 on June 21, 2001. The efforts were made by Tim Good Corporate Governance.BPK prepare studies and materials for the dissemination of good corporate governance in State-Owned Corporation / D. The strategy done is cooperating with

the Office of State Minister for State Owned Enterprises to conduct socialization, Workshops and Assistance Implementation of Good Corporate Governance (www.bpkp.go.id/dan/konten/299/Good-Corporate.bpkp).

Socialization by BPK about Good Governance corporate encourage water company to implement it as an attempt to improve managerial performance and the performance of employees of companies such as, every employee is required to sign a fact which shows the commitment and integrity of the ban (LHP BPKRI, 2016: 25). According to As'ad (2005, 25) Employee's performance is a person's success in carrying out a job, the performance basically is the result of an employee during a certain period. Rick Julien and Larry Rieger in Surya (2006: 97) states that although employees are executing and the parties are required to implement the principles of good corporate Governance, it does not mean that the principles of good corporate Governance apart altogether to meet the interests of them. Implementation of Good Corporate Governance and compliance for employee interests are most closely linked with an increased capability of the company because it basically is a cog employee of a company in running its operations. Phenomenons that need to be resolved relating to governance of the Regional Water Company in East Lombok Regency are the employees involved in the illegal installation connection in the Office Branch Selong, submission of reports to the owner is not routinely done, there is surplus in the payment of salaries employees which caused company must return the installments every year for three years (LHP BPKRI, 2016: 30).

Looking at the phenomenon, it is particularly relevant if take a statement about the implementation of good corporate governance that is a key element in improving the performance of employees of the Regional Water Company in East Lombok, to reduce the risk of agency problems or conflicts of interest between the government(principal)and the Director (agency).Application of the principles of good corporate governance is also expected to improve the performance of financial operators of Employees at Regional Water Company. Research about the influence of good corporate governance toward the performance of employees has been carried out by Andani and Ridwan (2015), Kholidah and Mildawati (2017) with the results that openness, accountability, responsibility, independence, fairness influenced toward the employee's performance. Furthermore, research conducted by Hamid, et. al (2015) with the results of Principles of Good Corporate Governance (transparency, accountability, responsibility, and self-reliance) influenced employee's performance, and organizational performance. Employee's performance acts as a mediating variable relationship between good corporate governance and organizational performance.

While the research conducted by the Putra and Putri(2017) showed that Transparency, Responsibility and fairness did not influence the employee's performance and accountability. Differences in these results become the basis of researchers to re-examine the implementation Effect of principle of good corporate governance toward the performance of employees on Regional Water Company. This study is also motivated by research conducted by Andani and Ridwan (2015) who suggested using wider population. Research conducted by Andani and Ridwan used the dependent variable of employee's performance while this study uses the dependent variable performance of financial department employee.

Some newness that distinguishes this study with previous research, these are the use of financial employee performance variable because the object of this research is a company that engaged in the service at the same time trading business that most employees are working in the field. Second, the limited research about Good Corporate Governance in East Lombok where good corporate governance in its application is still relatively young, especially in company of Regional Drinking Water Company when it is compared to other regions, so this motivates researchers to test the implementation of good corporate governance toward the performance of financial employees.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Agency Theory and Stakeholder Theory

Grand Theory of this research is Agency theory, first proposed by Jensen and Meckling in 1976 (Hamdani, 2016: 30). Natural thinking of Human about the Agency Theory is general human is still thinking about themselves only (self-interest), humans have limited power of thought about the perception of future and always avoid risks. Relationship agency perception is the basis used to understand the Corporate Governance. This theory explains that the agency relationship is a contract between the manager(agent) to the investor(principal) (Hamdani, 2016: 30).

Assumptions of agency theory suggests that the separation between ownership and management of the company can be problem of agency. Employers give authority to manage the course of the company as managing and taking decisions on behalf of the owner of the company. Managers do not act as the owners wish, the existence of good corporate governance can certainly be an instrument for motivating managers to be able to maximize shareholder value (Hamdani, 2016: 31).

According Stakeholders Theory, Parties that can affect and be affected by the process of achieving the organization are shareholders, investors, customers, suppliers, government, natural environment and local communities. The existence of responsibility towards the parties, the existence of company received recognition or legitimacy of stakeholders. Enterprise

sustainability will be ensured as a form of fulfillment of the interests of stakeholders (Hamdani, 2016: 39).

The Indonesian Institute for Corporate Governance (IICG) defines good corporate governance as a process and structure that are applied in running the company, with the main goal of improving shareholder value in the long term by taking into account the interests of other shareholders. Besides fulfilling the interests of the shareholders, good corporate governance is intended to ensure sustainability (Hamdani, 2016: 20). Brigham & Houston (2006) mentions that the company is able to compete and has a good performance can be realized by implementing good corporate governance and can be seen on the side of one of the important objectives in setting up a company that is to improve the welfare of all elements of the company including the employees.

Transparency and Employees' Performance of Financial Management

Transparency is a commitment for ensuring the availability and transparency of important information to the interested parties (stakeholders) about the financial condition, management, and ownership of accurate, clear and timely company (Hamdani, 2016: 73).

Results of research conducted by Hamid et. al (2015) provides empirical evidence that transparency and significant influenced positively toward employee's performance. Research conducted by Febriani at. Al (2016), Amri et. al (2016), Kholidah and Mildawati (2017) also showed that Transparency influenced positive toward employee performance. Based on the opinions and the results, it can be proposed the following hypotheses:

H₁: Transparency influenced positively toward employee's performance of financial management

Accountability and Employee's Performance of financial management

The basic principle of accountability for the company should be able to have responsibility of transparent and fair performance. Companies must be properly managed, scalable and compatible with the interests of the company by quantifying the interests of shareholders and other stakeholders (Hamdani, 2016: 74).

The result of research by Febriani et al. (2016), argue that accountability has a positive and significant relationship toward employee's performance, results Research shows that the accountability principle manages how companies should establish an audit committee to strengthen internal oversight functions by commissioner. The role of internal audit can help in improving the performance of the company. The internal auditor will provide feedback to management on faults and shortcomings that will come, so the performance of employees will

be increased. Based on the opinions and the results of these studies, the proposed hypothesis is as follows:

H₂: Accountability influenced positively toward the performance employee's financial management

Responsibility and Performance of Employee's Financial Management

Accountability is defined as corporate responsibility as members of the public to comply with applicable regulations and compliance needs - social needs as well as carry out responsibility towards society and the environment so that it can maintain business continuity in the long term and to be recognized as a good corporate citizen. (Hamdani, 2016: 75).

Kholidah's research results and Mildawati (2017) showed that accountability influenced toward employee's performance. The principle of accountability organizes the fulfillment of corporate responsibility as a business entity in the community to all stakeholders that include matters related to the regulatory relationship between the companies with all stakeholders to realize the company as a good company. In line with research conducted by Andani and Riduwan (2015), Febriani et.al (2016), also show that accountability influenced positively toward employee's performance. Arguments and results of these studies, it is proposed the following hypotheses:

H₃: Responsibility has positive influence toward the performance of employee's financial management

Independency and Performance of Employee's Financial Management

According to Manossoh (2016, 26), the basic principle to accelerate the implementation of independence principle, Company must be managed independently so that each person does not dominate the other organs and can not be interfered by other parties.

Kholidah and Mildawati research results (2017) showed that the independent variable influenced significantly and positively toward the employee's performance. The results of this study indicate that employees in carrying out the work, the employee is more trust and more confidence in himself so that performance is more reliable. The relationship with employee's performance improvement, that this principle manages how employees are able to avoid the occurrence of an unnatural domination by stakeholders. Research conducted by Andani and Riduwan (2015), Febriani et al (2016), Putra and Putri (2017), also showed that the independence influenced the performance of employees. Based on the argument and the results of the study, This can be proposed the following hypotheses:

H₄: Independency influenced positively toward the performance of employee's financial management

Fairness and Performance of Employee's Financial Management

Principles fairness and equality are the principle which contains elements of justice which ensures any decisions and measures taken were in the interests of all stakeholders, including customers, suppliers, shareholders, investors and the public (Hamdani, 2016: 76). The research result of Hamid et al., (2015), shows that the principles of fairness govern how assign roles and responsibilities of management to manage their respective responsibilities. Fairness also provide good working condition and safe for each employee in accordance with applicable regulations; and it is also fair and free from the differences in ethnicity, the origin, gender, religion, or other things that have nothing to do with performance.

Based on the argument and the results of the study, then it is proposed the following hypotheses:

H₅: Fairness has a positive effect toward performance of employee's financial management

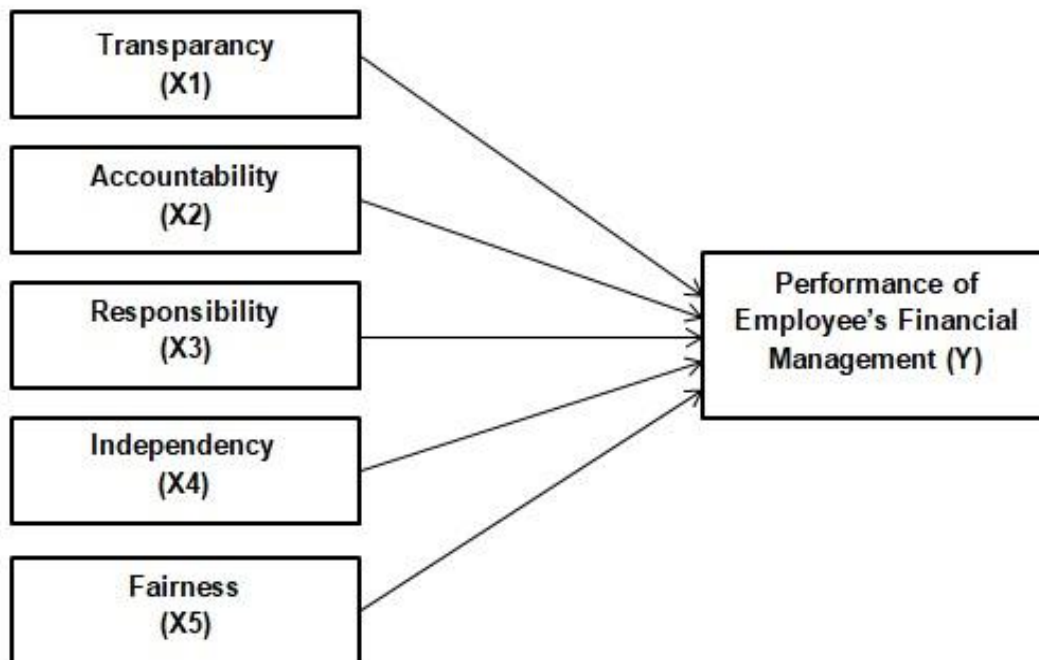


Figure 1. Research Conceptual Framework

METHODOLOGY

This study is exploratory. Exploratory study aims to describe and explain the nature and the relationship between one or more symptoms or dependent variable by one or more independent variables (Wiyono, 2011:52). Further Wiyono explained that this type of research can be done if there are already supporting theories and empirical research to test the hypothesis that collects various empirical generalization. Through exploratory, it is known what is the correlation between two or more variables in pattern, direction, nature, shape and strength of the relationship.

This study was conducted at the Regional Mineral Water Company in East Lombok regency consisting of headquarters, branches and units located in 18 Districts in East Lombok. The study was conducted in March-April 2018. The population in this study were all employees involved in the financial management in the Central Office or Branch of Regional Water Company, that is consisted of Head field, Treasurer and finance staff in the office center, Head branch, the head of the unit, the cashier, billing teller, billing staff, meter readers, they are 63 people.

This study is a population or often called the census method. According to Sugiyono, (2012:64), study population is often called the census sampling technique when all members of the population used as a sample. This study used census as the study population of less than 100. According to Arikunto (2008: 116) that if the study population is less than 100, it is better taken all until the research is the study population, however, if a population is more than 100, it can be taken 10-15% or 20-25% or more. Data collection techniques used in this research is the questionnaire and literature study.

Measurement of variables in this study was conducted using a Likert scale (Likert scale). In this study, each variable is provided five (5) types of alternative answers as follows: strongly agree is given a score = 5, agree is given a score = 4, less amenable is given a score = 3 Disagree is given a score = 2 and strongly disagree is given a score of 1. Data analysis used descriptive statistics to determine the image data to be analyzed and the base of inferential analysis, therefore precision and accuracy conduct descriptive analysis that is needed to determine the inferential analysis (Hartono, 2016: 29) While the analysis of inferential statistics in this study is the structural model with analysis tools of Partial Least Square (PLS) using 3.0 SmartPLS program. PLS is a structural equation analysis (SEM) based variants that can simultaneously perform testing at the same measurement model structural model testing.

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Based on the analysis of transparency, standard deviation value on this variable was 1.17 with a variance of 1.38 which indicates that the data is homogeneous. While skewness (slope/slant) curve shows -0.422 (uneven) and kurtosis (sharpness or dullness of the curve) is -0.70 (lead down / negative) indicates that the data on the distribution of the Transparency variables included in abnormal category, because it has value smaller than -1, which means that the respondents on this variable is uneven or unbalanced.

Accountability analysis based on standard deviation value is 1.27 with a variance of 1.63 which indicates that data is homogeneous, with a value of skewness (slope / slant curve) -0.775 (asymmetric) or not normal which means data distribution is not normal because skewness is smaller than -1 while the value of kurtosis (sharpness or dullness of the curve) is -0.49 (taper / abnormal) or respond of respondents toward accountability variables is uneven. Based on the analysis Accountability, standard deviation value is 1.22 with a variance of 1.50 which indicates that data is homogeneous, with a value of skewness (slope / slant curve) is -0.502 (asymmetric) or means not normal of data distribution is not normal because of skewness is smaller than -1 while the value of kurtosis (sharpness or dullness of the curve) is 0.11 (medium / normal) or respondents' respond to uneven accountability variables is equal.

Based on the analysis transparency, standard deviation value is 1.18 with variance equal to 1.40 indicating homogeneous data, with a value of skewness (slope/ slant curve) is -0.513 (asymmetric) or not normal that means of data distribution is not normal because skewness is smaller than -1 while the value of kurtosis (sharpness or dullness of the curve) is -1.18 (medium / normal) or respondents to an independent variable taper or uneven. Based on the analysis accountability, standard deviation value is 1.12 with a variance of 1.26 indicating homogeneous data, with a value of skewness (slope / slant curve) is -1.14 (asymmetric) or not normal which means data distribution is not normal because skewness is smaller than -1 while the value of kurtosis (sharpness or dullness of the curve) is 0.66 (medium / normal). Based on the analysis responsibility, standard deviation value is 1.27 with a variance of 1.61 indicating homogeneous data, with a value of skewness (slope / slant curve) is -0.60 (asymmetric) or not normal which means data distribution is not normal because skewness is smaller than -1 while the kurtosis (sharpness or dullness of the curve) is- 0.82 (medium / normal).

Inferential Statistical Analysis

Analysis of SEM-PLS with SmartPLS 3.0. Data analysis is consisted of evaluation outer and inner models. The following is the image results of the evaluation models (outer model) in Phase I is based on the analysis algorithm:

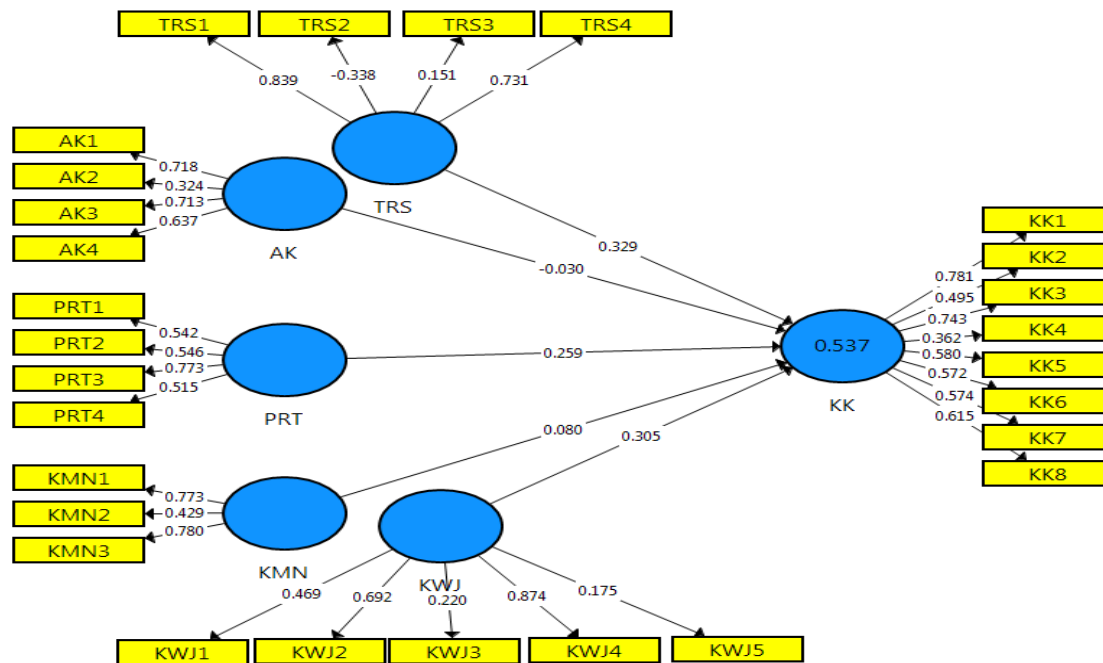


Figure 2. Results of Phase I Outer Model Evaluation

Convergent Validity

Criteria for assessing whether the outer model has been qualified to construct reflective convergent validity that the loading value is upper than 0.70 and was statistically significant (p value is significant $<$). However, for certain conditions of loading is between 0.40 to 0.70 that should still be considered to be maintained by taking into account of its contribution to the validity (Hair et al., 2014: 102).

After the analysis again to the PLS analysis of Algorithm / Testing Phase II, where overall indicators are excluded from the model as much as six (6) indicator that are TRS2, TRS3, AK2, KWJ3, KWJ5, KWJ5 and KK8. The results of phase II testing analysis is presented in Figure 3 below:

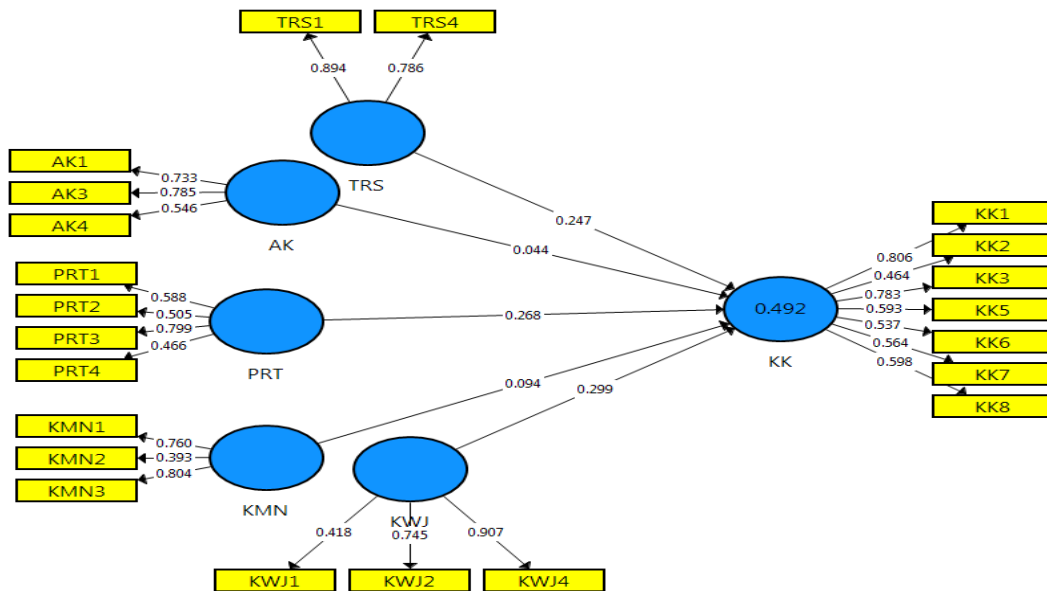


Figure 3. Evaluation Outer Model Phase II

After analyzing back some indicators that do not meet the convergent validity of the analysis back to the PLS analysis Algorithm / Testing Phase III, where overall indicators are excluded from the model that is as much as 7 (seven) indicators of TRS2, TRS3, AK2, KMN2, KWJ3, KWJ5 and KK4. The results of the analysis of the phase III testing are presented in Figure 4 below:

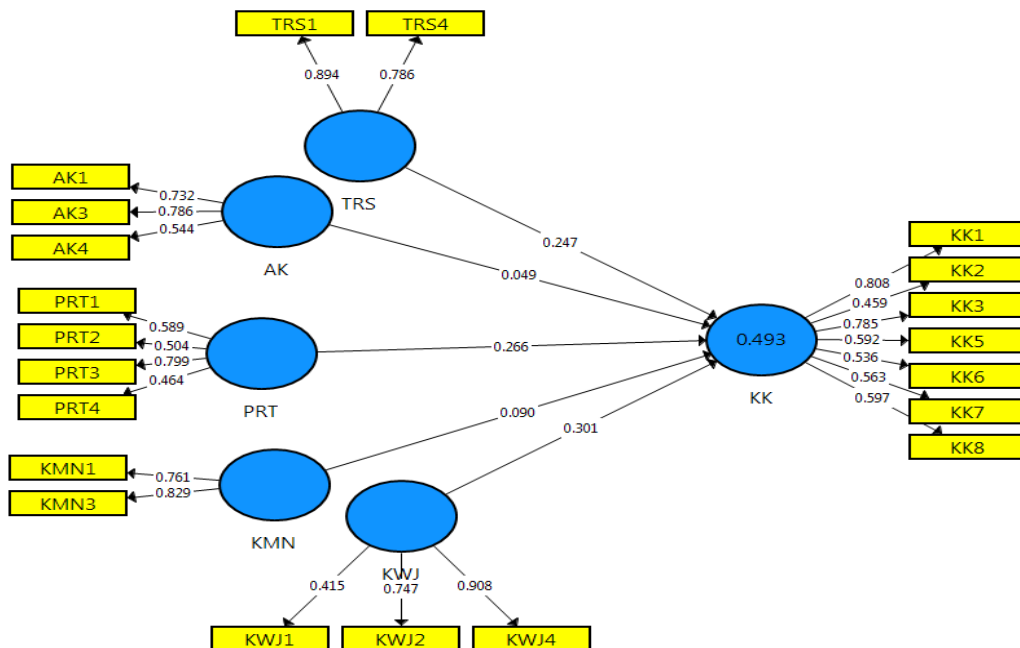


Figure 4. Evaluation results of Outer Model in Phase III

Based on Figure 4 it can be seen that there are 26 (twenty-six) indicators that have met the convergent validity where the indicators have a loading factor > 0.40. Details of these indicators can be seen in Table 1.

Table 1. Loading Factor Variable Value Research

No.	Variable / Indicator	Loading factor	Description
1.	Transparency		
	TRS1	0.894	Meets Convergent Validity
	TRS2	0.786	Meets Convergent Validity
2.	Accountability		
	AK1	0.732	Meets Convergent Validity
	AK3	0.786	Meets Convergent Validity
	AK4	0,544	Meets Convergent Validity
3.	Accountability		
	PRT1	0.589	Meets Convergent Validity
	prt2	0.504	Meets Convergent Validity
	PRT3	0.799	Meets Convergent Validity
	PRT4	0.464	Meets Convergent Validity
4.	Independence		
	KMN1	0.761	Meets Convergent Validity
	KMN3	0,829	Meets Convergent Validity
5.	Fairness		
	KWJ1	0.415	Meets Convergent Validity
	KWJ2	0.747	Meets Convergent Validity
	KWJ4	0.908	Meets Convergent Validity
6.	Employee's Performance		
	KK1	0.808	Meets Convergent Validity
	KK2	0.459	Meets Convergent Validity
	KK3	0.785	Meets Convergent Validity
	KK5	0.592	Meets Convergent Validity
	KK6	0.536	Meets Convergent Validity
	KK7	0.563	Meets Convergent Validity
	KK8	0.597	Meets Convergent Validity

Validity Discriminant

Discriminant validity was used to prove that the latent constructs predict the size of the construct that is better than the size of the other constructs. Discriminant validity was tested by analyzing

the cross loading value for each variable in which the construct being measured is greater than the other constructs.

Table 2. Value Results of Cross Loading

	AK	KK	KMN	KWJ	PRT	TRS
AK1	0,732	0,196	0,087	0,126	0,227	0,037
AK3	0,786	0,268	0,161	0,243	0,320	0,202
AK4	0,544	0,114	0,028	0,289	0,220	0,133
KK1	0,285	0,808	0,409	0,542	0,457	0,505
KK2	0,250	0,459	0,131	0,005	0,406	-0,001
KK3	0,057	0,785	0,336	0,501	0,375	0,481
KK5	0,114	0,592	0,326	0,321	0,292	0,091
KK6	0,097	0,536	0,293	0,371	0,264	0,316
KK7	0,376	0,563	0,075	0,204	0,242	0,329
KK8	0,243	0,597	0,211	0,268	0,348	0,289
KMN1	0,214	0,317	0,761	0,200	0,393	0,344
KMN2	0,041	0,368	0,829	0,360	0,385	0,284
KWJ1	0,415	0,273	0,002	0,415	0,207	0,160
KWJ2	0,111	0,359	0,252	0,747	0,231	0,354
KWJ4	0,192	0,535	0,412	0,908	0,379	0,416
PRT1	0,139	0,312	0,457	0,168	0,589	0,166
PRT2	0,352	0,350	-0,001	0,446	0,504	0,335
PRT3	0,141	0,391	0,504	0,206	0,799	0,211
PRT4	0,362	0,153	0,154	0,030	0,464	0,036
TRS1	0,178	0,498	0,446	0,531	0,368	0,894
TRS4	0,125	0,361	0,174	0,184	0,191	0,786

Based on table 2 above, it can be seen that the cross loading of AK value is greater than value of other cross loading. Likewise with the value of cross loading KK, KMN, KWJ, domestic and TRS have a cross loading value that is greater than the value of other cross loading. It can be concluded that these constructs have high validity or have met the discriminant validity and declared valid.

Test of Composite Reliability

Test of variable reliability / construct used SmartPLS 3.0 to look at the value of composite reliability. Composite reliability is used to measure the reliability of the research model to prove the accuracy of the indicator in measuring the variables / constructs. In PLS-SEM with using

program SmartPLS 3.0 to measure the reliability of a construct can be done into two criteria, these are composite reliability with a value of 0.70 for confirmatory research or from 0.60 to 0.70 that is acceptable for exploratory research and Cronbach's alpha is upper than 0.70 for confirmatory research and 0.6-0,70 for explanatory research (Ghozali and Latan, 2015: 75).

The use of Cronbach's alpha is to test the reliability of the construct that will provide a lower value (underestimate) so it is more advisable to use a composite reliability in testing the reliability of a construct (Ghozali and Latan, 2015: 75). Thus, this study used the values of composite reliability, while the results of its output can be seen in Table 3.

Table 3. Value Composite Reliability

Variable	Composite Reliability	Description
AK	0.733	Composite Reliability
KK	0.817	Composite Reliability
KMN	0.776	Composite Reliability
KWJ	0,747	Composite Reliability
PRT	0.686	Composite Reliability
TRS	0,829	Composite Reliability

Based on Table 3, it can be seen that the value of composite reliability, all constructs are expressed good because of upper than 0.60. Thus, all variables in this study are reliable and appropriate for being used in this study.

Structural Model (Inner Model)

Tests of Determinant coefficient (R^2)

Testing of Determinant coefficient (R^2) were conducted to predict the strength of the structural model. Changes in the value of R-Square (R^2) can be used to clarify the effect of specific exogenous latent variables to endogenous latent variables whether it has substantive influence. R-square value is 0.67, 0:33, and 0:19, this can be concluded that the model is good, moderate and weak (Chin, 1998: 327), while Guilford (1950: 165) provide interpretation of R^2 value <0.20, relationship is almost insignificant; 0.20 to 0.40 is moderate; 0.40 to 0.70 is higher, 0.70 -0.100 is very high. The following analytical results of Rsquare is presented in the following table:

Table 4. Value of R Square

Construct	Rsquare	Description
KK	0.493	Moderate

Based on Table 4, it indicates that the value of R-Square (R^2) to construct a financial management employee performance is 0.493 or 49.3% classified as moderate models based on the opinions of Chin (1998) reinforced also by the opinions of Guilford (1950: 165) wherein R^2 value range is 0.40 -0.70 included in the moderate category, which means that the variable transparency (TRS), Accountability (AK), Accountability (PRT), Independence (KMN), and Fairness (KWJ) are able to explain the variance of financial management of employee's performance (KK) at 49, 3%, while 50.7% is explained by other variables.

Predictive Relevance Testing (Q^2)

Predictive relevance (Q square) is used to present synthesis and cross-validation and fitting function with the predictions of the observed variables and estimation of variables constructs (Ghozali and Latan, 2015: 79). The value of Q square / Q^2 is > 0 , this indicates that the model has predictive relevance and Q square / Q^2 is < 0 , it indicates that the model lacks predictive relevance (Ghozali and Latan, 2015: 79). Value of Q^2 can be obtained by following calculation:

$$\begin{aligned} Q^2 &= 1 - (1 - R^2) \\ &= 1 - (1 - 0.493) \\ &= 0.493 \end{aligned}$$

Based on the calculation, the value of Q^2 is 0.493 which means that the value Q^2 is > 0 . Thus the model developed in this study has predictive relevance. This means that the model developed in this study is predicted to be worth investigating, because value of Q^2 is $0.493 > 0$.

Effect Size (f^2)

F Effect size (f square) is used to see the goodness of the model, mentioning the value f square includes 0.02: has a small effect, 0.15: intermediate effect, and 0.35: large influence (Chin 1998: 2010 in Latan and Ghozali 2015: 78). The effect size is calculated as the absolute value of the individual contribution of each exogenous variable at the R^2 value of the endogenous variable. The effect size (F^2) value for each variable is presented in Table 5.

Table 5. Size Effect Value

Variable	KK
AK	0.004
KMN	0.011
KWJ	0.124
PRT	0.089
TRS	0.087

Based on Table 5, it shows that the variable AK has contributed 0,004 which were included in the weak category and indicate that the contribution of employees' Performance, Accountability for financial managers have little influence. KMN variable has value effect size that is 0,011 including in weak category, it means that contribution of Independence to performance of employees financial manager has little effect. KWJ variables have a contribution of 0.124 included in the middle category, which means that the contribution of Independence to the performance of employees financial management have a medium effect. Variables of PRT have value of effect size 0.089 included in the weak category, it means that the contribution of Accountability to the performance of Karyawan financial manager has a small effect as well as the transparency that has the value of effect size that is 0.087.

Equations of Measurement Model and Structural Model

Based on the measurement of outer model and inner model, the model equation of measurement is generally obtained as follows. Based on outer model measurement and inner model, the equation of measurement model is as follows:

$$KK = 0.247 TRS + 0.049 AK + 0.266 PRT + 0.090 KMN + 0.301 KWJ + 0.493$$

Hypothesis Testing

testing can be done by analyzing the value of path coefficients (path coefficients) after the bootstrapping process. To see hypothesis testing was done by comparing t-statistic value with t-table value. The hypothesis is accepted if the value of t-statistic > t-table (1.64), but if the t-statistic value < t-table (1.64) then the hypothesis is rejected (Hair et al., 2014: 186). In addition, to test the hypothesis can be done by analyzing the significance of p-value compared with the error rate which is set in this research that is one-tailed test with alpha 5% (0.05). If p-values are < 0.05 then the hypothesis is accepted, but if p-values > 0.05 the hypothesis is rejected. The results of path coefficients analysis are presented in following Table 6:

Table 6. Path coefficients

Variable	Original Sample(O)	T statistics (O / STDEV)	P-values	Remarks	Decision
TRS-> KK	0.247	1.803	0.036	Significant	Hypothesis is received
AK -> KK	0.049	0.373	0.355	Not significant	Hypothesis is rejected
PRT-> KK	0.266	1.901	0.029	Significant	Hypothesis is accepted
KMN-> KK	0.090	0.761	0.224	Not significant	Hypothesis is rejected
KWJ-> KK	0.301	2.280	0.012	Significant	Hypothesis is accepted

First hypothesis states that Transparency influenced positively toward employee's performance of financial operators. It can be seen that there is a positive and significant relationship between Transparency (TRS) and the performance of Employee's financial managers (KK). In hypothesis testing with alpha 5% (one tailed), original sample value shows positive value 0,247 and value of T Statistic is bigger than T table that is $1,803 > 1.65$. It can be concluded that the first hypothesis is accepted.

Second Hypothesis states that Accountability has a positive effect on the performance of employees' of financial managers. It can be seen that there is a positive relationship but not significant between Accountability (AK) and the performance of Employee of financial managers (KK). In hypothesis testing with alpha 5% (one tailed), original sample value shows positive value 0,049 and value of T statistic smaller than at T table that is $0,373 < 1.65$. It can be concluded that the second hypothesis is rejected.

The third hypothesis states that Accountability positively affects the performance of employees of financial management. It can be seen that there is a positive and significant relationship between accountability (PRT) and performance of Employee's financial managers (KK). In hypothesis testing with alpha 5% (one tailed), original sample value shows a positive value of 0.266 and a T statistic value is greater than T table that is $1.901 > 1.65$. It can be concluded that the third hypothesis is accepted.

The Fourth Hypothesis states that Independence has a positive effect on the performance of employees of financial managers. It can be seen that there is a positive relationship but not significant between Independence (KMN) and the performance of Employee of financial managers (KK). In hypothesis testing with alpha 5% (one tailed), original sample value shows positive value 0,090 and value of T statistic is smaller than T table that is $0,761 < 1.65$. It can be concluded that the fourth hypothesis is rejected.

Fifth Hypothesis states that Accountability has a positive effect on the performance of financial management of employees. It can be seen that there is a positive relationship but not significant between Accountability (AK) and the Employee's performance of financial managers (KK). In hypothesis testing with alpha 5% (one tailed), original sample value showed positive value 0,301 and value of T statistic is smaller than at t-table that is $2,280 > 1.65$ so this can be concluded that fifth hypothesis is accepted.

CONCLUSION AND SUGGESTIONS

Based on the discussion of research results, it can be concluded that transparency influenced positively and significantly on the performance of employees of financial management which means that the higher level of transparency in its implementation will increase performance of

employees of financial managers. Accountability influenced positively not insignificantly on the performance of employees of financial management which means that the higher Implementation of accountability does not affect the performance of employees of financial managers. This means that the empowerment of internal supervisory units is not maximized. This can be seen from the responses of respondents to the fourth indicator of the variable Accountability is lower than other indicators.

Accountability influenced positively and significantly on the performance of employees of financial management which means that the higher implementation of Accountability will increase implementation of employee's performance of the financial management. Independence influenced positively not significantly on the performance of employees of financial management which means that the Independent Implementation doesn't influence performance of employees of financial management. Based on information from respondents that sometimes they work not only on task and function only. Fairness influenced positively and significantly on the performance of employees of financial management which means that the higher level of fairness in the implementation will increase the performance of employees of financial managers.

Suggestions that can be given are as followed: Suggestions for Regional Water Company in East Lombok Regency that Implementation of Good Corporate Governance should be accompanied by strong leadership commitment, evaluation of deficiencies and advantages that will be used as guidance for the future. Suggestion for Local Government as owner of Implementation of Good Corporate Governance should be accompanied by local regulation as a form of follow up of central government regulation so that its implementation can be evaluated and monitored and existence of uniformity to all regional companies in the implementation. Suggestions for future researchers, if they are doing research on objects that the report, quality of service especially for the quality of the research object report can be expanded.

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