

Why is it Important to have Good Corporate Governance in The Management of Foundation?



Putu Krisna Adwitya Sanjaya¹, M. Rudi Irwansyah², I Gede Agus Pertama Yudiantara³,
A. A. Bgs. Bayu Joni Saputra⁴

^{1,2,3,4} Faculty of Economic and Business, Udayana University, Indonesia

ABSTRACT: This study talks about the social foundations that are already in place in the structure of the community's socioeconomic activities, as well as how to use Good Corporate Governance (GCC) in these institutions. A literature review is how this article is shown. It includes references to the legal foundations and the results of previous studies on social foundations. There are rules in place that make it official that the Foundation is a legal entity, Law No. 28 of 2004. People think that the Foundation will be able to become a formal legal activity so that it can act as an umbrella for other organizations that are set up under it. To achieve this goal, it is very important for the Foundation to use Good Corporate Governance (GCG) in its management. This means that it must be transparent, accountable, responsible, and fair. In the future, this will give the Foundation a lot of power when it comes to good management in line with the goals that were set.

KEYWORDS: Good Corporate Governance, Social Foundation, Institutional, Indonesia

I. INTRODUCTION

When people live in a state or country, they can't always get help for all of their problems. This is because the state or government doesn't always have the money and resources to help everyone. In this case, it is important for different groups to help and work with the government to solve social problems in the country. The foundation is one of the institutions that people think of as working with the government to solve social problems.

Foundation is a group of people who are organized and seen from the point of view of their activities, which makes them more visible to people. Foundations can be thought of as legal entities that have separate and ideal assets. They work for the benefit of many people in the social, religious, and humanitarian fields, and they don't try to make money (Septia et al., 2017). From the start, a foundation was not set up for profit or for commercial use. Instead, its goal was to help or improve the lives of other people (Somali, 2018)

In fact, foundations have been set up in Indonesia since before the country became independent. At that time, its main goal was to help solve social problems in the community in a certain area. Since then, the foundation has been called an organization that was not set up for profit alone (non-profit). Even though he needs money from business activities on the way, this still means that business activities are only for getting money, not the main goal of the foundation. What social foundations do to help the government solve social problems. Social problems are not just the government's job; they are also a government and a community job (Hanifah & Unayah, 2011; Septia et al., 2017).

It's usually very important for a foundation to run well and do what it was set up to do. In order for a foundation to be successful, it needs to have a lot of important things, like authorized capital, network capital, trust in the use of good corporate governance principles, and a lot of money to pay for things like salaries and rent. transparently by the foundation's management, and openly and publicly through social media, the foundation's progress is reported and shared. This builds a lot of trust with donors, which means that donations from donors keep coming in every day (Septia et al., 2017).

In general, donors will be more likely to give money to a social foundation if it is set up by someone or a group of people who can be trusted, have good communication and networking skills, and follow the rules. Institutions are so important because people trust that an activity will be run the way it was supposed to, which is why they need them to run it (Heller, 2008). In the case of implementing activities at non-profit institutions, the level of trust of the people who support it will be a big factor in how well it works (Wiyono & Susilawati, 2018). To be able to do this, the institution needs to be run properly. Foundation

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management that is based on the principles of Good Corporate Governance needs to be paid attention to when managing the foundation, because it is the basic pillar that supports its work (Kaihatu, 2016; Maksum, 2005; Simamora, 2012b). If there is a question about how much a foundation can grow in size, type of service, and assets over time, financial management is an important issue that must be addressed by the foundation's management bodies. That's because the bigger a foundation is, the more people who have a say in what it does. This includes the administrators, donors, and also the people who benefit from the work. GCG principles should be used in the management of the foundation to make sure that everyone knows what is going on with the foundation.

II. METHOD

Uses systematic literature review to demonstrate how research and development methodologies are utilized to combine relevant papers on a certain issue. It is the goal of a systematic review of the literature to discover and evaluate all research that address a range of issues in a particular field of study (Sugiyono, 2018). Description analysis is used in this study because it is a methodical way of giving readers information, followed by details on why something happened.

III. RESULT AND DISCUSSION

A. Juridical Aspects of Foundation

The Foundation is one of Indonesia's governmental organisations dedicated to social and humanitarian causes. Numerous foundations in Indonesia are well-known. There are even people who amass enormous wealth. As legal bodies, foundations are unique. This sort of legal entity was created as a result of a legal act, specifically the division of certain assets from the creator for a specific purpose (Somali, 2018). Generally, this purpose is not for profit.

According to Law No. 16 of 2001 on Foundations (UU No. 16/2001), as revised by Law No. 28 of 2004 on Amendments to Law No. 16/2001 (Law No. 28/2004), the foundation's aims are confined to social, religious, and humanitarian purposes. Along with riches and objectives, an organization is required to accomplish the founding objectives. The law no. 16/2001 regulates the foundation's three organs: trustees, administrators, and supervisors (Somali, 2018). These three organs are responsible and empowered to manage the foundation in such a way that the foundation's objectives are met in accordance with the foundation's purpose of establishment.

According to Article 1 point 1 of Law No. 16/2001, a foundation is a legal entity comprised of distinct assets that is dedicated to achieving certain goals in the social, religious, and humanitarian spheres and is not comprised of members. Separated riches from the founder's fortune is intended for specific social, religious, and humanitarian causes. According to the explanation of Article 8 of Law no. 16/2001, the business activities of foundation business entities cover a broad range of areas, including human rights, the arts, sports, consumer protection, education, the environment, public health, and science. Thus, the foundation may engage in any activity that does not violate public order, morals, or applicable laws and regulations.

B. Classification of Foundation

According to the general explanation portion of Law No. 8 of 2004, foundations are legal bodies with social, religious, and humanitarian purposes and objectives (Simamora, 2012b). Thus, the legislation permits just three (three) types of foundation businesses: management of social, religious, and humanitarian activities. It encompasses formal and non-formal schooling, orphanages, nursing homes, hospitals, polyclinics, labs, sports development, scientific research, and comparative studies in the social realm. In the religious field, this includes the establishment of worship facilities and Islamic boarding schools, the collection and distribution of zakat and alms, the promotion of religious understanding, the performance of religious symbols, and comparative religious research. While working in the humanitarian sector, such as assisting victims of natural disasters, refugees fleeing conflict zones, the homeless, the destitute, and the homeless.

C. Good Corporate Governance in Foundation Institution

As a non-profit, the Foundation is meant to work hand in hand with the federal government on social welfare issues. When the foundation is well-managed, it has a lot of potential to aid the government with social welfare issues.

According to the Ministry of Law and Human Rights, numerous foundations are founded to preserve the interests of a certain religion or ethnicity's citizens, for example, foundations formed by places of worship or specific ethnic groups resident in a region (Simamora, 2012a). An operating licence issued by the Ministry of Law and Human Rights is adequate if a foundation's activities do not involve many third parties and the foundation's deed of establishment states its vision and objective. When working with third parties, a foundation must obtain an operational permit from the appropriate body where it conducts business. Foundations in the social sector are required to have a permit from the Social Service before they may begin

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operations. Because of this, the Social Service also provides assistance in the form of guidelines and operational permissions for other types of non-profit organizations, such as cooperatives.

In general, social groups and social communities that are thought to be able should take care of a legal entity in the form of a foundation. Foundations in the Social Service are called Social Welfare Institutions (LKS) to make them different from orphanages, which are called Child Welfare Institutions. This is to make them clear. As long as foundations can run well and do their jobs, the government will have a big help in dealing with social problems, especially in areas where there is a lot of poor people. However, in reality, there are foundations that aren't evenly spread out across the country, and foundations aren't all the same in terms of their conditions and abilities. This makes foundations' roles uneven and not as effective as they could be. Presidential Regulation 15 of 2010 says that a regional poverty reduction coordination team (TKPKD) will be set up at the provincial and regency city levels. This means that foundations can play a role in the government as a partner. This team is a cross-sectoral and cross-stakeholder team that works at the provincial, district, and city levels to speed up poverty reduction at those levels. The structure and working methods of the TKPK are then outlined in the Regulation of the Minister of Home Affairs (Permendagri) No. 42 of 2010. In the Presidential Regulation, it says that the community and other stakeholders are members of the TPAPD, which is then outlined in the Regulation. In this case, even though it isn't explicitly said that the foundation is a member, it can't be ruled out that the foundation is a big help to the government when it comes to social welfare.

In general, foundations also need money from other people, like donors. There are also many foundation founders who can't afford to keep the foundation going on a long-term basis (Somali, 2018). The reason many of them set up foundations was because they were called to spend their lives giving back to others. So, if the foundation they set up doesn't get money from donors, the foundation's operations and activities won't be able to run smoothly.

Law No. 16 of 2001 explains that in addition to money and goods from the founder, foundations can also get money and assets from donations or non-binding help, waqf or inheritance grants, grants or testamentary grants, and other acquisitions that don't violate the Foundation's Article of Association or applicable regulations. This is what the Foundation Law says about the source of funds for foundation activities.

Social organizations, which also include foundations, are broken down into four types by the Ministry of Social Affairs in Guidelines for Classifying Social Organizations of 2004. Foundations are one of them. 1) Type A/independent, which has met institutional and service standards without government help, can be used as an example of how this type of business can do this. This type of place, Type B/developing, is still a work in progress. It has met most of the institutional and service standards. It still needs help to grow. Type C/growing, which has met some of the institutional and service standards, still needs help to grow. Help is still needed for Type D/embryos, who aren't yet meeting institutional and service standards. They still need help meeting minimum standards.

According to the explanation and classification, it can be seen that not all social groups, such as foundations, can be on their own. For people who aren't independent, of course, they still need help from other people to make their organizations strong and meet institutional and service standards. Most of the foundations don't meet institutional and service standards, and they don't have a lot of people who want to give them money or help them out.

There are foundations that are no longer active, but there are also foundations that are very active in their work. In foundations that are very active, in general, they have met institutional and service standards and have enough money to run them. These foundations keep getting the trust and support of their donors so that they can run their programs smoothly and long-term. For example, if there is a natural disaster, the foundation's operational funds are used to pay for the foundation's regular work and also to help people who need help in other ways.

Foundation managers who are still working and have done a lot to help people in their local communities, it turns out, are able to do this because they have a lot of money from people who give it to them (Yupita et al., 2021). Furthermore, they said that in order to get donors to support and trust them, they run their foundation by following the rules of Good Corporate Governance (GCG). Professional management of the institution is able to use good GCG in line with the reason the institution was set up (Rustini et al., 2022). They think that this is something that really helps their foundation and makes people more likely to donate to it. There are also many institutions that donors trust and support because they were set up or run by people who have a lot of social capital (Heller, 2008). One group is a leader in the community, and another is made up of people whose parents are well-respected. Then their children set up foundations and get a lot of support. With the help and trust of their donors, these foundations do a good job at dealing with social welfare issues, which is in line with their founding goal, which was to work with the government to solve social welfare issues together (Sanjaya, 2018)

An effort is made to apply the principles of Good Corporate Governance. The five principles of good foundation management are being used. Transparency, independence, accountability, responsibility, and fairness are the five principles of fairness (Kaihatu, 2016; Maksum, 2005; Tjager, 2003). The principle of transparency in this case is about how donations from donors are

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handled, including how much money is received, how it is distributed, and how it is used for the foundation's own needs. The foundation's activities, both routine and non-routine, are also open to the public. This means that the foundation should be able to do its work without any outside pressure or interference, and also without ulterior motives. Foundations should be run professionally without any conflict of interest or pressure from parties or those who don't follow the law or good business practices. The accountability of the foundation's management shows that the foundation's functions and responsibilities are clear so that the foundation's management runs well. If the accountability principle is used correctly, the foundation will not have problems with agencies (conflict of role interests). Foundations must be able to show donors, beneficiaries, and other people how well they did. To do this, the foundation must be run correctly, measurably, and in the best interests of the foundation, while also taking into account the interests of the foundation's donors, beneficiaries, and other stakeholders. With the principle of conformity or compliance, you should manage the principles of a healthy organization and any laws and regulations that apply to your company. Foundation managers have to show that they are responsible for everything they do when they run the foundation. This is a show of trust that the people who run the foundation have in them. When it comes to running the foundation, fairness means being able to do justice and equality for all of the people who have rights based on agreements and laws and regulations. If you want to be fair, you should make sure that all of the foundation's assets are managed properly and wisely and used for the foundation's activities, not just for the benefit of the manager. It's important for foundations to always look out for the interests of their donors, other stakeholders, and everyone else who works with them. Foundations should always act in a way that is equal and fair.

The use of GCG principles by social foundations can help donors have more faith in the foundations. In addition, these donors will be able to keep giving to the social foundation on a regular basis (Heller, 2008). If social foundations get enough money from people, of course they will be able to help the foundation run smoothly and have no trouble paying for things like rent and food. Even if donors give them a lot of money, social foundations will still be able to improve their performance when it comes to social welfare issues on a bigger scale.

IV. CONCLUSION

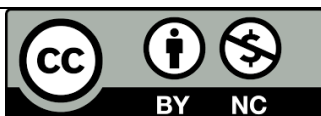
Good Corporate Governance is thought to be the thing that really helps the foundation run and stay alive, and it also makes donors more likely to give money to the foundation. In addition, most of the foundations that donors trust and support are foundations set up or run by people who have a lot of social capital, so they can do things in the social sector that are in line with their goals and vision.

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