



**TECHNIUM**  
**SOCIAL SCIENCES JOURNAL**

**Vol. 16, 2021**

# **A new decade for social changes**

**[www.techniumscience.com](http://www.techniumscience.com)**

ISSN 2668-7798



9 772668 779000

## Good University Governance Higher Education

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**Abstract.** The purpose of this study is to examine the implementation of good corporate governance based on the principles of independence, transparency, accountability, equality and fairness, and accountability in higher education. Where, the purpose of establishing to provide services to the community in the form of the supply of goods and services without prioritizing seeking profit and in carrying out its activities based on the principles of efficiency and productivity. The research method used in this research is literature study. The results of the discussion found public service agencies operate as work units of state ministries/agencies/government for the purpose of providing public services whose management is based on the authority delegated by the parent agency concerned. Therefore, financial management is not separated from the state ministries/institutions/regional governments.

**Keywords.** Financial Management, Good University Governance, Public Service Agency

### 1. Introduction

Osborne and Gaebler (1992) argue that a change in the environment is necessary and requires government agencies or institutions to become very flexible and reliable quickly. The transition places government agencies flexible so they can be adjusted. Such changes will also require institutions that produce quality goods and services. In line with this, the Public Service Agency was formed as a manifestation of agency theory. One of the considerations that can be used to explain agency in the context of public service bodies other than managerialism, public choice theory and transaction cost economics is that the agency theory associated with this theory is widely reported in organizational economic, political and governance conditions that ideally form employment contracts with head of the executive general service body in one program or several similar programs to be managed professionally (Lukman, 2013).

This explains that the Government has full responsibility for the implementation of higher education in Indonesia, in order to create competitive human resources. On the other hand, universities in Indonesia have competed with various universities in the world. Therefore, the government, with all its powers, issued a policy of full autonomy for several state universities in Indonesia. The issuance of Peraturan Pemerintah Nomor 23 Tahun 2005 as amended in Peraturan Pemerintah Nomor 74 Tahun 2012 tentang Badan Layanan Umum (BLU) is an answer to the participation of government responsibility for the administration of higher education which can be accounted for to the public.

Not only in the private sector that implements corporate governance, the education sector has also begun to direct a good and ideal governance system called the concept of good

university governance. Budget reform in the public sector is also an important part of the dynamics of good governance. In order to create a complete good university governance, it needs to be aligned with the success of budget reform. To support the realization of good university governance, public financial management must be carried out in a professional, transparent and accountable manner.

Higher education institutions with the status of a Public Service Agency are expected to be able to apply the concept well, so that universities in Indonesia have competitiveness in the global arena. The demand for higher education self-organization through the implementation of the principles of good university governance will be one of the main keys for the development of higher education institutions as agents. the nation's next generation of printers. Basically, according to Henard (2010) the principles of good governance can be grouped as follows: regulations and quality of regulations; accountability, transparency and participation; employee technical and managerial competence; organizational capacity; and information technology. These principles should also be applied in the higher education environment to create good governance in accordance with the goals that the college is trying to achieve.

Referring to Undang-Undang Nomor 23 Tahun 2005, that that the public service agency is an agency within the Government which is formed to provide services to the community in the form of providing goods and / or services that are sold without prioritizing seeking profit and in carrying out its activities based on the principles of efficiency and productivity. Furthermore, paragraph 2 states that Public Service Bodies are given flexibility in the Public Service Agency Financial Management Pattern.

Peraturan Pemerintah No. 23 Tahun 2005 explained that the Public Service Agency was established to provide services to the public in the form of providing goods or services for sale without prioritizing profit and in carrying out its activities based on the principles of productivity, efficiency and effectiveness. Meanwhile, management flexibility provides flexibility both in managing resources and budgets for leaders in carrying out activities to achieve results as planned.

Flexibility is in the form of flexibility to apply healthy business practices to improve services to the community in order to promote general welfare and to educate the nation's life. Based on the description above, a big question then arises, namely the extent to which the implementation of concepts and principles in tertiary institutions with the status of a work unit public service agency above. By implementing the concepts and principles it is hoped that good university governance can be realized, namely good university governance. Thus, it is also hoped that universities can compete, not only locally, but also globally.

In this time for universities to implement good corporate governance in the management of education. Because the management of state universities certainly has differences with business organizations in general, implementation in state universities is more accurately called good university governance where the implementation of this is a concept that emerges because the awareness of the implementation of higher education institutions and higher education institutions cannot be equated with the administration of a country or corporation. Based on the explanation above, there are two problem formulations to be discussed, namely (1) What is the explanation about good university governance? (2) How is the management of good university governance in higher education?

## **2. Literature review**

### **2.1 Public service agency**

The Directorate General of Treasury of the Ministry of Finance of the Republic of Indonesia in the management manual for public service work units (2013) states that the Public

Service Agency is an institution within the government that is formed to provide services to the public. in the form of providing goods and services sold without prioritizing profit seeking and carrying out activities based on the principles of efficiency and productivity.

Peraturan Pemerintah No. 23 tahun 2005 as amended by Peraturan Pemerintah No. 74 tahun 2012 and Peraturan Menteri Dalam Negeri No. 61 tahun 2007, agents in Indonesia are labeled Public Service Agency for agency agencies or Regional Public Service Bodies for regional agency agencies, namely agencies within the government that are formed to provide services to the public in the form of providing goods and services sold without prioritizing profit-seeking and carrying out their activities based on the principles of efficiency and productivity.

Undang-Undang nomor 1 tahun 2004 tentang Perbendaharaan Negara pasal 68 dan 69 then the government introduced financial management of public service bodies to work units that provide services to the public, then also discussed about Peraturan Pemerintah No. 23 tahun 2005 tentang Pola Keuangan Badan Layanan Publik. This focuses the satker on the government that can manage finances flexibly and increase productivity, and increase efficiency in all forms of resource use. So that the Public Service Agency is expected to become another management institution in terms of financial management based on support (Ministry of Finance, 2013).

## **2.2 Good University Governance**

Wijatno (2009: 126) explained that good university governance can be seen as the application of the basic principles of the concept of good governance in governance systems and processes in tertiary institutions through various adjustments made based on values that must be upheld in the administration of higher education in particular and education. In general, Price Waterhouse Coopers in (Yuwono, 2011) states that Corporate Governance is related to effective decision making, built through organizational culture, values, various processes, policies and organizational structures, which aim to achieve a profitable business, efficient, and effective in managing risk and responsibly with due observance of stakeholder interests.

It can be concluded that good university governance has a strong governance system which is very important for an institution or organization manifested by effort and enthusiasm by all parties, which is marked by the principles of independence, transparency, accountability, equality and fairness, and accountability in its management system. The form of good governance is the commitment of all stakeholders (Sedarmayanti, 2012). Given the very important role of an institution or organization in society and in national economic and social development, as well as their great dependence on public and private funding, good governance is especially important in universities that are in line with Undang-Undang No. 12 Tahun 2012 as well as the functions and roles of the Tri Dharma of Higher Education are the obligations of Higher Education to carry out education, research, and community service.

## **2.3 Good University Financial Management in Higher Education**

Manual Badan Layanan Umum (2013) financial management consists of three important parts, namely: the planning and budgeting process; budget execution process; as well as reporting and accountability processes. In the first stage, the process of compiling a business plan and budget is carried out through the following provisions: preparation of a five-year business strategic plan that refers to the strategic plan of state ministries or institutions; preparation of an annual business plan and budget that is based on a business strategic plan; preparation of business plans and budgets based on a performance basis; calculating cost accounting through defined cost standards; At least the calculation of direct costs and indirect costs is presented; in the section where the cost standards determined by the Minister of

Finance/Governor/Regent/Mayor are not yet compiled in accordance with their respective authorities.

The second stage is the implementation of the public service agency budget, which consists of: revenue from public service agencies, provided that the budget revenue originating from the State Revenue and Expenditure Budget and the Regional Revenue and Expenditure Budget are treated as revenue for public service agencies; cash management in public service entities is carried out through sound business practices in accordance with the provisions of laws and regulations; accounts receivable management is carried out through the delivery of goods and services; debt management public service agency management and settlement is carried out in an orderly manner.

The last stage, namely Financial Reporting and Accountability, is carried out with the following conditions: every financial transaction must be accounted for and attached with supporting evidence/documents and management is carried out in an orderly manner; financial accounting and reporting is carried out in accordance with the appropriate Financial Accounting Standards published by the Indonesian accounting profession association; absence of accounting standards, can apply industry-specific accounting standards after being approved by the Minister of Finance; developing and implementing an accounting system based on accounting standards applied according to the type of service and stipulation by the minister or head of the institution.

### **3. Research Methods**

Literature study, according to Nazir (2013, 93) literature study is a data collection technique by conducting a review study of books, literature and reports that have to do with the problem being solved. This technique is used to obtain the basics and opinions in writing which is done by studying various literature related to the problem under study. This is also done to obtain secondary data that will be used as a basis for comparison between theory and practice in the field. Secondary data through this method is obtained by reading various literature, the results of studies from previous researchers, lecture notes, and other relevant sources.

Although this is a study with literature studies, the research does not have to be continued in the field and met with respondents. The data needed in research can be obtained from library or document sources. According to Zed (2014) regarding library research (research libraries), library search is not only the first step in preparing a research framework (research design) but at the same time utilizing library resources to obtain research data.

### **4. Results**

With the emergence of financial management of public service bodies which is implemented by every government agency functionally in terms of carrying out activities that have an operational nature. These agencies can occupy at various echelon or non-echelon levels. Based on this, an adjustment is needed by looking at the provisions of government regulations and implementing regulations for the organization and structure of government agencies wishing to implement financial management of public service agencies.

Good corporate governance in the implementation of higher education is needed in order to encourage behavior in managing higher education that is efficient, effective, transparent and consistent with laws and regulations. By referring to the meaning of good corporate governance, it can be interpreted as structures, systems and processes used by higher education organs as an effort to provide value to products or processes on an ongoing basis. Referring to the United Nations Development Program, as quoted by Sutiono (2004) in Djanali (2005) states that the indicators of the success of good governance, if all include; transparent and responsible;



effective and fair; guarantee the rule of law; ensure that political, social and economic priorities are based on the consensus of the people; pay attention to the weakest in decision making.

The opinion of Ali Hanapiah Muhi (2010) states that the principles of good university governance, namely independence, transparency, accountability, equality and fairness, and accountability are needed in universities to achieve sustainable performance while still paying attention to stakeholders. Furthermore, there is a goal of the policy of good corporate governance in higher education so that parties who play a role in managing higher education understand and carry out functions and roles according to their authority and responsibility. The parties that play a role include the Board of Trustees, Advisory Board, Senate, Chancellors and Vice Chancellors, committees (if any), Bureau Heads, Deans and Deputy Deans, Structural Officials, Lecturers, and Employees. Furthermore, Muhi gave an overview of the application of the principles of good university governance in university governance as follows:

#### 4.1 Independence

In relation to the aspect of independence, the chancellor, trustee, and senate as well as university leaders have independent opinions in every decision taken. In addition, it is also possible to obtain advice from independent consultants to support the smooth running of university leaders so that there is no mixed element of independence to management within the university.

#### 4.2 Transparency

In the principle of higher education transparency as an industry, it is responsible for the obligation to disclose information and provide information to stakeholders, so that the position and financial management of higher education can reflect the real conditions and expectations of higher education in the future. In this context, Muhi is more concerned with the transparency of the decision-making process; transparency to partners; and transparency of employee performance appraisals.

#### 4.3 Accountability

Universities must always prioritize conformity in the management of their higher education institutions according to the applicable laws and regulations and the principles of a sound and quality institution. Every each division has its own clear duties and functions, with the allocation of their respective responsibilities clearly stated in the higher education regulatory policy.

#### 4.4 Equality and Fairness

Fulfill the aspects of equality and fairness in delivering information, universities can apply equal treatment to the entire academic community. Good reasonableness in terms of relations with the academic community, fairness in the procurement of goods / services, reasonableness of information, and other reasonableness.

#### 4.5 Accountability

In order to uphold accountability, it is necessary to have clarity on the functions, implementation and accountability of all organs in the organization, so that the management of the institution is carried out effectively. In this context, what is more of concern is related to the accountability aspect in the delivery of financial reports, and the aspect of accountability in human resources.

So, it can be concluded based on the explanation above, there are differences in the implementation of the principles of good governance in based government institutions Instruksi Presiden Nomor 5 Tahun 2004 tentang Percepatan Pemberantasan Korupsi put more emphasis on all aspects, starting from the quality of public services to reporting assets for state administrators. Meanwhile, for the purposes of a good university in higher education in budget control, it must be determined as the person in charge of the program / budget led by the head of the main unit (Dean / Head of Bureau / Head of Institution / Director) which consists of three

important parts, namely: planning and budgeting process; budget execution process; as well as reporting and accountability processes.

## 5. Conclusion

Based on the results of the research that has been done, it can be concluded that public service agencies as providers of public services play an important role in providing services to the community in the form of providing good and services. The purpose of establishing a public service agency is an agency within the government which is formed to provide services to the public in the form of providing goods or services that are sold without prioritizing seeking profit and in carrying out their activities based on the principles of efficiency and productivity.

However, public service agencies operate as work units of state ministries/agencies/governments for the purpose of providing public services whose management is based on the authority delegated by the parent agency concerned. Therefore, financial management is not separated from the state ministries/institutions/regional governments as the parent agency. The suggestion is that it is necessary to immediately implement a law on public service agency so that public service providers can further improve their performance in realizing people's welfare, supported by a stronger juridical foundation.

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