The Effect of the Implementation of Good Corporate Governance Mechanisms on Financial Performance and its Impact on Corporate Sustainability

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Abstract: This research begins with a phenomenon that occurs in Indonesia, according to OJK in CNN "GCG Practices of Indonesian Companies are Still Lagging", 2017. There are only two public companies (issuers) from Indonesia that are included in the list of 50 Best Issuers in Good Corporate Governance Practices (GCG) in the ASEAN Corporate Governance Awards. Whereas the implementation of good GCG is the main aspect to build solid company fundamentals and also the company's financial performance will not be sustainable if it is not based on good governance practices. Therefore, this study aims to examine the effect of the implementation of good corporate governance mechanisms, namely institutional ownership, managerial ownership, independent commissioners, audit committees, and auditor quality on financial performance and its impact on corporate sustainability. The population in this study are infrastructure companies listed on the Indonesia Stock Exchange (IDX) during 2019-2022. The data used in this study are secondary data with sampling techniques using purposive sampling, obtained 27 samples with 65 observations that meet the sample criteria. The analysis in this study uses a panel data regression model with the help of the EViews10 program. The results showed that institutional ownership has a significant effect on financial performance while managerial ownership, independent commissioners, audit committee and auditor quality have no significant effect on financial performance. The results of this study also show that institutional ownership, managerial ownership, and independent commissioners have a significant effect on corporate sustainability, while the audit committee, auditor quality, and financial performance have no significant effect on corporate sustainability. Financial performance is also proven not to be an intervening variable between institutional ownership, managerial ownership, independent commissioners, audit committees, and auditor quality to corporate sustainability.

Keywords: Institutional Ownership, Managerial Ownership, Independent Commissioner, Audit Committee, Auditor Quality, Financial Performance, and Corporate Sustainability.

I. INTRODUCTION

The implementation of Good Corporate Governance (GCG) is predicted to be the key to business success in the 21st century. "Good corporate governance is said to be successfully realised if a company can make its business sustainable," said. Secretary General of the Securities and Exchange Commission Thailand, Rapee Sucharitakul in Bangkok, Thailand, Friday (2/6/2017). That is, continued Rapee, the company as a corporation does not only take advantage of economic opportunities by making a profit. Corporations, he said, must also have social and environmental responsibilities, so that the company's operations can continue to be sustainable.

In reflecting financial performance, financial reports are very important because they can provide an overview of the financial condition of a company. Financial reports are also used by external parties (investors) in making decisions. In addition, financial statements are a means to account for what management does with the owner's resources. Complete financial statements usually include balance sheets, income statements, statements of changes in capital, cash flow statements and notes to financial statements (SAK No 1 Paragraph 7).

In companies, there are often differences in interests between management in preparing financial reports and investors who will use these financial reports. This difference of interest between the manager (principal) and the investor (agent) is in accordance with agency theory. In agency theory, agency relationships arise when one or

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more owners hire an agent to provide a service and delegate authority to the manager (Jensen and Meckling, 1976). In the agency relationship, there can be a conflict of interest between the agent (manager) and the principal (owner), because both parties have different interests. As managers are morally responsible for optimising the profits of the owners, but on the other hand managers have an interest in maximising their welfare so that managers do not always act in the best interests.

Seeing the differences in interests that occur in the company, financial performance is often a benchmark for the owner (principal) in assessing the performance of management (agent). Therefore, one of the strategies carried out by management is to implement good governance. Asymmetric information, and flexibility in choosing accounting policies in financial reporting can be minimised by implementing good corporate governance mechanisms which are reflected through institutional ownership, managerial ownership, independent board of commissioners, the existence of an audit committee and auditor quality.

Based on the research background above, the problem formulations that will be discussed in this study are as follows:

1. Does the implementation of the institutional ownership GCG mechanism have a significant effect on financial performance?
2. Does the implementation of the GCG mechanism of managerial ownership have a significant effect on financial performance?
3. Does the application of the independent commissioner GCG mechanism have a significant effect on financial performance?
4. Does the implementation of the audit committee GCG mechanism have a significant effect on financial performance?
5. Does the application of the GCG mechanism auditor quality have a significant effect on financial performance?
6. Does the implementation of the institutional ownership GCG mechanism have a significant effect on corporate sustainability?
7. Does the implementation of the GCG mechanism of managerial ownership have a significant effect on corporate sustainability?
8. Does the application of the independent commissioner GCG mechanism have a significant effect on corporate sustainability?
9. Does the application of the audit committee GCG mechanism have a significant effect on corporate sustainability?
10. Does the application of the GCG mechanism auditor quality have a significant effect on corporate sustainability?
11. Does financial performance have a significant effect on corporate sustainability?
12. Can financial performance mediate between GCG mechanisms and corporate sustainability?

II. RESEARCH METHODS

The research used is causal research, which is a study used to prove the relationship between the cause and effect of several variables. This study will test the hypothesis about the effect of Institutional Ownership (X1), Managerial Ownership (X2), Independent Commissioner (X3), Audit Committee (X4), and Auditor Quality (X5) on Financial Performance (Y) and its impact on Corporate Sustainability (Z).

Variable measurement in this study is to use a ratio scale. Variable operationalisation and indicators of each variable used, population and research samples, can be seen in the following table:

Tabel 1. Operationalisation of Variable

No.	Variable	Proxy	Indicators	Scale
1.	Institutional Ownership (X1) Rr.Shanti A.R. & Andi K. (2021)	Proportion of Institutional Shareholding	IO = Number of shares owned by institutional parties /	Ratio

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		——— x 100% Number of shares outsta`nding		
2.	Managerial Ownership (X2) Faisal RW dan Komar D (2020)	Proportion of Total Management Shareholding	Number of shares held by management MO = ——— ——— x 100% Number of shares outstanding	Ratio
3.	Independent Commissioner (X3) Mayang M. & Noorlailie S. (2018)	Proportion of Board of Commissioners Members	Number of board members IC = ——— —— x 100% Number of independent commissioners	Ratio
4.	Komite Audit (X4) Ferina N. & Nur Aini H.P., (2022)	Jumlah Frekuensi Rapat	Jumlah frekuensi rapat komite audit pada periode t	Nominal
5.	Kualitas Auditor (X5) Arfan Ikhsan dkk (2023)	Variabel Dummy	1 Jika diaudit KAP *Big Four* 0 Jika diaudit KAP *Non Big Four*	Nominal
6.	Financial Performance (Y) Bagus SL & Rohmawi 2021	ROA	Net Income ROA = ——— —— Total Asset	Ratio
7.	*Corporate Sustainability* (Z) Tangke & Habbe (2017)	Tobins's Q	BVAi,t + MVEi,t – BVEi,t Qi,t = ——— ——— BVAi,t Dimana: Qi,t = Nilai Perusahaan BVA = Nilai Buku dari Total AssetBVE = Nilai Buku Ekuitas MVE = Harga Penutupan Saham Biasa x Jumlah saham yang beredar	Ratio

Source: Literature review processed

In conducting the analysis and hypothesis testing, the EViews10 computer programme was used. The analysis method in this study uses panel data regression. The panel data regression model to test the effect of the implementation of GCG (Good Corporate Governance) mechanisms on financial performance both partially and simultaneously is as follows:

$$Y = \alpha + \beta 1.X1 + \beta 2.X2 + \beta 3.X3 + \beta 4.X4 + \beta 5.X5 + \varepsilon$$

The panel data regression model to test the effect of the implementation of GCG (Good Corporate Governance) mechanisms on Corporate Sustainability both partially and simultaneously is as follows:

$$Z = \alpha + \beta 1.X1 + \beta 2.X2 + \beta 3.X3 + \beta 4.X4 + \beta 5.X5 + \beta 6.Y + \varepsilon$$

Description: Y = Financial Performance
Z = Corporate Sustainable
A = Constant
β_1- β_6 = Regression Coefficient
X_1 = Institutional Ownership
X_2 = Managerial Ownership
X_3 = Independen Commissioner
X_4 = Audit Committee
X_5 = Auditor Quality
ε = Error

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Descriptive Statistical Analysis

Used to present and analyse data accompanied by calculations in order to clarify the situation or characteristics of the data concerned.

Estimasi Regresi Data Panel
- *Common Effect Model*
- *Fixed Effect Model*
- *Random Effect Model*

Metode Pemilihan Data Panel
- Uji Chow
- Uji Hausman
- Uji LM

Uji Asumsi Klasik
- Uji Normalitas
- Uji Multikolinieritas

Analisis Jalur (*Path Analysis*)

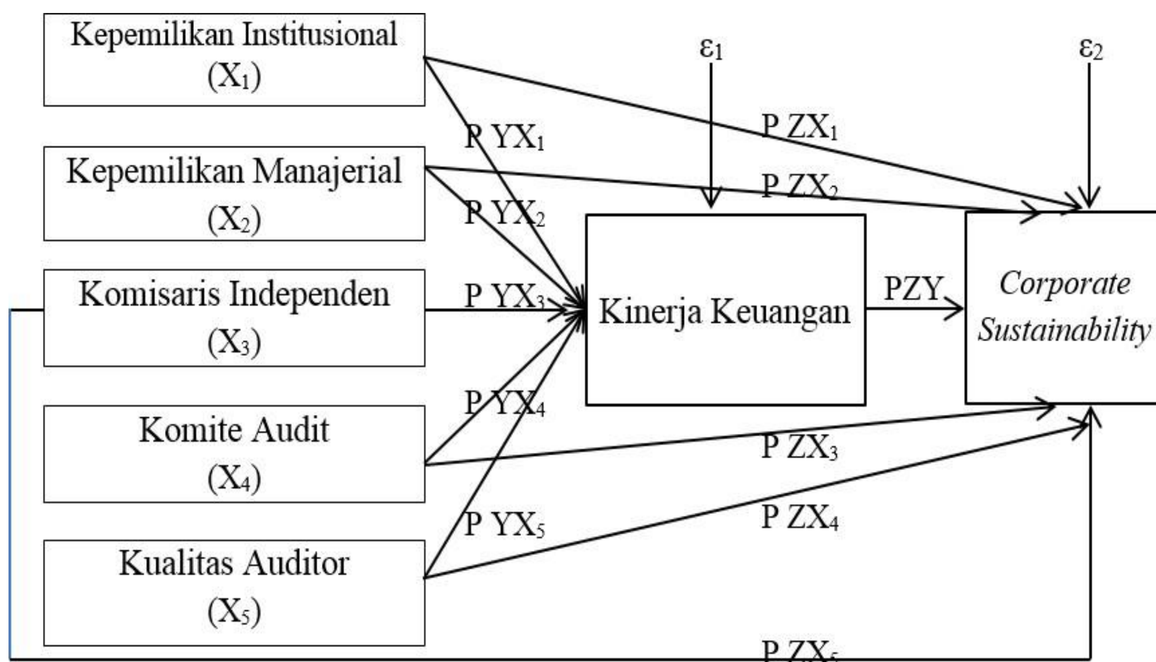

Figure 1. Path Analysis

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- Uji F
- Uji t

III. RESULT

Description of Research Objects

The data used in this study are the financial statements of infrastructure companies listed on the Indonesia Stock Exchange (IDX) which publish annual reports in 2019-2022. The population of infrastructure companies listed on the IDX during the 2019-2022 period was 65 companies, and those that met the criteria in this study were 27

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companies with an observation period of 4 years, so that the total research data was 108 data.

Test Assumptions and Quality of Research Instruments

1. Descriptive Statistics

Tabel 2. Descriptive Statistics Model I

	IO	MO	IC	AC	AQ	ROA
Mean	7131.500	298.9914	4099.269	10.85185	0.212963	3.426204
Maximum	9996.000	7928.830	7500.000	54.00000	1.000000	29.25000
Minimum	0.000000	0.000000	2500.000	2.000000	0.000000	-9.870000
Observations	108	108	108	108	108	108

Source: Data processed by EViews10 (2024)

Based on table 2, it can be seen that the amount of data used in the study is 108 and shows the descriptive statistics of each variable presented below:

a. The Institutional Ownership variable is defined as the percentage of the number of shares owned by institutional parties of the company's total outstanding share capital. Based on table 7. Institutional Ownership has a mean value of 71.98% the largest among other variables, with a minimum value of 0.00% and a maximum value of 99.96%.
b. The Managerial Ownership variable is defined as the percentage of the number of shares owned by management of the company's total outstanding share capital. Managerial Ownership has a mean value of 3.01% with a minimum value of 0.00%, which means that the ownership of shares by the managerial party is quite small so that in theory the concern for the company is getting smaller, and the maximum value is 79.28%.
c. The Independent Commissioner variable is proxied by the percentage of the number of independent commissioners from the total number of commissioners. Independent Commissioner has a mean value of 41.06% with a minimum value of 25% and a maximum value of 75%.
d. The Audit Committee variable is measured using the number of meetings of audit committee members in period t. The Audit Committee has a mean value of 10.63 meetings with a minimum value of 2 times and a maximum value of 54 meetings.
e. The Auditor Quality variable is measured using a dummy variable, namely a value of 1 for companies that use KAP Big Four and 0 for companies that do not use KAP Big Four in auditing their financial statements. Auditor quality has a mean value of 0.21 with a minimum value of 0.00 and a maximum value of 1.00.
f. Financial Performance variable is proxied using ROA, has a mean value of 3.42% with a minimum value of -9.87% and a maximum value of 29.25%.

Meanwhile, to see the description or descriptive statistics of the variables of Institutional Ownership, Managerial Ownership, Independent Commissioner, Audit Committee, Auditor Quality, and Company Financial Performance on Corporate Sustainability in Model II will be presented in table 8 below. In principle, the descriptive statistics in model II are almost the same as the variables in model I.

Tabel 3. Descriptive Statistics Model II

	IO	MO	IC	AC	AQ	ROA	Q
Mean	7131.500	298.9914	4099.269	10.85185	0.212963	3.426204	27.28120
Maximum	9996.000	7928.830	7500.000	54.00000	1.000000	29.25000	403.3500
Minimum	0.000000	0.000000	2500.000	2.000000	0.000000	-9.870000	0.280000
Observations	108	108	108	108	108	108	108

Source: Data processed by EViews10 (2024)

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Based on table 3, it can be seen the difference between the variables in model I and the variables in model II, namely the existence of the Corporate Sustainability variable which acts as the dependent variable. Corporate Sustainability variable is proxied using Tobin's Q. Based on Table 8, the Corporate Sustainability variable has a mean value of 27.28% with a minimum value of 0.28% and a maximum value of 403.35%.

Empirical Research Regression Estimation Model I

As mentioned above, the form of the panel data regression model equation to test the effect of the implementation of GCG (Good Corporate Governance) mechanisms on financial performance both partially and simultaneously is formulated as follows:

$$Y = \alpha + \beta_1.X_1 + \beta_2.X_2 + \beta_3.X_3 + \beta_4.X_4 + \beta_5.X_5 + \varepsilon$$

To determine the regression analysis of model I above, the EViews 10 data processing programme is used by estimating common effect, fixed effect, and random effect regressions on the variables of institutional ownership, managerial ownership, independent commissioners, audit committee, auditor quality, on the dependent variable, namely financial performance. After that, to determine which model is used, the Chow Test and Hausman Test are carried out to determine which model is the best from the resulting output.

From the two model selection tests, both the Chow test and the Hausman test, it can be concluded that for panel data the random effect model is better than the common effect model or the fixed effect model, as in the table below:

Tabel 4. Regression with Random Effect Model I

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.412526	0.697233	4.894386	0.0000
IO	0.001702	0.000740	2.300017	0.0242
MO	0.132588	0.075907	1.746709	0.0848
IC	-0.000508	0.000548	-0.926815	0.3570
AC	-0.085588	0.078194	-1.094553	0.2772
AQ	0.339543	3.780749	0.089809	0.9287
Adjusted R-squared	0.023944			

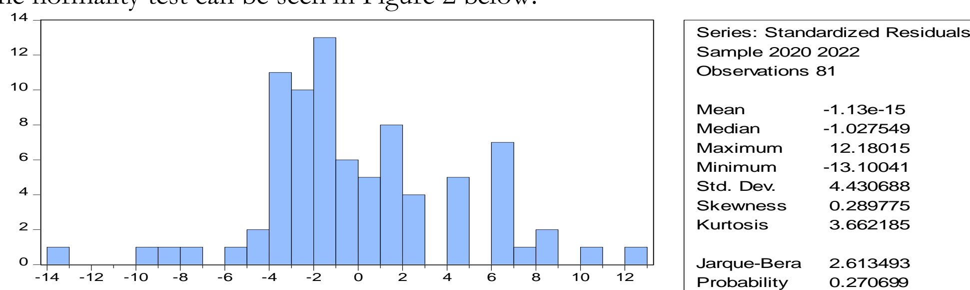
Source: Data processed by EViews10 (2024)

From table 4, it can be seen that the probability statistical value of Institutional Ownership (0.0242), Managerial Ownership (0.0848), Independent Commissioner (0.3570), Audit Committee (0.2772), and Auditor Quality (0.9287) with an adjusted r-squared value of 0.023944, meaning that these results show that only Institutional Ownership has a significant effect on financial performance with a probability value of 0.0242 <0.05.

Classical Assumption Test Model I

1. Model I Normality Test

The results of the normality test can be seen in Figure 2 below:



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Source: Data processed by EViews10 (2024)

Figure 2: Model I Normality Test

The Jarque-Bera probability value is 2.613493 greater than 0.05 so it can be concluded that the regression model fulfils the normality assumption.

2. Model I Multicollinierity Test

Tabel 5. Model I Multicollinearity Test

Correlation Test:

	IO	**MO**	**IC**	**AC**	**AQ**
IO	1.000000	-0.696789	-0.269240	0.075763	0.024284
MO	-0.696789	1.000000	0.479893	-0.077683	0.008204
IC	-0.269240	0.479893	1.000000	-0.063265	0.009279
AC	0.075763	-0.077683	-0.063265	1.000000	0.020972
AQ	0.024284	0.008204	0.009279	0.020972	1.000000

Source: Data processed by EViews10 (2024)

The correlation test value of model I regression results shows that each matrix has no results that exceed 1, thus the model I formed is free from multicollinearity violations.

Empirical Research Regression Estimation Model II

The Model II equation form is formulated as follows:

$$Z = \alpha + \beta_1.X_1 + \beta_2.X_2 + \beta_3.X_3 + \beta_4.X_4 + \beta_5.X_5 + \beta_6.Y + \varepsilon$$

To determine the regression analysis of model II above, using the EViews10 data processing programme by estimating common effect, fixed effect and random effect regressions. After that, to determine which model is used, the Chow Test and Hausman Test are carried out to find out which model is the best from the resulting output. From the two model selection tests, both the Chow Test and the Hausman Test, it can be concluded that the fixed effect panel data model is better than the common effect and random effect models, as shown in the table below:

Tabel 6. Regression with Random Effect Model I

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	-1009.763	312.9188	-3.226917	0.0019
IO	0.030694	0.006548	4.687262	0.0000
MO	2.514982	0.952712	2.639814	0.0101
IC	0.014962	0.005709	2.620937	0.0106
AC	0.209857	0.814248	0.257731	0.7973
AQ	-9.028133	34.68227	-0.260310	0.7953
ROA	1.314466	0.883130	1.488417	0.1408
Adjusted R-squared	0.818847			

From table 6 it can be seen that the probability statistical value of Institutional Ownership (0.0000), Managerial Ownership (0.0101), Independent Commissioner (0.0106), Audit Committee (0.7973), Auditor Quality (0.7953), and Financial Performance (0. 1408) with an adjusted r-squared value of 0.818847, meaning that these results show that Institutional Ownership, Managerial Ownership, and Independent Commissioners alone have a significant effect on Corporate Sustainability with a probability value of 0.0000, 0.0101, 0.0106 <0.05.

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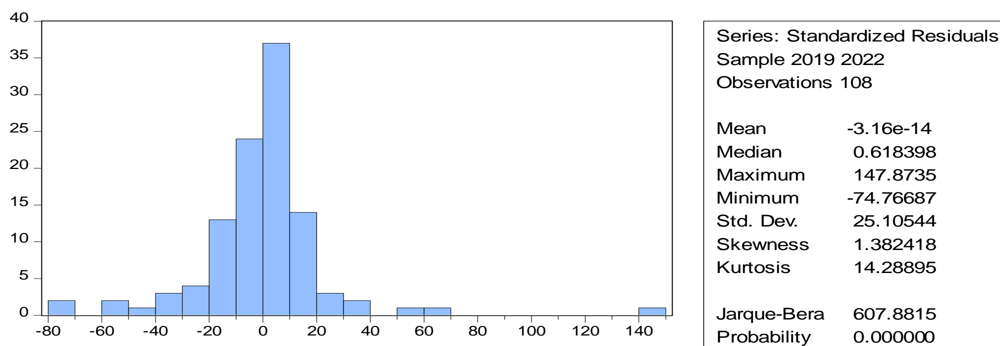
Classical Assumption Test Model II

1. Model II Normality Test

The results of the normality test for Model II can be seen in Figure 3:



Source: Data processed by EViews10 (2024)

Figure 3: Model II Normality Test

The Jarque-Bera probability value is 607.8815 greater than 0.05 so it can be concluded that the regression model fulfils the normality assumption.

2. Model II Multicollinierity Test

Tabel 7. Model II Multicollinearity Test

Correlation Test:

	IO	MO	IC	AC	AQ	ROA
IO	1.000000	-0.545811	0.082056	0.266803	0.450329	-0.100538
MO	-0.545811	1.000000	0.169828	-0.025934	-0.103858	0.283207
IC	0.082056	0.169828	1.000000	-0.002437	-0.173237	0.018759
AC	0.266803	-0.025934	-0.002437	1.000000	0.253239	-0.071272
AQ	0.450329	-0.103858	-0.173237	0.253239	1.000000	0.126845
ROA	-0.100538	0.283207	0.018759	-0.071272	0.126845	1.000000

The correlation test value of model II regression results shows that each matrix has no results that exceed 1, thus the model II formed is free from multicollinearity violations.

3. Path Analysis

Path Analysis is by comparing the magnitude of direct and indirect effects by looking at the magnitude of the coefficient. The coefficients from Table 4 and Table 6 can be visualised as shown in the figure below:

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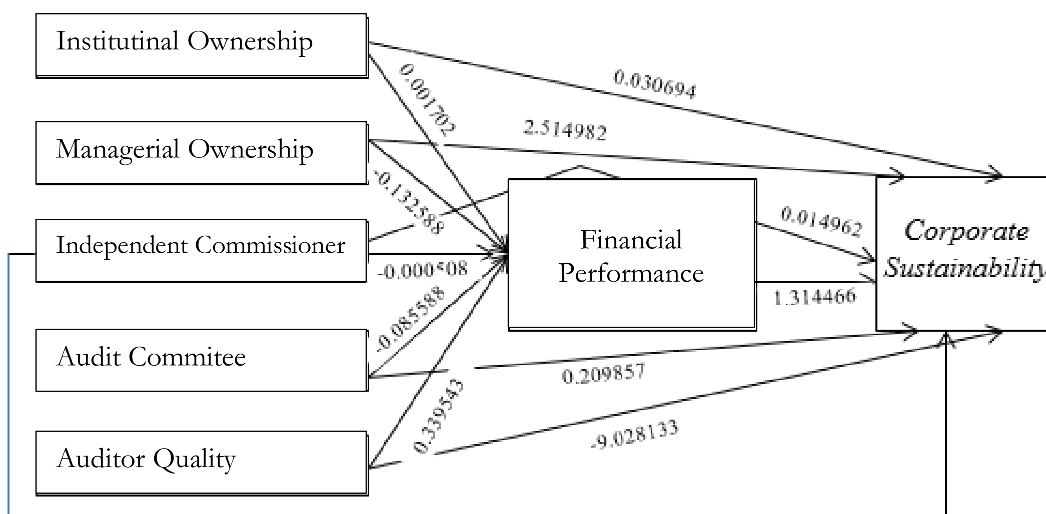

Figure 4: Direct and Indirect Effects of Independent Variables on Corporate Sustainability

Hypothesis Testing

1. Model I Determination Coefficient Test

Tabel 8. Model I Determination Coefficient

Weighted Statistics			
R-squared	0.084948	Mean dependent var	1.711575
Adjusted R-squared	0.023944	S.D. dependent var	3.355872
S.E. of regression	3.315451	Sum squared resid	824.4164
F-statistic	1.392503	Durbin-Watson stat	1.250804
Prob(F-statistic)	0.236795		

Source: Data processed by EViews10 (2024)

Based on table 8 for model I, the R-squared value of 0.084948 and Adjusted R-squared 0.023944 are obtained, which means that the dependent variable of the company's financial performance can be explained by the five independent variables, namely institutional ownership, managerial ownership, independent commissioners, audit committee, and auditor quality by 2.39%, while the remaining 97.61% is explained by other independent variables outside the model used in this study.

2. Model I F Test

Tabel 9. Model I F Test Results

Weighted Statistics			
R-squared	0.084948	Mean dependent var	1.711575
Adjusted R-squared	0.023944	S.D. dependent var	3.355872
S.E. of regression	3.315451	Sum squared resid	824.4164
F-statistic	1.392503	Durbin-Watson stat	1.250804
Prob(F-statistic)	0.236795		

Source: Data processed by EViews10 (2024)

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Based on table 9, the value of Fcount is 1.392503 while Ftable with α = 5% level is 3.315451. Thus Fhitung < Ftabel (1.392503 > 3.315451), while it can be seen from the probability value of 0.236795 greater than α = 0.05 so that H0 is accepted and accepts the alternative hypothesis that at least one independent variable (institutional ownership, managerial ownership, independent commissioners, audit committee, and auditor quality) which is statistically significant affects financial performance (ROA), therefore the regression model can be used to predict the dependent variable.

3. Model I t Test

Tabel 10. Model I t Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3.412526	0.697233	4.894386	0.0000
IO	0.001702	0.000740	2.300017	0.0242
MO	0.132588	0.075907	1.746709	0.0848
IC	-0.000508	0.000548	-0.926815	0.3570
AC	-0.085588	0.078194	-1.094553	0.2772
AQ	0.339543	3.780749	0.089809	0.9287

Based on table 10, the t-statistic test results show that there is 1 (one) independent variable whose probability value is t <0.05, which statistically means that it significantly affects the company's financial performance variable, namely the Institutional Ownership variable. The following are the details of the results of the t-statistical test of model I for each variable of institutional ownership, managerial ownership, independent commissioners, audit committee, auditor quality on financial performance.

4. Model II Determination Coefficient Test

Tabel 11. Model II Determination Coefficient

Cross-section fixed (dummy variables)			
R-squared	0.873024	Mean dependent var	27.28120
Adjusted R-squared	0.818847	S.D. dependent var	70.45413
S.E. of regression	29.98673	Akaike info criterion	9.885855
Sum squared resid	67440.28	Schwarz criterion	10.70539
Log likelihood	-500.8362	Hannan-Quinn criter.	10.21815
F-statistic	16.11442	Durbin-Watson stat	1.550477
Prob(F-statistic)	0.000000		

Source: Data processed by EViews10 (2024)

Berdasarkan tabel 26 untuk model II, diperoleh nilai *R-squared* 0.873021 dan *Adjusted R-squared* 0.818847 yang berarti variabel terikat *corporate sustainability* dapat dijelaskan oleh keenam variabel bebasnya yaitu kepemilikan institusional, kepemilikan manajerial, komisaris independen, komite audit, kualitas auditor dan kinerja keuangan perusahaan sebesar 81,88%, sedangkan sisanya 18,12% dijelaskan oleh variabel bebas lain diluar model yang digunakan dalam penelitian ini.

5. Model II F Test

Tabel 11. Model II F Test Results

Cross-section fixed (dummy variables)			
R-squared	0.873024	Mean dependent var	27.28120

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Adjusted R-squared	0.818847	S.D. dependent var		70.45413
S.E. of regression	29.98673	Akaike info criterion		9.885855
Sum squared resid	67440.28	Schwarz criterion		10.70539
Log likelihood	-500.8362	Hannan-Quinn criter.		10.21815
F-statistic	16.11442	Durbin-Watson stat		1.550477
Prob(F-statistic)	0.000000			

Source: Data processed by EViews10 (2024)

Based on table 11, the value of Fcount is 16.11442 while Ftable with α = 5% level is 29.98673. Thus Fhitung < Ftabel (16.11442 < 29.98673), while it can be seen from the probability value of 0.000000 smaller than α = 0.05 so that H0 is rejected and accepts the alternative hypothesis that at least one independent variable (institutional ownership, managerial ownership, independent commissioners, audit committee, auditor quality, and company financial performance) which is statistically significant affects Corporate Sustainability, therefore the regression model can be used to predict the dependent variable.

6. Model II t Test

Tabel 12. Model II t Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1009.763	312.9188	-3.226917	0.0019
IO	0.030694	0.006548	4.687262	0.0000
MO	2.514982	0.952712	2.639814	0.0101
IC	0.014962	0.005709	2.620937	0.0106
AC	0.209857	0.814248	0.257731	0.7973
AQ	-9.028133	34.68227	-0.260310	0.7953
ROA	1.314466	0.883130	1.488417	0.1408

Source: Data processed by EViews10 (2024)

Based on table 12, the results of the statistical t test show that there are 3 (three) variables whose probability value t <0.05 which statistically means that they significantly affect the Corporate Sustainability variable, namely the variables of Institutional Ownership, Managerial Ownership, and Independent Commissioners. The following are the details of the model II statistical t test results for each variable of institutional ownership, managerial ownership, independent commissioners, audit committee, auditor quality, company financial performance on corporate sustainability.

IV. DISCUSSION

Institutional ownership has a significant effect on financial performance, the results of this study are in accordance with the theoretical basis which states that large share ownership by institutional parties makes institutional parties will carry out strong supervision of financial performance. The results of this study are in line with the research of Suryanto A. & Refianto (2019) and Shanti A.R & Andi K. (2021) which found that institutional ownership has a significant effect on financial performance. Meanwhile, the results of research by Yohanna TN (2022) and Ratih P. & Herawati (2022) found the opposite, which stated that institutional ownership had no significant effect on financial performance on the grounds that institutional ownership did not control the company dominantly and also institutional ownership would sell its shares if it was dissatisfied with managerial performance.

Managerial ownership has no effect on financial performance. In theory, high managerial ownership will increase concern for the company, otherwise low managerial ownership results in less concern for the company. The

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results of this study are in line with the research of Suryanto A. & Refianto (2019), Faisal RW & Komar D (2020), which state that managerial ownership has no effect on financial performance. Meanwhile, the results of Lasmanah CRY (2017) and Shanti A.R & Andi K (2021) found the opposite, which stated that managerial ownership was proven to have an effect on financial performance.

Independent Commissioners have no effect on financial performance. In theory, Independent Commissioners who are not affiliated with management have effectiveness in the company's monitoring process so that they have an effect on improving the company's financial performance that occurs in the company. The results of this study indicate that although independent commissioners have a high average value, they are unable to improve the company's financial performance. This condition can be caused by the difficulty of coordination between members of the board of commissioners which is an obstacle in the monitoring process which is the responsibility of independent commissioners so that they cannot improve the company's financial performance. The results of this study are in line with the research of Suryanto A. & Refianto (2019), Bagus SL & Rohmawi K. (2021), and Faisal RW & Komar D (2020) which state that independent commissioners have no effect on financial performance which argues that this may be due to the fact that the appointment of independent commissioners by companies is only for regulatory compliance. Meanwhile, the results of Yohanna TN (2022) and Ferina N. & Nur Aini H.P. (2022), found the opposite, stating that independent commissioners were proven to have an effect on financial performance.

The Audit Committee has no significant effect on financial performance. The results of this study contradict the theoretical basis which states that the Audit Committee is able to improve the company's financial performance. This is because the appointment of the audit committee by the company is only for regulatory compliance and is not intended to truly enforce Good Corporate Governance. The results of this study are in line with the research of Suryanto A. & Refianto (2019), Bagus SL & Rohmawi K. (2021), and Faisal RW & Komar D (2020) which found that the Audit Committee has no significant effect on financial performance. Meanwhile, the results of Ferina N. & Nur Aini H.P. (2022) research found the opposite, which stated that the Audit Committee had a significant effect on financial performance.

Auditor quality has no effect on financial performance. This is in accordance with the low auditor quality research sample data, namely only 6 companies audited by KAP Big 4, the remaining 21 companies are not audited by KAP Big 4. The results of this study are in line with the research of Narizah Z. Bambang S (2023) which states that auditor quality has no effect on financial performance. In contrast to the results of research by Afnivia D. & Jacobus W. (2023) found the opposite, which states that audit quality is proven to have an effect on financial performance.

Institutional Ownership affects Corporate Sustainability. The results of this study are in accordance with the theory that says the higher the level of institutional ownership, the stronger the level of control exercised by external parties to the company so that agency costs that occur within the company are reduced and corporate sustainability also increases. The results of this study are in line with the research of Rahmawati & Hermanto, (2017), Wulanda & Aziza, (2019), and Lasmanah & Yuniar, (2017), proving that share ownership by institutional parties can increase corporate sustainability through supervision carried out by institutional investors. In contrast to the research results of Kamaliah & Taufik, (2017) and Eka Dila (2018), which prove that the amount of institutional ownership has no effect on corporate sustainability.

Managerial Ownership has a significant effect on Corporate Sustainability. In theory, the existence of Managerial Ownership will make managers act carefully because they also bear the consequences of the decisions taken. They are more motivated to improve their performance to manage the company so as to increase corporate sustainability. The results of this study are supported by the research of Djamaluddin et al., (2018), and Kamaliah & Taufik, (2017), which state that corporate governance in this case managerial ownership affects corporate sustainability. In contrast to the results of research by Rahmawati & Hermanto (2017) and Eka Dila (2018) which state that there is no influence between corporate governance in this case managerial ownership and corporate sustainability.

Independent Commissioners have a significant effect on Corporate Sustainability. This is in accordance with the theory that says that Independent Commissioners in companies that do not have business ties or family

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relationships with shareholders or directors will be able to align the interests of managers and shareholders, because they represent the main internal mechanism to oversee the behaviour of exploiting opportunities or short-term profits and ignoring long-term management benefits so that company sustainability can be maintained properly. The results of this study are supported by the research of Djamaluddin et al., (2018) and Wulanda & Aziza, (2019) which state that corporate governance in this case the Independent Commissioner has an effect on Corporate Sustainability. In contrast to the results of research by Kamaliah & Taufik (2017) and Eka Dila (2018) which state that there is no significant influence between independent commissioners and corporate sustainability.
The Audit Committee has no significant effect on Corporate Sustainability. The results of this study are not in line with the theory that says that the more the number of audit committees in the company will increase the sustainability of the company or the more often the audit committee meets in the company, this causes the audit committee to frequently discuss problems in the company so that it leads to the sustainability of the company that continues to improve. This is not proven in sample companies which have an average number of meetings 11 times a year. The results of this study indicate that the audit committee is not effective in supervising the company so that it cannot improve corporate sustainability. The results of this study are in line with Eka Dila's research (2018) which states that there is no significant influence between the audit committee and corporate sustainability. In contrast to the results of research by Lasmanah & Yuniar, (2017), Kamaliah & Taufik, (2017), and Rahmawati & Hermanto, (2017), which state that the audit committee has a positive effect on corporate sustainability because it is effective in supervising the company so that it can increase corporate sustainability.

Auditor quality has no effect on Corporate Sustainability. In theory, auditor quality can improve corporate sustainability through information disclosed in the company's annual report. However, the results in this study are contrary, so it is suspected that even though they do not use the BIG 4 KAP (PWC, Deloitte, Ernst & Young, KPMG) almost all samples use external auditors who have high audit quality, so the market is not affected by the use of the BIG 4 KAP as an external auditor or not. The results of this study are in line with the research of Emylia Y. et al., (2017), which proves that external auditors have no effect on corporate sustainability. In contrast to the results of research by Lasmanah & Yuniar (2017) and Rahmawati & Hermanto (2017) which prove that the GCG mechanism, in this case the quality of auditors, can increase corporate sustainability.

The company's financial performance has no effect on Corporate Sustainability. This shows the possibility that although the company's financial performance can be detected by the market, investors ignore the company's financial performance. The financial performance generated by the company is not the main consideration for investors in buying company shares so that companies whose financial performance increases will not have an impact on corporate sustainability.

The results of this study are in line with the research of Paulus T. & Habbe AH. (2017) which states that financial performance in this case Asset has no effect on corporate sustainability. In contrast to the results of research by Latifah, S.W., Rosyid, Purwanti & Oktavendi. (2019), which states that financial performance practices affect corporate sustainability.

Based on the results of path analysis, namely by comparing the magnitude of the direct and indirect effects of institutional ownership to corporate sustainability, managerial ownership to corporate sustainability, independent commissioners to corporate sustainability, audit committee to corporate sustainability, and auditor quality to corporate sustainability, it can be concluded that the company's financial performance is proven not to be an intervening variable between GCG mechanisms to corporate sustainability. This shows that the company's financial performance is not able to mediate between the GCG mechanism and corporate sustainability. Testing this indirect effect also contradicts signal theory, because the company's financial performance cannot affect the relationship between GCG mechanisms and corporate sustainability through signalling by management regarding the company's condition to users of financial statements. This means that the GCG mechanism to improve corporate sustainability does not need to consider the level of the company's financial performance, plus the company's financial performance in the sample is very low at an average of 3.43% and also investors tend to assume that the profit reported in the financial statements does not show the company's overall financial performance, so there are other factors that investors consider in assessing the company such as prospects regarding the company's industry, good quality of labour or human resources, innovations made by the company, and so on that can ensure the sustainability of the company.

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V. CONCLUSION

The results of this study found that: 1) Institutional Ownership has a significant effect on financial performance; 2) Managerial Ownership has no significant effect on financial performance; 3) Independent Commissioners have no significant effect on financial performance; 4) Audit Committee has no significant effect on financial performance; 5) Auditor Quality has no significant effect on financial performance; 6) Institutional Ownership has a significant effect on corporate sustainability; 7) Managerial Ownership has a significant effect on corporate sustainability; 8) Independent Commissioner has a significant effect on corporate sustainability; 9) Audit Committee has no significant effect on corporate sustainability; 10) Auditor Quality has no significant effect on corporate sustainability; 11) The company's financial performance has no significant effect on Corporate Sustainability;. 12) The company's financial performance is proven not to be an intervening variable between institutional ownership, managerial ownership, independent commissioners, audit committees, and auditor quality to corporate sustainability.

Based on the results of the discussion and conclusions, the researcher suggests: 1) The importance of being initiated regarding the regulation of the appointment of the audit committee by the company, namely the audit committee members must be experts in accounting or finance in order to fulfil competence and independence so as to increase the effective supervisory function; 2) Infrastructure companies listed on the Indonesia Stock Exchange (IDX) should increase their understanding of the implementation of good corporate governance mechanisms, both regarding ownership structure, independent commissioners, audit committees and auditor quality; 3) Management of infrastructure companies listed on the Indonesia Stock Exchange (IDX) is able to implement and carry out good corporate governance better and more consistently, in accordance with applicable regulations.

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