THE EFFECT OF CORPORATE GOVERNANCE MECHANISMS ON FINANCIAL PERFORMANCE WITH CAPITAL STRUCTURE AS AN INTERVENING VARIABLE

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Abstract

This research aims to determine the effect of corporate governance mechanisms proxied by managerial ownership, institutional ownership and independent board of commissioner on financial performance with capital structure as an intervening variable. Financial performance is measured using a profitability ratio, proxied by Return On Assets and capital structure proxied by the Debt to Equity ratio. The research population includes property and real estate companies listed on the Indonesia Stock Exchange for the 2018-2021 period. The sample selection method used was purposive sampling and 32 companies were selected with a total sample of 105 research data. The analysis technique used is multiple linear regression with SPSS version 26 software and path analysis with the help of an online Sobel calculator. The results showed that managerial ownership and an independent board of commissioners had no significant effect on financial performance, while institutional ownership had a positive effect on financial performance. Managerial ownership and an independent board of commissioners have a significant positive effect on capital structure, while institutional ownership has no effect on capital structure. The capital structure does not act as a mediator between corporate governance mechanisms and financial performance.

***Keywords** : Corporate Governance, Managerial Ownership, Institutional Ownership, Independent Board of Commissioners, Financial Performance, Capital Structure*

1. INTRODUCTION

This study aims to determine the effect of corporate governance mechanisms on financial performance with capital structure as an intervening variable. Preparation of financial statements is an important thing that must be prepared by the company. According to PSAK No.1 (2015: 2) states that financial statements are a component of the financial reporting process. The functions of the company's financial statements according to Putra, Affandi, Purnamasari and Sunarsi (2021: 22) include knowing the condition of the company, as material for improvement for the company and as corporate accountability.

The company's financial performance is a picture to determine the extent to which a company has carried out the rules regarding financial reports properly and correctly Yunus and Tarigan (2020). Financial performance has a function as a guide to determine the extent to which the company has achieved the target that the company wants to achieve. The development of the property and real estate business in Indonesia has an important function in building the national economy. Based on data from the Investment Coordinating Board (BKPM), investment in the housing sector, industrial estates and office buildings in the first quarter of 2019 decreased 32% to IDR 18.8 trillion compared to the 2018 period of IDR 27.6 trillion. Development and observers believe that property investment will improve in the middle to the end of 2019 with market capitalization in 2019 reaching Rp114 trillion.

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According to the Ministry of Finance (2021), Indonesia experienced a consecutive economic slowdown in the second, third and fourth quarters of 2020 due to the Covid-19 pandemic. The slowdown had a negative impact on various sectors in Indonesia, including the property sector. Most property prices such as houses, apartments, and vehicles have experienced a sharp decline in financial performance, this is due to a decrease in demand in the property sector along with increased public caution in spending amid the pandemic.

The Covid-19 pandemic has caused the performance of property and real estate issuers to experience a significant decline, this is reflected in the net profit of several property and real estate companies listed on the Indonesia Stock Exchange (IDX) in 2020, namely PT Pakuwon Jati Tbk (PWON). PWON recorded a net profit of IDR 3.239 trillion at the end of 2019, while at the end of 2020, it recorded a net profit of IDR 1.119 trillion or a 65.46% decrease in profit. BSDE recorded a net profit of IDR 3.130 trillion at the end of 2019 (Annual Report, 2020). However, the property sector has risen again amid the pandemic, this is reflected in the positive financial performance of several property companies in mid-2021. The Central Statistics Agency (BPS) reported that during the second quarter of 2021 the property sector recorded a growth of 2.82% and contributed to national economic growth of 7.07%.

Along with the development of companies in Indonesia, the lack of corporate awareness of the importance of implementing corporate governance has an impact on arbitrary actions taken by companies. In 2018 the Lippo group was involved in a corruption problem, due to a hand operation carried out by the Corruption Eradication Commission (KPK), which was caused by the revelation of the fact that a subsidiary of the Lippo group committed a criminal act of bribery for licensing the Meikarta project. This is evidence that the low awareness of companies and the responsibility of an organization regarding the importance of implementing corporate governance has an impact on arbitrary actions taken by companies, resulting in rampant corruption cases.

In dealing with these problems, companies can implement corporate governance mechanisms. According to the Indonesian Corporate Governance Forum (FCGI, 2001), corporate governance mechanisms are useful in creating better decision making to improve company performance, maximize company operations, create added value for stakeholders and can obtain capital easily so as to maximize company value. However, this study focuses on the principle of independence from the implementation of corporate governance which is proxied by managerial ownership, institutional ownership and an independent board of commissioners. While financial performance is based on net profit margin in Indonesian Property and Real Estate Sector companies. The proxy used in describing financial performance is based on the Return On Asset (ROA) ratio.

2. LITERATURE STUDY

Agency Theory

Jensen and Meckling's (1976) agency theory is a contractual relationship between company managers (agents) and business owners (principals), where the principal gives responsibility in the form of authority to company managers in managing their business and making the right decisions for the benefit of shareholders. The agent has a moral and professional responsibility to run and lead the company as well as possible so that he gets the maximum profit and as a commission, he will be rewarded according to the contract.

Agency theory relates to human behavior, in this theory, both principals and agents are rational parties who have their own interests. This conflict of interest raises problems in agency theory, or what is known as information asymmetry, namely

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information that is not balanced due to the asymmetric distribution of information between principals and agents. Eisenhardt (1989) that agency theory is based on three assumptions about human nature, namely (1) humans have a tendency to be selfish (self-interest), (2) humans have limited rationality (bounded rationality), (3) humans do not like there is a risk (risk averse). From the assumption of human nature, it can cause agency conflicts that occur between managers and shareholders to arise because humans can act opportunistically, causing questionable information. The existence of information asymmetry between agents and principals can be an opportunity for agents to commit fraud by managing earnings for their own interests because agents have more information about the company than principals.

The emergence of problems caused by conflicts of interest between principals and agents, the principal must incur agency costs which are called agency costs. To minimize the occurrence of opportunistic behavior, it is necessary to have a control mechanism within the company. Jensen and Meckling (1976) said that agency problems can be solved by corporate governance. Corporate governance is a system that provides direction and principles to balance the different interests of agents and principals El-Chaarani (2014).

Managerial ownership is the presence of company management as one of the shareholders in the company. Managerial share ownership in the company serves to balance the managerial and shareholder positions so as to minimize agency conflicts Crutchley and Hansen (1989). Based on agency theory, managerial ownership is a way to reduce conflicts between agents and principals, by providing opportunities for managers as company owners to create goal congruence, namely individual actions to achieve common goals. With the increase in the percentage of managerial share ownership, managers will be motivated to improve company performance so that it will have a good impact on financial performance Alabdullah (2018). These results are in line with the agency theory perspective. Research conducted by El-Chaarani (2014), Alabdullah (2018), and Saputra and Indayani (2019) shows that managerial ownership has a positive effect on financial performance because managerial ownership is an instrument that can reduce agency conflicts between several demands on a company. Based on the description above, the following hypothesis can be concluded:

H_{1a}: Managerial ownership has a positive effect on financial performance

Institutional ownership is share ownership owned by parties outside the institution, namely ownership by companies and other institutions. According to Jensen and Meckling (1976), institutional ownership is one of the tools that can reduce agency conflict. In agency theory, institutional ownership activities can minimize agency conflicts between agents and principals, because institutional ownership acts in monitoring the actions taken by company managers Kansil and Singh (2018). The presence of institutional ownership in the company can be an effective monitoring mechanism so company managers must be wise in making decisions. This monitoring can ensure shareholder prosperity, because institutional ownership as a supervisor has a large enough investment in the capital market. Research conducted by Panda and Leepsa (2019), Kansil and Singh (2018) and Daryaei and Fattahi (2020) shows that institutional ownership has a positive relationship with financial performance, institutional ownership is a temporary owner who only focuses on company profits, if the profits obtained have not benefited the institution, shareholders will withdraw their investment. Based on the description above, the following hypothesis can be concluded:

H_{2a}: Institutional ownership has a positive effect on financial performance

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Agency theory states that independent commissioners can reduce conflicts of interest between agents and principals by increasing the monitoring function within the company. Independent commissioners have an important responsibility to encourage the implementation of corporate governance principles. Independent commissioners who have an independent attitude are considered to be able to make more objective and effective decisions in supervising managers. Thus, the existence of an independent board of commissioners can help the division of work of the audit committee so that it can increase the development and financial performance of the company Kyere and Ausloos (2021). Research conducted by Ullah, Afgan and Afridi (2019), Setiawan and Setiadi (2020) and Yunus and Tarigan (2020) shows that independent commissioners have a positive effect on financial performance. With the presence of many independent commissioners in the company, it can provide strong supervision to management in improving company performance, so that the existence of an independent board of commissioners can carry out its function in supervising so that the resulting performance is in accordance with the interests of shareholders. Based on the description above, the hypothesis can be concluded as follows:

H_{3a}: Independent board of commissioners has a positive effect on financial performance

Based on agency theory, the conflict of interest between managers and shareholders can be reduced by the ownership structure Jensen and Meckling (1976). The proportion of managerial share ownership in the company is high, so managers tend to minimize the use of corporate debt to reduce risk and avoid business bankruptcy Agyei and Owusu (2014). Managerial ownership can affect the capital structure, because the greater the share ownership owned by the company manager, the manager will consider using a smaller debt policy to reduce the risk and cost of bankruptcy Butt and Hasan (2009). Companies with large enough debt are more prone to bankruptcy and there are other risks that encourage company managers to reduce their personal interests and increase efficiency Grossman and Hart (1982). Research conducted by Sheikh and Wang, (2012), Margana and Wiagustini, (2019) and Feng, Hassan and Elamer, (2020) shows that managerial ownership of capital structure has a negative effect this shows that there is more and more internal managerial ownership companies listed on the Indonesian Stock Exchange, capital structure which is measured by the debt to debt ratioequity (DER) will decrease. This is because company management prefers to implement a low debt policy because company management is responsible for the company's capital costs and bears the risk of using higher debt. Based on the description above, the hypothesis can be concluded as follows:

H_{1b}: Managerial ownership has a positive effect on capital structure

Institutional ownership can increase supervision of the company's management performance in making the right decisions regarding the company's capital funding sources Artila and Surjandari (2019). Based on agency theory, it states that the existence of a maximum capital structure and ownership structure can reduce agency costs Jensen and Meckling (1976). According to Jensen (1986), the higher the percentage of institutional ownership can effectively make it easier to supervise and control managers in using funds that are less efficient. Research conducted by Crutchely and Jensen (1996), Al-Najjar (2010) and Khafid, Prihatni and Safitri (2020) shows that institutional ownership has a negative effect on capital structure. This result is consistent with agency theory because institutional investors choose to invest in companies with a small leverage ratio Al-Najjar (2010). This negative effect indicates that with greater institutional share

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ownership, the company tends to use internal capital. Based on the description above, the hypothesis can be concluded as follows:

H_{2b}: Institutional ownership has a positive effect on capital structure

Based on agency theory, the independent board of commissioners has an important role in overseeing the performance of the board of directors, besides that it can limit the opportunistic behavior of selfish managers. The existence of a highly independent board of commissioners in the company is considered more effective in supervising management and increasing the company's funding sources from outside parties which can increase the company's debt ratio Budiman and Helena (2017). The existence of independent commissioners is considered to help oversee manager behavior in making debt funding decisions Tarus and Ayabei (2016). The greater the proportion of independent commissioners will provide advice to company managers to use high debt to reduce the occurrence of free cash flow Jensen (1986). In addition, based on agency theory, the monitoring function carried out by the independent board of commissioners represents the company's internal control mechanism. Research conducted by Tarus and Ayabei (2016), Budiman and Helena (2017) shows that independent commissioners have a positive effect on capital structure. Independent commissioners are an effective monitoring mechanism to oversee the behaviour of company managers in using debt, in accordance with agency theory Jensen and Meckling (1976). Based on the description above, the hypothesis can be concluded as follows:

H_{1b}: Independent board of commissioners has a positive effect on capital structure

Capital structure is thought to mediate the effect of managerial ownership on financial performance. According to Prasetyo and Hadiprajitno (2019) with share ownership by managers, the company's debt level will be low, because management tends to reduce the use of debt so as to reduce the dividend received by shareholders. According to agency theory, the presence of management in the company can balance the interests between shareholders and management and reduce the direction of opportunistic behavior. The amount of managerial share ownership will affect management decisions related to capital structure, so that management pays attention to the use of capital structure, especially debt, in making decisions so that financial performance remains optimal. Research conducted by Khasana and Atiningsih (2019) managerial ownership has no direct effect on financial performance because the presence of manager shares in the company is considered to have no effect on company performance. However, the capital structure can affect the company's operational activities so that it can improve company performance. This means that managerial ownership affects financial performance through capital structure as a mediating variable. Based on the description above, the hypothesis can be concluded as follows:

H_{1c}: Capital structure mediates the relationship between the effect of managerial ownership on financial performance

Capital structure is thought to mediate the influence of institutional ownership on financial performance. Institutional ownership can function to monitor and direct managers in making decisions regarding the use of the company's capital structure. The existence of institutional ownership in the company is considered effective and professional in managing policies related to corporate funding activities Itan (2021). With institutional ownership as a more effective supervisor of company managers, it reduces agency costs and controls in making decisions and considering the use of capital structures that can harm the company. Therefore, the company will reduce the use of debt

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because it is risky which will affect financial performance. Based on research conducted by Muthoni, Nasieku and Olweny (2018) found that capital structure can mediate the relationship between institutional ownership and financial performance. Institutional ownership has become an important owner in improving corporate governance when observed from the increasing equity of a company because they are active investors so they can direct managers in determining the company's funding needs between debt or own funds. Based on the description above, the hypothesis can be concluded as follows:
H_{2c}: Capital structure mediates the relationship between the effect of institutional ownership on financial performance

The use of capital structure is also thought to mediate the relationship between independent commissioners and financial performance. In agency theory, it is explained that managers tend to take opportunistic actions and make profits for themselves, thus ignoring the interests of shareholders Jensen and Meckling (1976). According to Tarus and Ayabei (2016), the presence of independent commissioners in the company can make it easier to monitor manager behavior through the use of debt. Companies that have more independent commissioners will provide maximum benefits for shareholders Byrd & Hickman (1992). The high number of commissioners will be more optimal in supervising management and forcing management to choose actions that maximize shareholder profits, so that external funding sources will increase and increase the debt ratio Budiman & Helena (2017). The importance of monitoring the performance of company managers by independent commissioners to supervise managers in the use of corporate debt. Research conducted by (Itan, 2021) states that the influence of independent commissioners can explain how effective company performance is in encouraging company managers to minimize risks related to decisions on the use of capital structure. Based on the description above, the following hypothesis can be concluded:
H_{3c}: Capital structure mediates the relationship between the influence of the independent board of commissioners on financial performance.

3. RESEARCH METHODOLOGY

This research is quantitative research. The data used in this study are secondary data in the form of company annual reports obtained through the company's official website and the website http://www.idx.co.id/. The population in this study are property and real estate companies in Indonesia listed on the Indonesia Stock Exchange (IDX) for the period 2018-2021. Sampling in this study uses purposive sampling technique with certain usage criteria that must be met by the company in order to be sampled. The research sample consisted of 33 property and real estate companies in Indonesia for the 2018-2021 period which were selected based on purposive sampling techniques and there were 105 observation data in this study. Data management in this study used SPSS Version 26.

Tabel 1. Research Sampling Criteria

Criteria Sample	Total
Property and Real Estate companies listed on the IDX for the period 2018-2021	59
Companies that do not have complete managerial share ownership and institutional share ownership during the study period	(27)
Number of Sample Companies	32
Total Sample (31 x 4)	128

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Criteria Sample	Total
Property and Real Estate companies that did not report financial statements during the study period (Appendix 2)	(7)
Outlier data	(16)
Total data after outliers	105

4. RESULT AND DISCUSSION

Based on the data collected and processed, the descriptive statistical results of each variable are obtained, namely the minimum, maximum, mean and standard deviation values of managerial ownership, institutional ownership, independent board of commissioners, capital structure and financial performance of property and real estate companies in Indonesia in the 2018-2021 period. A description of the descriptive statistical results is presented in the following table:

Table 2. Descriptive Statistical Analysis

Variable	Min	Maks	Mean	Std. Deviasi
ROA	-0,186	0,277	0,02216	0,057786
MO	0,000	0,480	0,07546	0,127386
IO	0,000	0,976	0,60040	0,241657
INDEP	0,200	0,600	0,39425	0,090164
DER	0,007	1,809	0,67551	0,486659

Source: data processed (2022)

Table 2 illustrates the description of the variables used in this study. The minimum table illustrates the smallest value and the maximum table illustrates the largest value of a data group. The standard deviation of managerial (MO) and institutional ownership (IO) is greater than the average value (mean). This shows that the data distribution is not good because there is data with extreme values and financial performance with a standard deviation greater than the mean value, indicating that the high change or fluctuation in data from the financial performance variable as measured by Return on Asset (ROA) causes the financial performance conditions in the property and real estate sector to be in a bad condition as evidenced by the higher range. While the independent commisioners board (INDEP) and capital structure as measured using Debt to Equity (DER) that the standard deviation is smaller than the mean value which indicates that the data distribution is good and the standard error that occurs is less.

Classical Assumption Test

The regression model in this study is as follows:

$DER = \alpha + \beta 1MO + \beta 2IO + \beta INDEP + e$ 1

$ROA= \alpha + \beta 1MO + \beta 2IO + \beta 3INDEP + \beta 4DER + e$ ...2

Table 3. Normality Test

Regresi Model	Significant	Conclusion
Model 1	0,076	Data is normally distributed
Model 2	0,107	Data is normally distributed

Source: data processed (2022)

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Based on Table 3, the results of the normality test using the Monte Carlo approach with a confidence interval level of 95% show that the significance value in model 1 and model 2 is significantly greater than 0.05. So it can be concluded that the research data for the independent and dependent variables in both models are normally distributed.

Table 4. Multicollinearity Test

Variabel	Nilai Tolerance	Nilai VIF	Conclusion
Model 1			
MO	0,751	1,331	No multicollinearity occurs
IO	0,782	1,279	No multicollinearity occurs
INDEP	0,945	1,058	No multicollinearity occurs
Model 2			
MO	0,711	1,406	No multicollinearity occurs
IO	0,781	1,280	No multicollinearity occurs
INDEP	0,811	1,232	No multicollinearity occurs
DER	0,836	1,196	No multicollinearity occurs

Source: data processed (2022)

Based on Table 4 above, it shows that in regression models 1 and 2 this study has a tolerance value of more than 0.10 or (10%). This can be seen from the tolerance value on the MO, IO, INDEP and DER variables and the VIF value shows that all independent variables of regression models 1 and 2 have a VIF value of less than 10. Therefore, it can be concluded that in regression models 1 and 2 in this study, there is no multicollinearity.

Table 5. Heteroscedasticity Test

Model Regresi	R Square	Chi-Square Hitung	Chi-Square Tabel	Conclusion
Model 1	0,141	14.805	15,5073	No heteroskedastisity
Model 2	0,181	19,005	22,3620	No heteroskedastisity

Source: data processed (2022)

Table 5 above shows the results of the heteroscedasticity test analysis using the white test in model 1 showing that the R Square value is 0.141. To find the calculated chi-square value, namely by using the formula for the R Square value multiplied by the number of research sample data (n), namely 105 company data, so that the calculated chi-square result can be obtained (0.141x105 = 14.805). The test criteria use a significance level of 5% or 0.05 to find the table c square value at df (9-1 = 8), so that the table chi-square value is 15.507313. Meanwhile, model 2 shows that the R Square value is 0.181. The calculated chi-square result is (0.181x105 = 19.005. The test criteria use a significance level of 5% or 0.05 to find the value of the chi-square table df (14-1 = 13), so that the chi-square table value is 22.362032. The basis for making decisions on the white test is if the calculated chi-square value < chi aquare table, then it is said that there are no symptoms of heteroscedasticity. In this study, it is known that the chi-square count < chi-square table in model 1 is 24.805 < 15.5073 and model 2 is 19.005 < 22.3620, so it can be concluded that regression models 1 and 2 do not have heteroscedasticity symptoms.

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Table 6. Autocorrelation Test

Regresi Model	Significant	Conclution
Model 1	0,378	No autocorrelation
Model 2	0,921	No autocorrelation

Source: data processed (2022)

Table 6 shows that based on the autocorrelation test using the Run Test test, the significance value in model 1 is 0.378> 0.05 and the significance value in model 2 is 0.921, which means that the regression model in both models does not have autocorrelation.

Regression Analysis

Table 7. Model Feasibility Test and Regression Test

Model 1: DER = α + β1 MO + β2 IO + β3 INDEP + e				
Variabels		**Beta**	**T**	**Sig**
(Constant)		-0,246		
Managerial Ownership (MO)		0,955	2,382	0,019*
Institutional Ownership (IO)		0,062	0,297	0,767
Indep. Board (INDEP)		2,060	4,076	0,000*
Adjusted R-Square	0,139			
F	6,588			
Sig (Test F)	0,000*			
Model 2: ROA = α + β1 MO + β2IO + β3INDEP + β4DER + e				
Variabels		**Beta**	**T**	**Sig**
(Constant)		-0,042		
Managerial Ownership (MO)		-0,029	-0,596	0,552
Institutional Ownership (IO)		0,070	2,885	0,005*
Indep. Board (INDEP)		0,110	1,707	0,091
Debt to Equity Ratio		-0.028	-2,372	0,020*
Adjusted R-Square	0,153			
F	5,679			
Sig (Test F)	0,000*			

*Significance Level 0.05
Source: data processed (2022)

Coefficient of Determination

Based on Table 7, the coefficient of determination can be seen from the Adjusted R Square value in the first regression model of 0.139 or 13.9% and in the second regression model of 0.153 or 15.3%, which means that the independent variables in this study are able to explain the effect of the dependent variable in the first regression model by 13.9% and the remaining 86.1% is influenced by other variables and the second regression by 15.3% and the remaining 84.7% is influenced by other variables.

Significance Test (F Test)

Based on Table 7, it is known that the Fcount value in regression model 1 is 6.588 and Ftable is 2.69 with a significance value of 0.000. Fhitung 6,588> Ftabel 2.69 and a significance value <0.05 (5%). Fhitung in the second regression model is 5.879 and Ftabel

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is 2.46 with a significance value of 0.000. Fhitung 5,879> Ftabel 2.46 and a significance value of 0.05 (5%). So it can be concluded that regression models 1 and 2 simultaneously affect the independent variables.

T-test

Based on the T-test results in Table 7, regression model 1 shows that the MO variable has a significance value of 0.019 <0.05 and at a value of 2.382> t table 1.98373 at a confidence degree of 5% which indicates that partially the MO variable has a significant effect on the Capital Structure proxied by (Debt to Equity Ratio) DER. The IO variable has a significance value of 0.762> 0.05 and a calculated t value of 0.297 < t table 1.98373 at a 5% confidence level, which indicates that partially the IO variable has no significant effect on DER. The INDEP variable has a significance value of 0.000 <0.05 and a t-count of 4.076> t-table 1.98373 at a 5% confidence level, which indicates that partially the INDEP variable has a significant effect on DER.

Meanwhile, in regression model 2, the MO variable shows a significance value of 0.552> 0.05 and a t-count value of -0.596 < t table 1.98397 at a 5% confidence level, which indicates that partially the MO variable has no significant effect on financial performance calculated using (Return on Asset) ROA. The IO variable shows a significance value of 0.005 <0.05 and a t value of 2.885> t table 1.98397 at a 5% confidence level, which indicates that partially the IO variable has an effect on ROA. The INDEP variable shows a significance value of 0.091> 0.05 and a t value of 1.707 < t table 1.98397 at a 5% confidence level, which indicates that the INDEP variable partially has no effect on ROA.

Table 8. Path Analysis

Variabel	Beta DER	Sig	Std. Error	Beta Mediator	Std. Error
MO	0,955	0,019	0,401	-0,028	0,012
IO	0,062	0,767	0,207	-0,028	0,012
INDEP	2,060	0,000	0,505	-0,028	0,012

Source: data processed (2022)

Based on table 8, the beta coefficient value of the first variable MO on DER is 0.955 with a standard error of 0.401. The standardized value of MO coefficient on ROA with DER control is -0.028 with standard error 0.012. The Sobel test results show the Sobel statistical score of -1.67 < 1.96, which means that the capital structure variable proxied by DER does not mediate the relationship between IO and financial performance proxied by ROA.

The standard beta coefficient value of the second variable IO on DER is 0.062 with a standard error of 0.207. The standard coefficient value of IO on ROA by controlling DER is -0.028 with a standard error of 0.012. The Sobel test results show the Sobel statistical score of -0.30 < 1.96, which means that the capital structure variable proxied by DER does not mediate the relationship between KI and financial performance proxied by ROA.

The beta coefficient value of the third variable INDEP on DER is 2.060 with a standard error of 0.505. The standard value of the IO coefficient on ROA by controlling DER is -0.028 with a standard error of 0.012. The Sobel test results show a Sobel statistical score of -2.0354 < 1.96, which means that the capital structure variable proxied by DER does not mediate the relationship between the independent board of commissioners and financial performance proxied by ROA.

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The Effect of Managerial Ownership on Financial Performance

Based on the results of research and model feasibility tests and regression tests conducted, the test results show a t value of -0.596 and a significance value of 0.552 > 0.05, which indicates that the test results show that the hypothesis (H_{1a}) is rejected, meaning that managerial ownership has no significant effect in a negative direction on financial performance. The negative direction of the relationship explains the size of the proportion of share ownership owned by managers in the company has no effect on the company's financial performance. The results of this study are not in line with the agency theory perspective put forward by Jensen and Meckling (1976) which states that agency problems can be minimized by agency costs, namely the existence of managerial share ownership in the company. The existence of manager share ownership is considered capable of balancing the interests of agents and principals. Decisions made by company managers will certainly be felt directly by company managers, therefore managers will not make decisions that can harm the company. However, in this study, the existence of managerial ownership in the company does not encourage managers to be more active in improving the company's financial performance.

The results of this study are also not in line with previous research which states that managerial ownership affects financial performance such as research conducted by El-Chaarani (2014), Saputra and Indayani (2019) and Holly and Lukman (2021) where the results show that managerial ownership affects financial performance. This study supports research conducted by alWidyati, M.F (2013) and Yuniarti and Syaicu (2018) which states that managerial ownership has no effect on financial performance.

The Effect of Instititusional Ownership on Financial Performance

Based on the test results, the t value is 2.885 and the significance value is 0.005 <0.05, which indicates that the test results show that hypothesis (H_{2a}) is accepted, meaning that institutional ownership has no significant positive effect on financial performance. The results of testing this hypothesis indicate that the amount of institutional share ownership can affect the company's financial performance. The results of the study are in accordance with the perspective of agency theory put forward by Jensen and Meckling (1976), which states that the existence of institutional share ownership is one of the tools that can reduce agency conflict between agent and principal. Because the existence of institutional share ownership serves to monitor the actions taken by company managers Kansil and Singh (2018). Therefore, based on agency theory, the monitoring carried out by the institution can reduce opportunistic actions by company managers on financial performance against earnings management actions. In this study, the amount of institutional share ownership in property and real estate companies causes more effective monitoring actions that have an impact on financial performance.

The results of this study are in line with research conducted by Panda Leepsa (2018), Kansil and Singh (2018) and Daryaei and Fattahi (2020) which state that institutional ownership has a positive effect on financial performance. However, the results of this study differ from the results of research conducted by Pillai and Al-Malkawi (2018), and Nzau and Musa (2022) which state that institutional ownership has a negative effect on financial performance.

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The Effect Independent Board of Commissioners on Financial Performance

Based on the test results, the t value is 1.707 and the significance value is 0.091> 0.05, which indicates that the test results show that the hypothesis (H_{1c}) is rejected, meaning that the independent board of commissioners has no significant positive effect on financial performance. The results of testing this hypothesis show that the positive direction indicates that the existence of an independent board of commissioners in the company is considered insufficient to monitor the actions taken by company managers regarding policies related to the company's financial performance. The results of this study are not in accordance with agency theory which states that independent commissioners can minimize conflicts that occur between agents and principals by increasing their supervisory role in managing the company in order to improve the company's financial performance and prosper shareholders. the existence of an independent board of commissioners does not encourage the independent board of commissioners to monitor the actions taken by managers in utilizing company resources.

The results of this study are not in line with previous research which states that the independence of the board of commissioners affects financial performance such as research conducted by Ullah, Afgan and Afridi (2019), Yunus and Tarigan (2020) and Kyere and Ausloss (2021) which show that the independent board of commissioners has a positive effect on financial performance. However, the results of this study are in line with the results of research conducted by Peters and Bagshaw (2014) and Das Sumon (2017) which state that the size of the board of commissioners has no significant effect on financial performance.

The Effect of Managerial Ownership on Capital Structure

Based on the test result, the t value is 2.149 and the significance value is 0.034 <0.05 which indicates that the test result shows that hypothesis (H_{2a}) is rejected, meaning that managerial ownership has a significant positive effect on capital structure. The results of testing this hypothesis indicate that the lower the share ownership owned by the company manager, the manager tends to increase the use of corporate debt in financing the company's operational activities. The results of this study are not in accordance with Jensen's agency theory (1993) in Feng, Hassan and Elamer (2020) which states that with managerial share ownership in a company, managers tend to adopt lower debt usage to avoid the effects of debt payment obligations. company. These results indicate that with low managerial share ownership in a company, it can be assumed that company managers will use more debt to maximize firm value. Therefore, company managers do not use managerial share ownership as a basis for making decisions regarding company capital.

The results of this study are not in line with previous research which states that managerial ownership has no effect on capital structure such as research conducted by Sheikh and Wang (2012), Margana and Wiagustini (2019), and Feng et al., (2020). which states that managerial ownership has a negative effect on capital structure. The results of this study are different from the results of research conducted by Thakolwiroj and Sithipolvanichgul (2021) and Javaid, Nazir and Fatima (2021) which state that managerial ownership has a positive effect on capital structure.

The Effect of Institutional Ownership on Capital Structure

Based on the test result, it shows that the t value is 0.243 and the significance value is 0.809 > 0.05 which indicates that the test result shows that hypothesis (H2b) is rejected, meaning that institutional ownership has no positive effect on capital structure. The research result of this hypothesis shows that the size of institutional share ownership

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in the company does not affect the policy on the use of capital structure. The result of this study is not in accordance with the agency theory that institutional ownership tends to prefer investing in companies with low leverage ratios Al-Najjar (2010). This statement is reinforced by Jensen and Meckling (1976) who state that high institutional share ownership is considered effective in taking over the role of debt in managing the company. The existence of high institutional ownership is considered less able to replace institutional share ownership of debt in reducing agency costs. Because most institutional shareholders are passive shareholders, the supervisory activities carried out by institutional ownership are less effective in influencing managers' decisions in using the company's capital structure.

The result of this research is also not in line with previous research which states that institutional ownership affects capital structure such as research conducted by Short, Keasey and Duxbury (2002), and Al-Najjar (2010) which shows that institutional ownership affects capital structure. The results of this study are in line with the results of research conducted by Muniruddin (2017) and Prasetyo and Hadiprajitno (2019) showing that institutional ownership has no effect on capital structure.

The Effect of Independent Board of Commissioners on Capital Structure

Based on the test results, the t value is 2.672 and the significance value is 0.009 <0.05 which indicates that the test results show that the hypothesis (H2c) is accepted, meaning that the independent board of commissioners affects the capital structure. The results of testing this hypothesis indicate that the higher the number of independent commissioners in the company will increase the use of debt to reduce the amount of free cash flow in the company. The results of this study are in accordance with agency theory, namely, the board of independent commissioners is an effective supervision and the use of debt is an effective control mechanism in reducing the opportunistic actions of company management in using free cash flow Tarus and Ayabei (2016). The existence of a large independent board of commissioners tends to increase the use of debt, thereby reducing the company's free cash flow. In addition, the existence of an independent board of commissioners who are outside the company is considered capable of gaining the trust of outside investors so as to reduce the company's uncertainty in paying corporate debt.

The results of this study are in line with research conducted by Tarus and Ayabei (2016), Budiman and Helena (2017) and Zaid, Wang, Abuhijleh, Issa, Saleh and Ali (2020) showing that the independent board of commissioners has a positive effect on capital structure. The results of this study are different from the results of research conducted by Thakolwiroj and Sithipolvanichgul (2021) and Puspita and Yuliari (2021) showing that the independent board of commissioners has a negative effect on capital structure.

Indirect Effect of Managerial Ownership on Financial Performance through Capital Structure

The sobel test results to test the significance of the mediating effect of DER on the relationship through managerial ownership and ROA show the statistical results of the sobel test $-1.67 < 1.96$, which means that the capital structure variable does not mediate the relationship between managerial ownership and financial performance. Thus, it can be concluded that hypothesis 1 in this study (H_{1c}) is rejected. Thus, the assumption of capital structure variable as a mediating variable between managerial ownership and financial performance is not proven. The results of this study are in line with the research of Kautsar and Kusumaningrum (2015) which states that capital structure cannot mediate

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managerial ownership on financial performance. This is because company managers are able to control the company's capital structure, while capital structure statistically affects the company's financial performance. From these results, it can be concluded that the existence of managerial ownership in a company is considered to tend to increase the use of corporate debt so that it can reduce the company's financial performance.

Indirect Effect of Institutional Ownership on Financial Performance through Capital Structure

The result of the sobel test to test the significance of the mediation effect of DER on the relationship between institutional ownership and ROA shows the statistical result of Sobel test -0.30 < 1.96 which means that the capital structure variable does not mediate the relationship of institutional ownership to financial performance. Thus, it can be concluded that hypothesis 2 in this study (H2c) is rejected. Thus, the allegation of capital structure variable as mediation between institutional ownership and financial performance is not proven. This shows that the existence of high institutional share ownership has not been able to make institutional investors oversee the company's financial performance and funding decisions made by the company. Mediation with the capital structure variable is considered unable to improve the company's financial performance because the capital structure has a negative effect on financial performance. This research is not in line with research conducted by Muthoni, Nasieku and Olweny (2018) which shows that capital structure can mediate institutional ownership on financial performance.

Indirect Effect of Managerial Ownership on Financial Performance through Capital Structure

The results of the Sobel test to test the significance of the mediating effect of DER on the relationship through the independent board of commissioners and ROA show the statistical results of the Sobel test -2.03 < 1.96, which means that the capital structure variable does not mediate the relationship between managerial ownership and financial performance. Thus, it can be concluded that hypothesis 3 in this study (H3c) is rejected. Thus, the allegation of capital structure variable as mediation between institutional ownership and financial performance is not proven. This is in line with research conducted by Rahmawati (2018) which states that capital structure cannot mediate the relationship between independent commissioners and financial performance. This directly proves that the board of commissioners has a significant negative effect and is considered unable to monitor the performance of company managers in making decisions related to financial performance, and through mediation with the capital structure variable is considered unable to improve the company's financial performance. Because capital structure has a negative effect on financial performance, this causes the higher the use of debt for capital structure purposes, the lower the company's financial performance.

5. CONCLUSION

This study aims to determine the effect of corporate governance mechanisms proxied by (managerial ownership, institutional ownership and independent board of commissioners on financial performance with capital structure as an intervening variable in property and real estate companies listed on the Indonesia Stock Exchange (IDX) for the period 2018-2021. Based on the results of statistical testing and discussion of the previous analysis, it shows that corporate governance mechanisms on financial performance, namely managerial ownership (MO) and the independent board of commissioners (INDEP) have no effect on financial performance proxied by ROA, while

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institutional ownership (KI) has a positive effect on financial performance proxied by ROA. However, corporate governance mechanisms affect corporate governance disclosure. The results of statistical testing show that corporate governance mechanisms on capital structure, namely managerial ownership (MO) and independent board of commissioners (INDEP) affect the capital structure proxied by DER, but institutional ownership (KI) has no effect on the capital structure proxied by DER. The mediation results show that capital structure cannot influence the relationship between corporate governance mechanisms (managerial ownership, institutional ownership and independent board of commissioners) on financial performance.

In this study, the authors found limitations, namely only using a sample of the 2018-2021 period in property and real estate companies. In addition, the limitation of this study is the incomplete information regarding good corporate governance in the company's annual report, so the number of samples is limited. Future research is expected to add other variables not included in this study that affect financial performance to get better research results. Then further researchers are advised to increase the research period with the latest year so that the sample is not limited to get better research results.

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