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The Effect of Good Corporate Governance Mechanism and Investment Opportunity Set on Financial Performance

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ABSTRACT: Banking financial performance was an illustration of the level of success achieved by banks in their operational activities. It is important for banks to maintain their financial performance so that it is even stable in order to survive and carry out its function as an intermediary institution. This study aims to obtain empirical evidence related to the influence of GCG mechanismsand IOS on the financial performance of banks on the Indonesia Stock Exchange 2014-2018. This research was conducted on all banking corporates listed on the Indonesia Stock Exchange in 2014-2018. The number of samples obtained was 65 with a purposive sampling method. The analysis technique used is multiple linear regression analysis. The results of this study indicate that the managerial ownership variable, the independent board of directors and the audit committee have a positive effect on financial performance. While institutional ownership and IOS variables have no effect on financial performance.

KEYWORDS:*Financial Performance, Good Corporate Governance Mechanism, Investment Opportunity Set*

I. INTRODUCTION

As the development of the economy in Indonesia results in increasingly high levels of activity in the business and business world, which causes the need for funds to increase. Financial institutions such as banks make important contributions in economic development. The bank acts as an intermediary between those who need funds and those who have funds. This intermediation occurs when the party who has excess funds entrusts his funds to be stored in various forms of deposits to the bank and then the banks distribute it to those who need funds in the form of credit or loans. According to Muchtar*et al*. (2016: 120) a bank is a financial institution in which its main activities include accepting deposits, savings and deposits. In Constitution Number 10 of 1998 concerning Banking states that banks are mentioned as business entities that collect funds from the public in the form of deposits and distribute them to the public in the form of credit and or other forms in order to improve the people's standard of living. Considering the importance of the role and function of banking in the economy it is very important for banks to maintain business continuity by improving their performance.

Bank financial performance is an illustration of the extent of success achieved by banks in their operational activities (Aprianingsih, 2016). Profitability is one indicator in assessing the level of financial performance of banks. According to Riaz (2013) profitability is the corporate's ability to generate profits within a certain period. It is important for a bank to maintain its level of profitability so that it is stable and even increased to meet obligations to shareholders, increase the attractiveness of investors in investing and increase public interest and trust in depositing funds in the bank (Agustiningrum, 2013).

The performance of a bank can be assessed by analyzing its financial statements. Based on these reports, financial ratios can be calculated to assess the soundness of the bank. The financial ratio analysis enables management to identify the success of the bank in carrying out its operational activities (Dewi& Tenaya, 2017). One of the ratios that can show a bank's financial performance is Return On Equity (ROE). In accordance with Bank Indonesia Circular No. 06/23 / DPNP dated May 31, 2004 concerning the commercial bank health assessment system ROE can be calculated by comparing net income with total equity owned by banks. ROE value can show the ability of bank management in generating profits from managing their own capital or equity owned by the corporate. In addition, the ROE value can also show the level of return that can be given by management to shareholders for their investment in the corporate.

TABLE 1: NET *RETURN ON EQUITY* (ROE) OF COMMERCIAL BANK IN 2013-2018

Year	2013	2014	2015	2016	2017	2018
ROE (%)	17.14	15.53	12.90	11.67	12.71	13.23

***Source** : Statistik Perbankan Indonesia, 2018 (www.ojk.go.id)*

Table 1 in general show the financial performance of banks in Indonesia from 2013-2016 experienced a decline and increased again from 2016-2018. This can be seen from the value of the ROE ratio in 2013-2016 has decreased from year to year and in 2016-2018 has increased again from year to year. In accordance with data from Indonesia's Banking Statistics in 2018, the decline in ROE from 2013 to 2016 was due to the fact that banks in that year experienced fairly high equity increases each year but were not offset by an increase in profit after tax. While the increase in ROE that occurred from 2016 to 2018 was due to the fact that banks generally experienced an increase in profit after tax which was higher than the previous year with an increase in equity that was still constant from the previous year. This phenomenon is the background of researchers to conduct research related to bank financial performance.

In agency theory, it is stated that the corporate is a nexus of contract between the principal and agent, where the owner of the shareholders surrenders the management of the corporate to professionals who are more understanding in carrying out daily business. In connection with this theory, financial performance achieved by banks certainly cannot be separated from the performance of agent in running the corporate as a form of responsibility to the principal, whether every policy and decision taken by management has reflected the interests of the owner or instead management acts opportunistically by utilizing any corporate information that is more known to management for personal gain. This difference in interests gives birth to a conflict called the agency problem that can trigger agency costs that can affect the corporate's financial performance.

Good Corporate Governance is one important factor that corporates need to pay attention to in carrying out corporate activities. Good Corporate Governance (GCG) is a mechanism that is able to provide corporate rules and controls to create added value (Prabaningrat&Widanaputra, 2015). The implementation of good corporate governance mechanism is a solution in minimizing agency costs, namely by providing incentives and supervision conducted on the actions of agent to run in accordance with the interests of the principal. Providing incentives can be done through corporate ownership by management (managerial ownership). Supervision (monitoring) is done through increasing institutional ownership (institutional investors) as a party that monitors the agent (Jensen &Meckling, 1976). Managerial ownership is a condition where the manager as an agent also acts as a shareholder so that the manager is expected to act optimally in the welfare of his shareholders and reduce actions to his personal advantage (Dewi& Tenaya, 2017). Institutional ownership is a condition in which an institution has a stake in a corporate (Widarjo*et al*., 2010). Institutional investors often become the majority owner (controlling shareholder) in share ownership because institutional investors generally have more funds to invest in the corporate. Thus it is hoped that institutional investors can carry out more maximum and professional supervision of the corporate. High institutional ownership will also result in more intense supervision efforts so as to limit opportunistic behavior by managers (Dewi& Tenaya, 2017).

Apart from the share ownership structure, the implementation of the Good Corporate Governance mechanism is also manifested in the implementation of the duties and responsibilities of the board of directors, directors and the implementation of the duties of the committees as well as the work units that carry out the internal control functions of the bank. The board of directors is the board chosen by the shareholders through the GMS which has the role of supervisor of the corporate to be in accordance with GCG principles. An independent board of directors is an independent member of the board of directors, is not affiliated with management, other members of the board of directors, and controlling shareholders, and is free from business relationships and other relationships so as to exercise maximum control over the running of the corporate (KNKG, 2006). In addition to the board of directors, the audit committee is also a part of the implementation of a good corporate governance mechanism. The audit committee has a role in carrying out the corporate's internal oversight of the financial reporting process, risk management, conducting audits, and implementing corporate governance in corporates. The audit committee also has a function to bridge between the shareholders and the board of directors with the control activities carried out by management and internal and external auditors. The existence of the audit committee is expected to optimize the oversight function carried out by the board of directors and directors. Lack of supervision of the independent board of directors, the board of directors, and the audit committee causes good corporate governance not to run optimally which in turn affects the financial performance of banks (Aprianingsih, 2016).

Apart from the application of good corporate governance, another factor that needs to be considered in improving the corporate's financial performance is the investment policy or decision made. This shows how the policy or steps taken by managers as managers of the corporate in using the benefits they have to be developed in order to increase revenue more leverage. In addition, corporates must also be able to take advantage of the Investment Opportunity Set (IOS) related to market development potential (Marinda *et al*., 2014). According to Myers (1977) Investment Opportunity Set (IOS) is an investment decision in the form of a combination of assets

owned (assets in place) and investment choices that will come with a Net Present Value (NPV) positively and will affect the value of the corporate. Corporates that have high IOS illustrate the many investment opportunities that are profitable for the corporate. With high investment opportunities that benefit the corporate will make a greater investment. A high investment opportunity if properly utilized will have implications for high returns. With the magnitude of the investment benefits to be gained, the corporate will further develop. The development of the corporate then encourages better financial performance.

In this study, financial performance is proxied by the ROE ratio. The reason in choosing ROE as a proxy for financial performance is because in the agency theory the contractual relationship that occurs between the shareholders (principal) with the manager (agent) expects that the manager can provide a high return on stock investment made by shareholders. Therefore the financial performance variable in this study is proxied by ROE to show the level of return.

Research on the influence of the application of good corporate governance mechanisms on financial performance has been carried out, including research by Hermiyetti&Katlanis (2012) which states that institutional ownership, managerial ownership and audit committee have a positive effect on financial performance. Research by Widyati (2013) and Abbasi *et al.* 2012) revealed that independent directors had a positive effect on financial performance. Research conducted by Tertius &Christiawan (2015) states that managerial ownership has no effect on corporate performance, while independent directors negatively affect corporate performance. Research conducted by Aprianingsih (2016) states that the independent board of directors and managerial ownership have no effect on financial performance, while institutional ownership has a negative effect on financial performance. Research related to the influence of investment opportunity set (IOS) on financial performance has been conducted, among others, by Nugraha (2016), Sudarmakiyanto*et al.* (2014), Safitri&Wahyuati (2015) and Mantisa&Tandika (2019) state that IOS has a positive effect on financial performance. Research conducted by Marinda *et al.* (2014) states that IOS has no effect on financial performance.

This research was conducted on banking subsector corporates listed on the Indonesia Stock Exchange (IDX) in 2014-2018. The reason for selecting the location is because it refers to Bank Indonesia Regulation Number 6/10 / PBI / 2004 concerning the rating system of commercial bank health that the health of a bank is the interest of all parties involved, including corporate owners, corporate managers, community users of bank services and Bank Indonesia as the supervisory authority of the bank. Another reason is Bank Indonesia Regulation Number 13/1 / PBI / 2011 that banks are required to assess the soundness of banks individually. In addition, the Financial Services Authority (OJK) as a banking supervisory agency issues the Financial Services Authority Regulation No. 55 / POJK.03 / 2016 which requires commercial banks to apply governance principles in every bank business activity at all levels of the organization. The reason for choosing corporates listed on the IDX is because the corporates listed on the IDX provide complete and accessible data for use in this study.

II. CONCEPTUAL MODEL AND HYPOTESIS DEVELOPMENT

Literature Review

Agency Theory

Agency theory is a theory that explains that corporates are a collection of contracts (nexus of contracts) between the owners of economic resources (principal) and managers (agents) who take care of the use and control of these resources (Jensen &Meckling, 1976). Agency theory or agency theory arises when the shareholders (principal) employ other parties (agents) who are more professional to manage the corporate on behalf of the corporate owner. Because agency theory emphasizes the contract underlying the relationship between principal and agent, the focus of this theory is on determining the most efficient contract underlying the relationship between principal and agent.

Financial performance

Bank financial performance is a picture of the level of success that can be achieved by the corporate in its operational activities. Banking financial performance is a major factor and it is very important to assess the overall performance of the banking sector itself. Starting from the valuation of assets, debt, liquidity and so on (Aprianingsih, 2016). Profitability is one measure that can be used in assessing the financial performance of a bank. Profitability is a measure of a corporate's ability to obtain profits or profits in a particular year as a picture of the success achieved by banks in carrying out their business activities. While according to Wiagustini (2010: 76) Profitability is the corporate's ability to earn profits or measure the effectiveness of the management of the corporate's management. In measuring profitability at the end of each year, the way that can be done is by looking at the financial statements that have been prepared in a given year. Financial statements are a reflection of economic activities carried out in one period as outlined in units of numbers, where these numbers can be used to obtain the value of financial ratios that can be used to analyze management performance in that year.

Good Corporate Governace

The Forum of Good Corporate Governance in Indonesia (2001) defines GCG as a set of rules governing the relationship between shareholders, management (managers) of the corporate, creditors, government, employees,

as well as other internal and external interest shareholders relating to rights and their obligations or in other words a system that regulates and controls the corporate.

Investment Opportunity Set

According to Myers (1977) Investment Opportunity Set (IOS) is an investment decision in the form of a combination of assets owned (assets in place) and investment choices that will come with a Net Present Value (NPV) that positively affects the corporate's value. IOS describes the breadth of opportunities or opportunities for a corporate, but very much depends on the corporate's expenditure choices for the benefit of the future. Thus IOS is an investment opportunity or investment opportunity owned by the corporate and has an influence on the perspectives of managers, creditors, owners, and investors on the ability of profitability and growth prospects of the corporate.

Research Hypothesis

The Effect of Institutional Ownership on Financial Performance

Based on agency theory proposed by Jensen &Meckling (1976) the contractual relationship that occurs between agent and principal raises a conflict of interest. One way to reduce conflicts of interest is to increase institutional ownership. Institutional ownership is the proportion of share ownership owned by an institution or institution. With the existence of institutional ownership, it is expected that supervision of management can be improved so that corporate governance will run well and bank performance will improve. Research conducted by Dewi& Tenaya (2017), Hermiyetti&Katlanis (2012), Affes& Hakim (2013) and Nilayanti&Suaryana (2019) show that institutional ownership has a positive effect on corporate financial performance. Based on the description above and the results of previous studies, in this study a hypothesis was formulated:

H_1: Institutional ownership has a positive effect on financial performance

The Effect of Managerial Ownership on Financial Performance

Managerial ownership is one of the efforts to reduce agency problems, namely by providing a proportion of share ownership by management. With this managerial ownership, management is expected to be able to act in the interests of shareholders and reduce their actions in fulfilling their personal interests, so that management can carry out its duties in managing the corporate professionally and agency problems can be minimized. With the reduction of agency problems in the corporate, it is hoped that the financial performance of banks will improve. Research conducted by Waskito (2014), Hermiyetti&Katlanis (2012), Indarti&Extaliyus (2013), Owalomwa& Olamide (2012) shows that managerial ownership has a positive effect on corporate performance. Based on the description above and the results of previous studies, in this study a hypothesis was formulated:

H_2: Managerial ownership has a positive effect on financial performance.

The Effect of Independent Board of Directors on Financial Performance

In overcoming agency problems in addition to the ownership structure, the formation of a board of directors is also a mechanism of supervision and control of management in the application of good corporate governance. The important role of the board of directors in overseeing the management of the corporate is expected to increase through the existence of an independent board of directors, considering that the board of independent directors is a party that is not affiliated with the corporate and is not part of the board of directors, the board of directors or shareholders (National Committee on Governance Policy, 2006). El-Chaarani (2014) in Tertius &Christiawan (2015) said that the greater number of independent board of directors in the corporate caused the corporate's management to not commit fraud so that the corporate's performance became better and healthier. This is in line with research conducted by Widyati (2013) and Abbasi *et al*. (2012) revealed that independent directors had a positive effect on financial performance. Based on the description above and the results of previous studies, in this study a hypothesis was formulated:

H_3: Independent board of directors have a positive effect on financial performance.

The Effect of the Audit Committee on Financial Performance

The audit committee has an important role in implementing good corporate governance. The main role of the audit committee is as an intermediary between the public accountant and the board of directors (Putri, 2017). In addition, the role of the audit committee is to maintain the integrity of the process of preparing financial statements and maintain the realization of adequate controls, so that corporate control will increase and can minimize management conflicts (Istighfarin&Wirawati, 2015). Research conducted by Gill &Obradovich (2012) and Hermiyetti&Katlanis, (2012) shows that audit committees have a positive effect on financial performance. Based on the description above and the results of previous studies, in this study a hypothesis was formulated:

H_4: The audit committee has a positive effect on financial performance.

The Effect of Investment Opportunity Set on Financial Performance

Basically an investment opportunity set is a broad picture of the opportunity or opportunity for a corporate to invest with a positive return. The greater the opportunity for a profitable investment, the greater the investment made. Investment opportunities that are properly utilized have implications for high rates of return. With the magnitude of the investment benefits to be gained, the corporate will further develop. The development of the corporate then encourages better financial performance. Nugraha research results (2016), Sudarmakiyanto*et al.* (2014), Safitri&Wahyuati (2015) and Mantisa&Tandika (2019) stated that the investment opportunity set had a positive effect on financial performance. Based on the description above and the results of previous studies, in this study a hypothesis was formulated:

H_5: Investment opportunity set has a positive effect on financial performance.

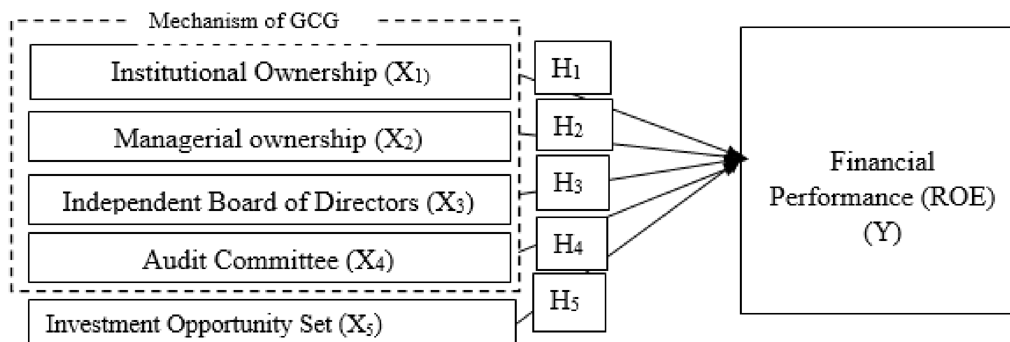

Figure 1: Conceptual Model

III. RESEARCH METHODOLOGY

This research is associative in nature where this study aims to determine the relationship between two or more variables (Sugiyono, 2017: 37). This research was conducted at the banking subsector corporate listed on the Indonesia Stock Exchange (IDX). Where the scope chosen in this study are all banking corporates listed on the Indonesia Stock Exchange in 2014-2018. In this study the population used was all banking subsector corporates listed on the Indonesia Stock Exchange from 2014-2018 totaling 44 corporates. The selection of this research sample is based on a nonprobability approach using a purposive sampling method. Purposive sampling is a method of determining the sample with certain considerations, in which sample members will be chosen so that the sample formed can represent the characteristics of the population (Sugiyono 2017: 81). The criteria used include:

1) Banking corporates that present complete annual report data on variables to be used in this study, such as data used to calculate the proportion of institutional ownership, the proportion of managerial ownership, the proportion of independent directors, audit committees, MVE / BVE and Return On Equity (ROE).
2) Repair corporates that did not experience losses during the study period.

In this study the method used is a non-participant observation method that is collecting data without directly involving the field. However, by reading, observing, recording, and studying the descriptions of books, accounting journals, official internet sites, theses relating to research in order to get the right basis and reference in processing annual financial statement data published by the corporate by accessing the IDX website. Data analysis technique is an activity of grouping, tabulating, presenting and doing calculations to answer the problem formulation and test the proposed hypothesis (Sugiyono, 2017: 147). In this study the data analysis technique used is multiple linear analysis using SPSS to process data. The research sample was selected using a purposive sampling technique in accordance with predetermined criteria to obtain a sample of 13 banks.

IV. RESEARCH FINDING AND DISCUSSION

Data of bank names selected as samples are shown in table 2 below.

TABLE 2: THE SAMPLE LIST OF BANK

No	Code Issuer	The Bank Name
1	AGRO	Bank Rakyat Indonesia AgroniagaTbk
2	BBCA	Bank Central Asia Tbk
3	BBKP	Bank BukopinTbk
4	BBTN	Bank Tabungan Negara (Persero) Tbk
5	BDMN	Bank Danamon Indonesia Tbk
6	BJTM	Bank Pembangunan Daerah Jawa Timur Tbk

7	BMRI	Bank Mandiri (Persero) Tbk
8	BSIM	Bank SinarmasTbk
9	BTPN	Bank Tabungan PensiunanNasionalTbk
10	INPC	Bank ArthaGrahaInternasionalTbk
11	MAYA	Bank MayapadaInternasionalTbk
12	NISP	Bank OCBC NISP Tbk
13	SDRA	Bank Woori SaudaraIndobesia 1906 Tbk

Source: Primary data processed, 2019

Multiple Linear Regression Analysis

Multiple linear regression analysis is used to find out and get a picture of the influence of independent variables which in this study include institutional ownership (X1), managerial ownership (X2), independent board of directors (X3), audit committee (X4) and investment opportunity set (X3) the dependent variable is financial performance (Y). The results of multiple linear regression analysis can be seen in Table 3 below.

TABLE 3 : THE RESULT OF MULTIPLE LINEAR REGRESSION ANALYSIS

Variable	**Unstandardized Coefficients**		**Sig.**
	B	**Std. Error**	
(Constant)	0,003	0,102	0,976
Institutional Ownership (X1)	0,115	0,080	0,155
Managerial Ownership (X2)	0,408	0,099	0,000
Independent Board of Directors(X3)	0,332	0,089	0,000
Audit Committee (X4)	0,280	0,093	0,004
IOS (X5)	0,003	0,085	0,967
Adjusted R Square	0,541		
F	16.096		
Sig.	0,000[a]		

Source: Primary data processed, 2019

Based on the results of the multiple linear regression analysis in table 3 above the regression equation is obtained as follows:

Based on the regression equation above, things can be explained as follows:

$$Y = 0{,}003 + 0{,}115X_1 + 0{,}408X_2 + 0{,}332X_3 + 0{,}280X_4 + 0{,}003X_5$$

1) A constant value of 0.003 with a significance of 0.976 means that if the variable institutional ownership, managerial ownership, independent board of directors, audit committee and IOS are equal to zero, then the ROE variable will be zero.

2) The regression coefficient of institutional ownership variable is 0.115 with a significance of 0.155 indicating that if institutional ownership rises by one unit, ROE will not increase with the assumption that the other variables are constant.

3) The regression coefficient of managerial ownership variable is 0.408 with a significance of 0.000 shows that if managerial ownership increases by one unit, ROE will increase by 0.408 assuming the other variables are constant.

4) The regression coefficient value of the independent commissioner variable is 0.332 with a significance of 0.000 indicating that if the independent board of directors increases by one unit, the ROE will increase by 0.332 assuming the other variables are constant.

5) The audit committee variable regression coefficient value of 0.280 with a significance of 0.004 indicates that if the audit committee rises by one unit, the ROE will rise by 0.280 assuming the other variables are constant.

6) The regression coefficient value of the investment opportunity set variable is 0.003 with a significance of 0.967 indicating that if the investment opportunity set rises by one unit, ROE will not increase with the assumption that the other variables are constant.

The Result of F Test

Based on Table 3 can be seen the calculated F value of 16,096 with a significance level of 0,000 less than 0.05. These results indicate the regression model contained in this study is feasible to use and there is a simultaneous

influence between Institutional Ownership (X1), Managerial Ownership (X2), Independent Board of Directors (X3), Audit Committee (X4) and IOS (X5) on Financial Performance (Y).

The Result of Determination Test Coefficient (R^2)

The coefficient of determination analysis aims to find out how much the ability of the independent variables to explain the dependent variable, this can be seen from the value of R^2, that is adjusted R^2. Based on Table 3, the adjusted R^2 value is 0.541, this means that 54.1% of the variation in institutional ownership variables (X1), managerial ownership (X2), independent board of directors (X3), audit committee (X4) and IOS (X5) can explain the variables financial performance (Y). While the remaining 45.9% can be explained by other variables outside the research model.

DISCUSSION

The Effect Of Institutional Ownership On Financial Performance

Hypothesis test results (t test) states that institutional ownership has no effect on the financial performance of banks as measured by the Return On Equity (ROE) ratio. These results indicate that supervision conducted by institutional investors in accordance with the results of this study cannot affect the financial performance of banking corporates. This condition is probably caused because in the study sample there were two State- Owned Enterprisescorporates namely BBTN and BMRI and one Regional- Owned Enterprisescorporate namely BJTM with quite different ROE values from other private corporates. State- Owned EnterprisesandRegional- Owned Enterprisescorporates are regulation-intensive corporates and business processes that are almost completely controlled by the government, so that these corporates tend to have different regulations in terms of ownership and corporate policies. This condition allows the results of research to have no effect. The results of this study are not in line with research by Dewi& Tenaya (2017) and Nilayanti&Suaryana (2019) which state that institutional ownership has a positive effect on financial performance.

The Effect Of Managerial Ownership On Financial Performance

Hypothesis test results (t test) states that managerial ownership has a positive effect on the financial performance of banks as measured by the ratio of Return on Equity (ROE). These results indicate that the greater managerial ownership will increase the bank's financial performance, and vice versa the smaller the managerial ownership, the financial performance will decrease. The results of this study indicate that the mechanism of managerial ownership in banking corporates runs effectively and can reduce opportunistic actions for their personal interests. So that conflicts of interest between managers and owners can be reduced and managers are more motivated to improve the corporate's financial performance. The results of this study support the agency theory from Jensen and Meckling (1976) which states that to reduce conflicts of interest between principals and agents can be done by increasing managerial ownership in a corporate. So the manager who is also a shareholder will increase the value of the corporate that can increase his personal wealth as a shareholder. The results of this study are also in line with research by Waskito (2014), Hermiyetti&Katlanis (2012), Indarti&Extaliyus (2013), Omalomwa& Olamide (2012) which states that managerial ownership has a positive effect on corporate financial performance.

The Effect Of The Independent Board Of Directors On Financial Performance

Hypothesis test results (t test) states that the independent board of directors has a positive effect on the financial performance of banks as measured by the Return On Equity (ROE) ratio. These results indicate that the greater the proportion of independent directors the bank will improve the financial performance of the bank, and vice versa the smaller the proportion of independent directors the bank's financial performance will decrease. The results of this study indicate that with the existence of a board of directors that is not affiliated with management, other members of the board of directors and controlling shareholders will provide more optimal supervision of the management of the corporate so that corporate managers cannot commit fraud and corporate performance is better. The results of this study support the agency theory from Jensen and Meckling (1976) which states that to minimize agency problems, principals need to supervise the actions of agents, one of which is the existence of an independent board of directors. The results of this study are also in line with research conducted by Widyati (2013) and Abbasi *et al.* (2012) which revealed that the independent board of directors had a positive effect on financial performance.

The Effect Of The Audit Committee On Financial Performance

Hypothesis test results (t test) states that the audit committee has a positive effect on the financial performance of banks as measured by the Return On Equity (ROE) ratio. These results indicate that the greater the number of audit committees in a corporate will improve the bank's financial performance, and vice versa the less the corporate's audit committee the bank's financial performance will decrease. These results indicate that the audit committee in the sample corporate is quite effective in determining the corporate's accounting policies, minimizing agency problems that arise between the board of directors and shareholders and helping the board of

directors to improve the quality of the corporate's work, maintain the credibility of the preparation of financial statements by conducting optimal oversight, and very consistent in carrying out internal control of the corporate. With the functioning of the audit committee, corporate management will run better in accordance with the principles of good corporate governance and corporate performance can be improved. The results of this study are in line with research conducted by Gill &Obradovich (2012) and Hermiyetti&Katlanis (2016) which state that the audit committee has a positive effect on financial performance.

The Effect Of Investment Opportunity Set On Financial Performance

The results of the hypothesis test (t test) state that the investment opportunity set as measured by the MVE / BVE proxy has no effect on the financial performance of banks as measured by the Return on Equity (ROE) ratio. These results indicate that future investment opportunities in projects that have a positive Net Present Value (NPV) and corporates that have a high investment opportunity set (IOS) are not able to influence changes in the level of corporate financial performance. This may be because the sample corporates have not been able to utilize their investment opportunities appropriately so they have not been able to provide high rates of return. Judging from the descriptive statistics the MVE / BVE average value of 157.21 which shows that the equity market value of most sample corporates is 1.57 times higher than the book value, but that value has not been able to increase the ROE value of the corporate with an average value ROE is only 9.9%. Another argument is that due to the research sample there are State- Owned EnterprisesandRegional- Owned Enterprisescorporates with policies and regulations that tend to be different which have quite material differences in the value of ROE with private corporates in this study. The results of this study are in line with the research of Marinda *et al*. (2014) and Yolanda (2016). But not in accordance with the results of Nugraha's research (2016), Sudarmakiyanto*et al*. (2013) and Mantisa&Tandika (2019) which state that IOS has a positive effect on financial performance.

Implications of Research Results

The results of this study provide additional information related to the influence of good corporate governance mechanisms and investment opportunity sets on financial performance in banking corporates in 2014-2018. The results of this study are expected to make a positive contribution to all parties such as investors and corporates. The results of this study are expected to provide additional references for investors regarding financial performance and influencing factors, so that investors can make better investment decisions. In addition, the results of this study are expected to assist corporates in considering each corporate's decision makers. Specifically the decision in terms of improving the corporate's financial performance.

V. CONCLUSIONS AND SUGGESTIONS

CONCLUSIONS

Based on the results of research on the effect of good corporate governance mechanisms and investment opportunity sets on financial performance, conclusions can be drawn, among others, manjerial ownership variables, independent boards of directors and audit committees have a positive effect on financial performance. When the value of the variable ownership is manjerial, the board of independent directors and the audit committee has increased the financial performance will also increase. Conversely, when the value of the variable ownership manjerial, independent boards of directors and audit committees decreases the financial performance will also decline. The institutional ownership and IOS variables have no effect on financial performance.

SUGGESTIONS

Based on the results of the research and the conclusions that have been made, the suggestions that can be given are among others, the next researcher is expected to pay more attention to the differences between State- Owned Enterprisesand private corporates in sampling at the research location to be used. The next researcher is expected to be able to choose a more appropriate proxy for each variable used.

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