Corporate Governance Influence on Sustainable Financial Management in Emerging Markets

Dwi Dewianawati[1*], Erry Setiawan[2]
[1,2]*Department of Management, Faculty of Economics, Universitas Mayjen Sungkono; Mojokerto, Indonesia*

*Corresponding Author E-Mail: dwidewianawati@gmail.com

Submitted: October 10, 2025
Revised: December 17, 2025
Accepted: January 30, 2026
Published Online: January 31, 2026

ABSTRACT
Corporate governance has emerged as a strategic issue in ensuring the sustainability of financial management, particularly in emerging markets that face governance challenges and increasing global pressure to adopt sustainable practices. This study aims to examine the effect of corporate governance on sustainable financial management by emphasizing the role of governance mechanisms in promoting long-term oriented financial performance. The study employs an explanatory quantitative approach using secondary data obtained from the annual reports and sustainability reports on the IDX over the period 2020–2024. Corporate governance mechanisms are measured through the proportion of independent commissioners, board of directors' size, institutional ownership, and the existence of an audit committee, while sustainable financial management is proxied by sustainable profitability, profit persistence, and ESG-based investment intensity. Data were analyzed using panel regression techniques with fixed effect and random effect models, complemented by robustness tests to ensure the consistency of the results. The findings indicate that corporate governance has a significant influence on sustainable financial management, particularly through the role of independent boards and audit committees in enhancing transparency and efficiency in financial decision-making. The study concludes that strong governance practices contribute to improving corporate financial resilience and supporting sustainability agendas in emerging markets.

Keywords: *Corporate Governance, Emerging Markets, Financial Performance, Sustainable Financial Management.*

INTRODUCTION

Corporate governance is a fundamental instrument for building transparent, accountable, and long-term corporate governance (Vickneswaran, 2025). Globally, governance practices continue to evolve due to pressure from investors, regulators, and the public to incorporate sustainability into corporate financial strategies (Gold & Taib, 2023). Singh (2024) points out that the issuance of sustainable financial instruments in emerging markets is rapidly increasing but remains hampered by weak regulations and low institutional capacity. This demonstrates that governance serves not only as a monitoring mechanism but also as a crucial tool in ensuring a company's financial stability and sustainability. In Indonesia, regulations mandating reporting requirements demonstrate the urgency of aligning governance with sustainable finance practices, making the study of the relationship between corporate governance and sustainable financial management increasingly relevant in the context of emerging markets.

Conditions in emerging markets are more complex than in developed countries due to factors such as disparities in regulatory infrastructure, law enforcement, and access to capital markets (Gulyamov & Narziev, 2021). Companies in developing countries often face economic volatility, high capital costs, and limited access to sustainable financial instruments (Basiru et al., 2023). Lozano and Martinez (2022) emphasize that most research on governance and sustainability remains concentrated in developed countries, while studies in emerging markets are limited and often descriptive. This raises an important question: how can governance mechanisms function optimally to support financial sustainability in a fragile environment? Indonesia, as one of the largest emerging markets in Southeast Asia, offers a unique context for understanding this relationship, making empirical studies in this context of significant value.

Previous research has shown that corporate governance is positively related to both financial and non-financial company performance. Hidayah et al. (2023) found that good governance improves the quality of sustainability reporting in Indonesian companies. Mendra et al. (2021) showed that good governance practices and sustainability reporting jointly increase firm value. However, most research is still limited to the influence of governance on sustainability reporting or market value, rather than on the more comprehensive concept of sustainable financial management. In fact, the concept of sustainable financial management encompasses broader dimensions such as long-term profitability, earnings sustainability, and ESG-based investment intensity. This gap highlights the need for further exploratory and empirical research on the relationship between corporate governance and sustainable finance practices in emerging markets.

International literature also shows inconsistent findings regarding the role of governance mechanisms in promoting financial sustainability. Islam (2024) found that independent boards of commissioners improve transparency and long-term financial performance, while Islam et al. (2022) showed that board effectiveness is strongly influenced by the institutional context and corporate culture. This inconsistency underscores the need for contextual studies in developing countries like Indonesia, which have unique governance characteristics due to a combination of government regulations, concentrated ownership structures, and international investor demands. Research linking corporate governance to sustainable financial management in emerging markets can fill this gap in global literature and provide new insights into business practices.

Global pressure is growing for companies to support the achievement of the Sustainable Development Goals (SDGs). Toukabri and Mohamed Youssef (2023) highlight that climate change and SDG reporting practices serve as a measure of corporate legitimacy in the eyes of global investors. However, the level of disclosure and consistency of implementation vary across companies, particularly in developing countries, necessitating an assessment of the extent to which governance mechanisms serve as a determining factor in driving sustainability-oriented financial management.

Based on these research gaps, the main objective of this study is to analyze the influence of corporate governance on sustainable financial management in public companies listed on the Indonesia Stock Exchange for the 2020–2024 period, focusing on the proportion of independent commissioners, board size, institutional ownership, and the presence of an audit committee on financial sustainability indicators such as long-term profitability, earnings sustainability, and ESG investment intensity. This research is expected to enrich the literature and provide references for regulators, investors, and management in formulating policies and practices to support long-term financial sustainability.

LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

The Effect of Corporate Governance on Sustainable Financial Management

Corporate governance has evolved far beyond its traditional role as a mere supervisory mechanism; it has become a strategic foundation for building long-term financial sustainability in modern corporations. At its core, good governance ensures that companies operate with transparency and accountability, which not only protects stakeholder interests but also aligns corporate actions with broader societal and environmental expectations. In today's global context, investors, regulators, and communities increasingly demand that companies demonstrate responsibility not just in financial reporting but in sustainable practices that reflect Environmental, Social, and Governance (ESG) principles. These ESG principles have emerged as a new global standard through which companies can maintain legitimacy and trust in competitive capital markets (Netsevych, 2024). Research by Lin and Qamruzzaman (2023) supports this perspective by showing a positive relationship between the quality of corporate governance and the disclosure of sustainability information, which underscores governance's role as the foundation for responsible financial management.

When governance mechanisms are strong and consistently applied, companies are generally better positioned to access sustainable financing and manage financial risk more effectively (Mendra et al., 2021). For example, organizations that integrate governance with sustainability reporting tend to attract investors who prioritize long-term performance and ethical business practices, which in turn drives access to capital that supports environmentally and socially oriented initiatives. Such integration indicates that corporate governance today cannot be limited to compliance with regulatory obligations alone; it must be embraced as a core strategic approach to building financial resilience in the face of growing global pressures for sustainability. By linking governance with sustainability disclosure and financial risk management, companies can better navigate challenges associated with evolving stakeholder expectations, strengthen their competitive advantage, and enhance long-term value creation for both shareholders and a wider range of stakeholders.

H1: Corporate governance has a positive effect on sustainable financial management.

The Effect of Board Structures on Sustainable Financial Management

The board structure, encompassing composition, size, and independence, represents a central governance mechanism for ensuring the effective implementation of sustainable financial strategies. An independent board of commissioners plays a critical role in balancing stakeholder interests, enhancing the transparency of strategic decisions, and ensuring that corporate investment policies consider long-term financial risks alongside social and environmental impacts (Octavio et al., 2025; Halik & Astuti, 2025). Through effective monitoring and advisory functions, independent commissioners are better positioned to reduce managerial opportunism and to encourage financial decisions that prioritize sustainability rather than short-term gains. This governance is particularly relevant in aligning financial management with broader sustainability objectives, including risk mitigation, responsible capital allocation, and long-term value creation.

Furthermore, prior studies suggest that boards with a strong commitment to sustainability tend to adopt more proactive disclosure practices and sustainability-oriented strategies. Sekarlangit and Wardhani (2025) and Rahmiyati (2025) noted that such boards are more inclined to disclose climate change-related information and to support the achievement of the sustainable development goals. Consistent evidence was also reported by Tran et al. (2021), who found that a higher proportion of independent board members is positively associated with profit persistence and sustainable profitability among firms operating in Southeast Asia. In emerging markets such as Indonesia, the role of the board becomes increasingly crucial amid heightened economic volatility, institutional constraints, and growing pressures to adapt to global ESG standards and sustainability-oriented governance practices.

H2: Board structure has a positive effect on sustainable financial management.

The Effect of Institutional Ownership on Sustainable Financial Management

Institutional ownership is a fundamental corporate governance mechanism that plays a pivotal role in strengthening oversight functions and enhancing corporate financial accountability. Institutional investors, such as pension funds, mutual funds, insurance companies, and other large financial institutions, typically possess substantial resources, professional expertise, and strong incentives to monitor managerial behavior actively. This active monitoring can mitigate agency conflicts between management and shareholders, promoting strategic decision-making that prioritizes long-term value creation over short-term financial performance (Dirman, 2020; Vickneswaran, 2025; Vatis et al., 2025).

Moreover, through structured engagement and active ownership, institutional investors can significantly influence corporate policies related to risk management, capital allocation, investment decisions, and sustainability initiatives (Scherer & Voegtlin, 2020; Lu, 2021). Their oversight is particularly critical in encouraging management to integrate ESG considerations into financial strategies, ensuring that corporate decisions align with broader sustainability objectives (Adu, 2022; Suhartini, 2024; Saeed et al., 2025). In emerging markets, including Indonesia, institutional ownership plays an even more vital role due to weaker regulatory frameworks and governance challenges. The involvement of well-informed and engaged institutional investors can reinforce managerial discipline, improve transparency, and foster accountability, while simultaneously promoting long-term strategic goals aligned with sustainable practices. As such, institutional ownership not only enhances corporate governance effectiveness but also serves as a key driver of sustainable financial performance in both developed and emerging market contexts.

H3: Institutional ownership has a positive effect on sustainable financial management.

The Effect of Audit Committees on Sustainable Financial Management

The audit committee is an independent supervisory body that plays a crucial role in ensuring the credibility of financial reporting and compliance with regulatory and ESG requirements (Minhas et al., 2024; Dhar, 2025). Its primary functions include overseeing internal control systems, external audits, and sustainability disclosures, thereby enhancing transparency and reducing information asymmetry between management and stakeholders (Feldmann & Schwarzkopf, 2003; Al-Sanasleh et al., 2025). Empirical evidence indicates that firms with active and effective audit committees tend to exhibit higher levels of sustainability disclosure and more stable financial performance over time (Hristov et al., 2022; Alodat et al., 2023; Arjang & Rahman, 2023). In the Indonesian context, the effectiveness of audit committees has also been shown to improve capital allocation efficiency and strengthen investor confidence, particularly amid increasing demands for transparent and sustainable governance practices.

Therefore, the audit committee functions not only as an internal monitoring mechanism but also as a key instrument in strengthening corporate governance, supporting ESG integration, and mitigating risks that may affect long-term financial performance. By ensuring rigorous oversight and accountability, audit committees contribute to both organizational stability and sustainable value creation, aligning corporate strategies with broader environmental, social, and governance objectives (Scott, 2025; Shabbir, 2025).

H4: Audit committee effectiveness has a positive effect on sustainable financial management.

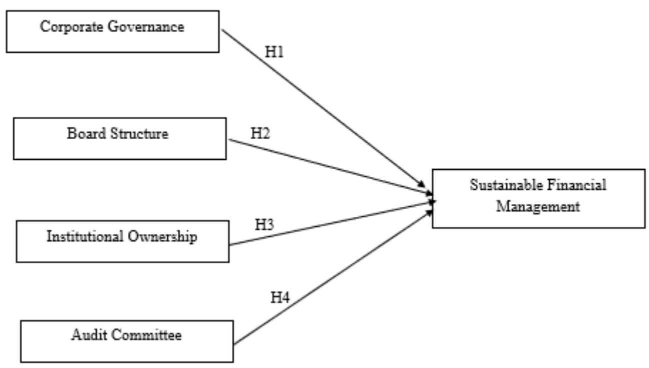

Figure 1. Research Framework

Figure 1 illustrates a conceptual model demonstrating the influence of corporate governance mechanisms on sustainable financial management. Corporate governance, board structure, institutional ownership, and the audit committee act as independent variables, each of which is tested through hypotheses H1–H4 with sustainable financial management as the dependent variable. This model confirms that effective governance mechanisms play a crucial role in supporting sustainable financial management.

RESEARCH METHODS

This study adopts an explanatory quantitative approach, which aims to explain causal relationships between variables through objective analysis of numerical data (Taherdoost, 2022). This approach is appropriate because it provides a measurable, systematic explanation of how corporate governance practices influence sustainable financial management in public companies in Indonesia. In modern economic research, quantitative methods are essential for empirically testing hypotheses using valid and reliable data. Moreover, issues related to financial governance and sustainability are inherently complex, requiring rigorous statistical analysis to generate conclusions that are both robust and generalizable.

The population of this study comprises all companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. Public companies were selected because they are subject to standardized disclosure requirements, ensuring the availability and consistency of data needed for accurate measurement. From this population, the study focuses on 45 companies included in the LQ45 index. The sample was selected using purposive sampling based on specific criteria, such as the completeness of annual and sustainability reports throughout the observation period. This sampling process yielded 225 firm-year observations, which are expected to provide a representative depiction of conditions in the Indonesian capital market.

This research relies on secondary data obtained indirectly from official corporate documents. The primary data sources are annual reports and sustainability reports published on the official website of the Indonesia Stock Exchange and on the respective corporate websites. The collected data includes information related to board structure, ownership structure, audit committees, profitability, earnings persistence, and ESG-based investment activities. Documentation techniques were employed during data collection, as they are effective for obtaining audited historical data that are relevant, verifiable, and academically accountable. This approach ensures that the analysis is grounded in reliable and credible information.

The study examines two main groups of variables: corporate governance as the independent variable and sustainable financial management as the dependent variable. Corporate governance is operationalized through indicators reflecting board structure, ownership, and supervisory mechanisms, including the proportion of independent commissioners, board size, institutional ownership, and the existence of an audit committee. Sustainable financial management is measured through indicators of sustainable profitability, profit persistence, and ESG-based investment intensity, which collectively represent long-term financial performance and sustainability-oriented financial strategies. All variables are measured quantitatively using numerical data derived from audited financial statements.

Data analysis is conducted using panel data regression, which combines cross-sectional and time-series data to produce more comprehensive and accurate results. The analysis begins with classical assumption tests to ensure compliance with the requirements of linear regression. Subsequently, the Chow test and Hausman test are used to determine the most appropriate estimation model among the common effects, fixed effects, and random effects models (Ceesay & Moussa, 2022; Roque et al., 2024). After model selection, panel regression analysis is performed to examine the effects of corporate governance mechanisms on sustainable financial management. To enhance the robustness of the findings, additional robustness tests are conducted to confirm the consistency of results across alternative specifications and potential data variations.

RESULTS

The initial stage of data analysis aims to determine the most appropriate panel data regression model to explain the relationship between corporate governance and sustainable financial management. This study tested three alternative models: the Common Effect Model (CEM), the Fixed Effect Model (FEM), and the Random Effect Model (REM). Model selection was carried out using the Chow and Hausman tests. The Chow test results show an F-statistics probability value of 0.000 < 0.05, indicating that the FEM is more appropriate than the CEM. Furthermore, the Hausman test produced a Chi-Square value of 28.47 with a p-value of 0.000 < 0.05, thus the FEM is declared more consistent than the REM. Based on these results, the Fixed Effect Model was selected as the main model in the panel data regression analysis.

The use of FEM is considered relevant because it can accommodate unobserved differences in characteristics between companies that could potentially influence sustainable financial management practices. In the context of public companies in Indonesia, each entity has unique governance characteristics, so controlling for fixed effects can reduce potential estimation bias. To ensure the reliability of the results, this study also conducted a robustness test using a Random Effects Model as a comparison. The test results show that the direction of the coefficients and the significance level of the main variables are relatively consistent with the FEM model, although there are small differences in the coefficient magnitudes. This consistency confirms that the research findings reflect a real and stable relationship between corporate governance and sustainable financial management, not simply a result of the choice of analytical model.

Table 1. Summary of Panel Regression Model Test

Type	Hausman's Probability	Information
Common Effect Model	0.000	Not selected
Random Effect Model	0.000	Rejected
Fixed Effect Model	0.000	Best model (significant)

The results in Table 1 show that the fixed effect model provides the most accurate and stable estimate for this study's data. Using FEM, the influence of corporate governance mechanisms such as the proportion of independent commissioners, the size of the board of directors, institutional ownership, and audit committees on financial sustainability indicators can be interpreted more convincingly.

Table 2 presents the panel regression results using a fixed-effects model, indicating that the proportion of independent board members has a positive and significant effect on the company's financial sustainability indicators. The regression coefficient of 0.214, with a p-value < 0.05, indicates that the higher the proportion of independent commissioners, the better the sustainable financial performance, measured by long-term profitability and profit persistence. Substantively, these findings show that an independent board of commissioners can strengthen management's supervisory function, reduce conflicts of interest, and increase transparency in strategic decision-making. In the context of emerging markets such as Indonesia, where corporate ownership structures tend to be concentrated, the role of independent boards is becoming increasingly crucial to maintain a balance of interests between majority, minority, and other stakeholders. Furthermore, the role of independent boards is also related to improving the quality of financial and sustainability reports. By overseeing reporting practices and ESG compliance, the independent board ensures that the profitability achieved is sustainable rather than short-term. This is in line with the results of Ahmed et al.'s (2024) research, which states that the proportion of independent boards has a positive correlation with profit stability and long-term financial sustainability.

According to Table 2, this study confirms that governance that places independent commissioners in a proportionate number according to Financial Services Authority regulations not only meets the compliance aspect but also creates added value through strengthening the company's financial resilience. In contrast to the independent board of commissioners, based on Table 3, the results of the study show that the size of the board of directors has a positive but insignificant influence on sustainable financial management. The coefficient value of 0.087 with a significant level of p-value = 0.114 > 0.05 indicates that the increase in the number of board members does not necessarily make a real contribution to increasing sustainable profitability, profit persistence, and ESG-based investment intensity.

Table 2. Estimation of the Proportions of the Board of Independent Commissioners

Variable	Coefficient	t-Statistics	Probability	Information
Independent Board of Commissioners	0.214	3.082	0.002	Significant (+)
Sustainable Profitability	↑			Positive Influence
Profit Persistence	↑			Positive Influence

Notes: ↑ = increased indicator value

An interpretation of these results indicates that although larger boards of directors can increase management's capacity to handle organizational complexity, their effectiveness is largely determined by the quality of coordination, member competencies, and organizational culture. A board that is too large has the potential to cause coordination problems, slow down decision-making, and reduce efficiency in responding to market dynamics. These findings are consistent with international literature that states that the relationship between board size and company performance is non-linear. At some point, adding board members can increase the effectiveness of sustainable finance strategies, but if it is excessive, it creates diseconomies of scale in corporate governance. In the Indonesian context, large boards of directors also often face limitations in aligning the sustainability vision with the company's short-term strategy.

Table 3. Estimated Results of the Size of the Board of Directors

Variable	Coefficient	t-statistics	Probability	Information
Size of the Board of Directors	0.087	1.582	0.114	Insignificant (+)
Profitability	±			Inconsistency
Profit Persistence	±			Inconsistency
ESG Investing	±			Inconsistency

Notes: ± = fluctuating/inconsistent influence

Based on Table 3, these results indicate that although the size of the board of directors shows a positive association with sustainable financial management, its effectiveness does not depend on numbers alone but rather on competence, leadership quality, and commitment to sustainability. Therefore, public companies in Indonesia are advised to place more emphasis on the quality and professionalism of the board of directors rather than simply increasing the number of members. Thus, the comparison of these two variables shows that the role of external supervision (independent commissioners) is more consistent in having a significant influence on financial sustainability than the internal mechanism in the form of the size of the board of directors.

Table 4. Results of Institutional Ownership Estimates

Variable	Coefficient	t-statistics	Probability	Information
Institutional Ownership	0.296	3.417	0.001	Significant (+)
ESG Investing	↑			Positive Influence
Long-Term Profitability	↑			Positive Influence

Notes: ↑ = increased indicator value

Table 4 presents the panel regression results, which show that institutional ownership has a positive and significant influence on the intensity of ESG-based investments. The regression coefficient was 0.296 ($p < 0.05$), indicating that the higher the institution's share ownership, the greater the company's incentive to increase the allocation of funds to sustainability-oriented investments. Institutional ownership is considered an effective external oversight mechanism because institutional investors, such as pension funds, mutual funds, and insurance companies, typically have long-term investment horizons. This makes them more concerned about environmental risks, reputation, and poor governance, thus requiring companies to adopt sustainable business strategies. Institutional investors also have the ability to influence management policies through voting in the GMS, so that they can direct companies to integrate ESG principles in their investment strategies.

By increasing the intensity of ESG investments, companies not only gain social legitimacy but also strengthen their long-term financial performance. Thus, the results of this study confirm that institutional ownership is a strategic instrument in strengthening sustainability-oriented governance practices. Public companies in Indonesia are advised to pay attention to the expectations of institutional investors in developing long-term strategies, especially in the field of investments that support the achievement of sustainable financial management.

Table 5. Estimation of the Existence of the Audit Committee

Variabel	Coefficient	t-statistics	Probability	Information
Audit Committee	0.352	4.285	0.000	Significant (+)
Transparency	↑			Positive Influence
Financial Stability	↑			Positive Influence

Notes: ↑ = increased indicator value

Based on Table 5, regression analysis also shows that the existence of an audit committee has a positive and significant impact on the transparency of financial statements and the stability of financial performance. The value of the regression coefficient of 0.352 with a significance of p-value = $0.000 < 0.01$ indicates that the audit committee plays an important role in ensuring that financial reporting practices are carried out accurately, transparently, and in accordance with accounting standards. In practice, the audit committee performs the function of supervising the internal and external audit process, assessing the effectiveness of the internal control system, and ensuring that the financial statements reflect the company's condition in a reasonable manner. The existence of an active audit committee can also reduce the chances of earnings management, thereby improving the quality of reported profits. The stability of financial performance resulting from the audit committee's role sends a positive signal to investors and other stakeholders regarding the company's credibility.

In the context of public companies in Indonesia, these findings confirm that the Financial Services Authority regulations requiring audit committees have a real impact on strengthening financial governance and sustainability. An effective audit committee is not just about meeting compliance requirements but providing added value through reduced financial risk and increased market confidence. Table 5 shows that the audit committee is a key pillar of effective corporate governance. Public companies are advised to strengthen the capacity and independence of audit committees, for example, by improving the competence of members, in order to be able to contribute more to maintaining financial transparency and stability.

DISCUSSION

The results of this study confirm that the corporate governance mechanism has a significant influence on sustainable financial management in public companies in Indonesia. The model test with the fixed effect approach and robustness test showed the consistency of the findings, so that the results of the study could be relied upon to explain the causal relationship between variables. Corporate governance has been shown to contribute to increased sustainable profitability, profit persistence, and ESG-based investment intensity, which is in line with the objectives of this study (Netsevych, 2024).

These findings on the proportion of independent board of commissioners show that the existence of independent members plays an important role in reducing conflicts of interest between management and shareholders. An independent board of commissioners can provide more objective oversight to encourage transparent and accountable financial management practices. This is in line with previous research that independent commissioners improve the quality of financial statements and strengthen sustainability performance (Putra & Wijayanti, 2024). A practical consequence of these findings is the need for regulations that strengthen the role of independent commissioners in the structure of public companies in emerging markets. Research on board size shows that boards with too many members can face coordination problems, while boards with moderate sizes are more effective in strategic decision-making. These findings support Resource Dependency Theory, which emphasizes the importance of diversity of expertise within the board, while also asserting an optimal limit to prevent effectiveness from declining (Boivie et al., 2021). Thus, the implication is that companies need to adjust the size of the board to operational complexity in order to be able to maintain financial sustainability.

Institutional ownership has been proven to drive the intensity of ESG-based investments. Institutional investors have a long-term interest in the company's financial stability, so they tend to pressure management to adopt sustainability practices. These results support a recent study that suggests that institutional investor pressure can accelerate the transition to green investment and sustainable management (Yang et al., 2024). Consequently, capital market regulators need to provide incentives for institutional investors to be more active in pushing the sustainability agenda. The existence of an audit committee has a significant effect on the transparency of financial statements and the stability of the company's performance. An effective audit committee can reduce earnings management while increasing the credibility of financial statements, thereby strengthening investor confidence (Zadeh et al., 2023). This shows that the role of the audit committee is not only a formality but also an important instrument in maintaining profit persistence and long-term financial resilience.

However, this study has limitations. First, the use of secondary data from annual and sustainability reports can limit the depth of information, particularly related to internal unpublished practices. Second, the research only focuses on public companies in Indonesia, so generalizations to other emerging markets need to be done carefully. For further research, it is recommended to use a mixed-method approach with in-depth interviews with stakeholders to obtain a more comprehensive picture of the corporate governance mechanism.

This research contributes to the corporate governance literature by affirming the importance of the role of internal mechanisms, such as independent boards and audit committees, in improving sustainable financial management in emerging markets. In practical terms, these findings serve as a foundation for regulators, investors, and managers in strengthening sustainability policies and strategies. Thus, this research supports the view that strong corporate governance is not only a governance instrument but also a fundamental strategy in maintaining long-term financial resilience.

CONCLUSION

This study concludes that the corporate governance mechanism has a significant role in improving sustainable financial management in public companies in Indonesia. The proportion of an independent board of commissioners and the existence of an audit committee have proven to be key factors that strengthen transparency, accountability, and efficiency in financial decision-making. Meanwhile, institutional ownership encourages companies to be more oriented towards ESG-based investments, while the size of the board of directors shows the existence of an optimal point in supporting sustainability performance. Effective corporate governance contributes to sustainable profitability, profit persistence, and long-term financial stability.

The implications of this study highlight the importance of implementing good governance practices as a fundamental strategy in strengthening the financial resilience of companies in emerging markets. Theoretically, the results of this study enrich the literature on the relationship between corporate governance and sustainable financial management, especially in the context of developing countries. In practical terms, these findings can serve as a reference for regulators in strengthening regulations, for investors in assessing the quality of corporate governance, and for company management in designing sustainability policies that are integrated with business strategies.

Acknowledgement

The author would like to thank the University of Mayjen Sungkono for providing academic support and research facilities. Appreciation was also expressed to all parties involved, including peers and research respondents, who have contributed to the provision of valuable data and inputs so that this research can be completed properly.

FUNDING STATEMENT: This research did not receive any specific grant from funding agencies in the public, commercial, or not - for - profit sectors.

CONFLICTS OF INTEREST: The author declares no conflict of interest.

DECLARATION OF GENERATIVE AI STATEMENT: During the preparation of this work, the author used Turnitin, Grammarly, and ChatGPT to improve sentence structure and overall clarity. All content was then reviewed, edited, and refined by the author, who takes full responsibility for the accuracy, integrity, and originality of the final publication.

REFERENCES

[1] Adu, D. A. (2022). Sustainable banking initiatives, environmental disclosure, and financial performance: The moderating impact of corporate governance mechanisms. *Business Strategy and the Environment, 31*(5), 2365–2399.

[2] Alodat, A. Y., Al Amosh, H., Khatib, S. F. A., & Mansour, M. (2023). Audit committee chair effectiveness and firm performance: The mediating role of sustainability disclosure. *Cogent Business & Management, 10*(1), 56-66.

[3] Al-Sanasleh, A., Jaffar, N., Saidin, S. F., & Al-Nohood, S. (2025). The impact of audit committee quality on the relationship between integrated reporting quality and ESG performance: A conceptual paper. *International Journal of Academic Research in Economics and Management Sciences, 14*(1), 1–15.

[4] Arjang, A., & Rahman, A. (2023). Financial performance of banking institutions: The role of management ownership, independent commissioners, and audit committee. *Atestasi: Jurnal Ilmiah Akuntansi, 6*(1), 283–297.

[5] Basiru, J. O., Ejiofor, C. L., Onukwulu, E. C., & Attah, R. U. (2023). Financial management strategies in emerging markets: A review of theoretical models and practical applications. *Magna Scientia Advanced Research and Reviews, 7*(2), 123–140.

[6] Boivie, S., Withers, M. C., Graffin, S. D., & Corley, K. G. (2021). Corporate directors' implicit theories of the roles and duties of boards. *Strategic Management Journal, 42*(9), 1662–1695.

[7] Ceesay, E. K., & Moussa, Y. M. (2022). Pooled ordinary least-square, fixed effects and random effects modelling in a panel data regression analysis: A consideration of international commodity price and economic growth indicators in 35 Sub-Saharan African countries. *International Journal of Technology Transfer and Commercialisation, 19*(1), 23–44.

[8] Dhar, S. S. (2025). Corporate governance and sustainability: A bibliometric analysis of research trends, thematic evolution, and future directions. *Society & Sustainability, 7*(1), 94–115.

[9] Dirman, A. (2020). Financial distress: The impact of institutional ownership, independent commissioners, managerial ownership, and audit committee. *International Journal of Management Studies and Social Science Research, 2*(4), 202–210.

[10] Feldmann, D. A., & Schwarzkopf, D. L. (2003). The effect of institutional ownership on board and audit committee composition. *Review of Accounting and Finance, 2*(4), 87–109.

[11] Gold, N. O., & Taib, F. M. (2023). Corporate governance and extent of corporate sustainability practice: The role of investor activism. *Social Responsibility Journal, 19*(1), 184–210.

[12] Gulyamov, S., & Narziev, O. (2021). The institutional and legal framework of emerging capital markets: The experience of CIS countries. *Psychology and Education, 58*(1), 157–177.

[13] Halik, D. J. I., & Astuti, C. D. (2025). The influence of credit growth, investment decisions, audit quality, and financial expertise of directors and commissioners on sustainable finance. *Jurnal Ilmiah Manajemen Kesatuan, 13*(1), 541–550.

[14] Hidayah, R., Suryandari, D., Nafsi, J. I., Suryarini, T., Kayati, I. N., Islamiatun, M. B., … Zahid, A. (2023). Sustainability reporting quality and corporate governance. *Journal of Namibian Studies, 33*, 1–15.

[15] Hristov, I., Chirico, A., & Ranalli, F. (2022). Corporate strategies oriented towards sustainable governance: Advantages, managerial practices and main challenges. *Journal of Management and Governance, 26*(1), 75–97.

[16] Islam, A. I. (2024). The influence of board of directors, board of commissioners, and independent commissioners on company financial performance. *JPEK (Jurnal Pendidikan Ekonomi dan Kewirausahaan), 8*(2), 779–792.

[17] Islam, R., French, E., & Ali, M. (2022). Evaluating board diversity and its importance in the environmental and social performance of organizations. *Corporate Social Responsibility and Environmental Management, 29*(5), 1134–1145.

[18] Lin, J., & Qamruzzaman, M. (2023). The impact of environmental disclosure and the quality of financial disclosure and IT adoption on firm performance: Does corporate governance ensure sustainability? *Frontiers in Environmental Science, 11*(1), 57-66.

[19] Lozano, M. B., & Martínez-Ferrero, J. (2022). Do emerging and developed countries differ in terms of sustainable performance? Analysis of board, ownership and country-level factors. *Research in International Business and Finance, 62*(2), 101-110.

[20] Lu, L. W. (2021). The moderating effect of corporate governance on the relationship between corporate sustainability performance and corporate financial performance. *International Journal of Disclosure and Governance, 18*(3), 193–206.

[21] Mendra, Y., Saitri, P. W., & Mariyatni, N. P. S. (2021). Good corporate governance, corporate social responsibility, and sustainability report to firm value. *International Journal of Environmental, Sustainability, and Social Science, 2*(1), 17–21.

[22] Minhas, A. S., Maqsood, N., Shahid, T. A., & Rehman, A. U. (2024). Investment performance in green finance: Assessing the impact of environmental, social, and governance integration. *IRASD Journal of Economics, 6*(1), 27–44.

[23] Netsevych, N. (2024). CSR (corporate social responsibility) and ESG (environmental, social, governance) in company law. Vilnius: Vilniaus University (Doctoral dissertation).

[24] Octavio, M. F. R., Setiawan, D., Aryani, Y. A., & Arifin, T. (2025). Corporate governance as a driver: Enhancing ESG performance in ASEAN companies. *Business Strategy & Development, 8*(2), 104-117.

[25] Putra, D. A., & Wijayanti, I. O. (2024). The impact of financial performance and stakeholder pressure on sustainability report disclosure: The moderating role of independent commissioners. *Open Access Indonesia Journal of Social Sciences, 7*(6), 1868–1880.

[26] Rahmiyati, N. (2025). Green finance and corporate sustainability: Strategic financial management in the era of ESG investing. *Jurnal Ilmiah Manajemen Kesatuan, 13*(6), 4613–4624.

[27] Roque, D. I., Carrero, A. C., Cortes, J. A. C., Bravo, W. B., & De la Oliva, F. (2024). Comparison of fixed effects and random effects panel models for the estimation of accounting beta coefficient. *Revista Investigación Operacional, 45*(1), 1–15.

[28] Saeed, M. N., Rahmouni, M., Haroun, M. A., Hassan, E. A., Elfaki, I. O., Tayfor, A. E., & Abbas, A. M. (2025). Analyzing the impact of corporate governance in enhancing firms' financial performance and sustainability. *Journal of Posthumanism, 5*(3), 181–205.

[29] Scherer, A. G., & Voegtlin, C. (2020). Corporate governance for responsible innovation: Approaches to corporate governance and their implications for sustainable development. *Academy of Management Perspectives, 34*(2), 182–208.

[30] Sekarlangit, L. D., & Wardhani, R. (2021). The effect of the characteristics and activities of the board of directors on sustainable development goal (SDG) disclosures: Empirical evidence from Southeast Asia. *Sustainability, 13*(14), 8007-8017.

[31] Shabbir, M. S. (2025). Corporate sustainability reimagined: A bibliometric–systematic literature review of governance, technology, and stakeholder-driven strategies for SDG impact. *Business Strategy and the Environment, 34*(7), 9203–9222.

[32] Singh, S. S. (2024). Sustainable financial instruments for public sector in developing countries: Opportunities, challenges, and policy framework. New York: Routledge.

[33] Suhartini, D., Tjahjadi, B., & Fayanni, Y. (2024). Impact of sustainability reporting and governance on firm value: Insights from the Indonesian manufacturing sector. *Cogent Business & Management, 11*(1), 87-99.

[34] Taherdoost, H. (2022). What are different research approaches? Comprehensive review of qualitative, quantitative, and mixed-method research, their applications, types, and limitations. *Journal of Management Science & Engineering Research, 5*(1), 53–63.

[35] Toukabri, M., & Mohamed Youssef, M. A. (2023). Climate change disclosure and sustainable development goals (SDGs) of the 2030 agenda: The moderating role of corporate governance. *Journal of Information, Communication and Ethics in Society, 21*(1), 30–62.

[36] Tran, M., Beddewela, E., & Ntim, C. G. (2021). Governance and sustainability in Southeast Asia. *Accounting Research Journal, 34*(6), 516–545.

[37] Vatis, S. E., Drogalas, G., Persakis, A., & Chytis, E. (2025). The impact of ESG on earnings quality and real earnings management: The role of firm size. *Sustainability, 17*(11), 5027-5033.

[38] Vickneswaran, A. (2025). Corporate governance, management–shareholder, and reporting practices: Navigating transparency, accountability, and sustainable decision-making. In *Governance strategies for effective sustainable development* (pp. 1–14). Hershey: IGI Global.

[39] Yang, Z., Su, D., Xu, S., & Han, X. (2024). Institutional investors and corporate green innovation: Evidence from China. *Pacific Economic Review, 29*(2), 230–266.

[40] Zadeh, F. N., Askarany, D., Shirzad, A., & Faghani, M. (2023). Audit committee features and earnings management. *Heliyon, 9*(4), 468-478.