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Boardroom Dynamics: Exploring the Intersection of Corporate Governance and Firm Performance

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Abstract

The requirement for strong corporate governance in the modern economy is becoming more widely acknowledged in the framework of accounting for growth. Although corporate governance is seen as the pinnacle in today's economies, it is crucial for a company's entire development and progress. The ancient economies of India and Greece are where corporate governance first emerged. The study on the relationship between corporate governance and firm performance is examined in-depth in this article. The information were taken from Scopus's online databases. The performance of the firm has been shown to benefit from good corporate governance, and this has a favorable impact on national economic growth This article highlights the key conclusions and offers suggestions for further research into the relationship between effective corporate governance and firm performance. The study also presents intriguing conclusions about the relationships between corporate governance and performance of firms, and it also offers potential directions.

Keywords: Firm, Transparency, Corporate, Performance, shareholders, Governance

1.0 Introduction

The balance between economic, personal, and societal goals is achieved through corporate governance, which also promotes responsible resource allocation, leadership, and oversight. This unites the goals of consumers, businesses, and the public good. Commercial transactions and deals sometimes use the term "drivers" to describe the characteristics of a corporation. The agency conflicts and knowledge gap can be mitigated thanks to the firm's characteristics. Therefore, firm characteristics are crucial in determining the profitability and performance of a business (Chabachib et al, 2020). The size, age, leverage, family control, audit quality, asset structure, and audit frequency are all elements to consider (Ahmed & Hamdan, 2015).

Businesses are alert to the social, cultural, legal, political, economic, technological, and infrastructural risks and rewards that exist in the world around them. However, it is critical to remember that a company's performance occurs within a specific environment that includes both challenges and opportunities (Daft et al, 1988). (Seyed Alireza Mosavi,2013) It was earlier predicted that a good HRM leads to enhanced firm performance. But now, a company's success can be gauged by looking at how well it operates and how well it achieves its financial objectives (Alam & Masoom, 2016).

In recent years, the financial sector has begun shifting away from its long-held social focus and towards a commercial one (Dean & Spoehr, 2018). Increased rivalry and a pressing need for profit on the part of institutions are driving this change. Therefore, the study relies on CAMEL (Capital Adequacy, Management Efficiency, Earnings Quality, and Liquidity) measures to guide its findings (Rozzani & Rahman, 2013).

Financial institutions in developing economies can get benefit from this literature analysis because the majority of the study has been done in industrialized economies especially in developed nations. The goal of this research work is to acquire a better understanding of the association between corporate governance and firm performance. The fundamental contribution that is bought to the existing body of knowledge is a detailed and solid analysis of the link that exists between corporate governance and business performance. While conducting the research of the relationship between governance and company performance, we took into consideration the inbuilt character of the relationship. This is the primary addition that a systematic literature review makes to the current body of research.

The study aims to explore the following objective:

- To study the effect of corporate governance on firm's overall performance.
- To study the factors affecting firm's performance.

1.1 Scope of the study

This study was conducted with the intention of understanding the association between corporate governance and a firm's performance. This study is completely based on corporate governance and its impact on a firm's performance.

2. Literature Review

2.1 Concept of Corporate governance

Corporate governance is a concept that has just emerged in the last two decades. Nonetheless, there are many different opinions on what constitutes corporate governance, making it impossible to define the concept accurately (Bain and Band, 1996). Shleifer and Vishny (1997) described corporate governance as "the manner by which suppliers of corporations assure themselves of receiving a return on their investment". John and Senbet (1998), "corporate governance includes mechanisms by which stakeholders of a corporation exercise control over corporate insiders and management so that their interests are protected."

The phrase "corporate governance" denotes the framework through which firms are directed and managed (Sarbah & Xiao, 2015). It primarily addresses the functions and responsibilities of a company's board of directors, as well as its connections with the company's shareholders and other stakeholder groups. Corporate governance is crucial to any economy since its mechanisms are becoming more recognized as a precondition for social and economic growth in emerging nations (Acs & Szerb, 2007).

In accordance with the Stakeholders' governance model (Post et al. 2002), the interests of all stakeholders must be taken into account in the governance of organizations. According to Reddy et al. (2002), shareholders are not the only claimants or risk bearers left. Employees, for example, make firm-specific investments. Hutchinson & Gul, (2004) argued that for contemporary firms makes little sense to conceive of shareholders as individuals who are willing to bear the company's residual risks. According to Collett & Hrasky (2005), this is because financial institutions diversify their risk by owning the majority of the company's shares.

Abraham (2014) Role of Media in pressuring corporate managers and directors to behave in ways that is socially acceptable. Sometimes this coincides with Shareholder's value maximization. Media affects company's policy toward the environment and the amount of corporate resources that are diverted to the sole advantage of controlling shareholders

Outstanding corporate governance practices enhance a company's performance by enhancing management and making more strategic use of the company's resources (Minnick & Noga, 2010). The ownership structure, disclosure of information, transparency regarding finances, and board composition are variety of corporate governance (Minnick & Noga, 2010). In this context, disclosure of information and transparency regarding finances have been selected since precise and on-time disclosure transforms the firm's performance into superior returns. The process of making information readily accessible and comprehensible to fascinated and affected individuals is referred to as information disclosure (Hosseini et al, 2018). Financial transparency is the process of making a company's financial information transparent to the broader public. Financial transparency, according to Wanyama et al. (2013), is the degree whereby investors have prompt, meaningful, trustworthy, and easily accessibility to all important financial information about a firm.

Kalyan Chaudhury et al. (2016) Financial regulation is not a substitute for corporate governance practices, but rather a way to reduce collective action and ensure broader standards are adhered to for the economy and stakeholder interests. Basel II and international corporate governance standards require bank regulators to address these issues more systemically. Corporate governance is evolving and crucial for maintaining positive company/environment relations. Transparency in operations is essential for Indian corporate survival in global competition.

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2.2 Concept of Firm Performance

When referring to organizational performance, firm functioning, and operational results, the term "firm performance" can have many different connotations. Firm performance often refers to organizational performance, which encompasses the creation of products and services, the efficient operation of the numerous divisions of the company, the productivity of its staff, and the overall effects of their work. The company's success may also be seen in the perspective of the company's overall business development.

Atkinson et al. (1997) A performance measurement system eventually need to perform the following four major tasks:

1. Assist in identifying if employees and suppliers provide assistance as expected to the firm.
2. Assist in identifying whether stakeholder community facilitates the company in meeting its key objectives.
3. Assist the firm in establishing and executing processes that will assist to accomplish its strategic objectives.
4. Assist the firm in reviewing and tracking strategic planning in accordance with agreements struck with key stakeholders.

Teeratansirikool et al. (2013) explored the association between firm performance and competitive strategy. Executives from 101 Thai listed firms took part in the survey and the path-analytical model was used in SPSS. Results showed that, through performance measurement, all competitive tactics favorably boost company performance. With regard to this, the effectiveness of firms is significantly impacted by differentiation tactics both directly and indirectly through financial metrics. The cost leadership approach that businesses adopt has no real impact on their performance. But it accomplishes this in a large and indirect way through financial performance measurements.

Samina & Ayub (2013) The effectiveness of firm's utilization of its assets as a main source of revenue and profit determines the firm's performance. In order to determine how well they performed, the research founded the CAMEL model, which is appropriate for assessing the performance of financial organizations (Prasad & Ravinder, 2012). It contended that a financial institution must have sufficient capital to maintain the confidence of its depositors and prevent insolvency. It discloses financial institutions' overall financial health as well as management's capacity to meet the need for more capital. The capital adequacy ratio (CAR) was designed for evaluating the institution's capacity to absorb losses and ensure that financial institutions can readily absorb a reasonable level of operational losses (Olalekan & Adeyinka, 2013). The debt-to-equity ratio (D/E) is included in the CAR because it illustrates how much leverage a financial institution has. It displays the percentage of a financial institution's operations that are funded by equity vs debt (Dita & Murtaqi, 2014).

Vela-Jiménez et al. (2014) examined the association between multiple aspects of human resource flexibility and firm performance through the inclusion of two moderator effects: inter-organizational collaboration and environmental changes. 156 Spanish firms from a variety of industries were used to assess the hypotheses. The results demonstrate that internal HR flexibility offers a positive influence on firm performance, while the effects of external flexibility depend on how closely each dimension is related to the quantity of information involved. The main finding highlights the significance of flexibility in acquiring and allocating knowledge into the firm by showing how changes in the environment and cooperation moderate positively the relationship between functional flexibility and financial performance as well as between external professional expertise and performance.

Chandrasekar & Ramanath (2014) examined the financial performance of the cement industry and came to the conclusion that financial position is a crucial and effective way to analyze the position in the market. Allocating correct finance for appropriate use improves the performance of the firm.

Arora & Sharma (2016) aimed to research how corporate governance affects firm performance. This study focuses on a sizable number of businesses from 20 important manufacturing-related industries in India during the years 2001 and 2010. According to the findings, larger boards are associated with more profound levels of intellectual knowledge, which boosts performance and decision-making. However, the results demonstrate that profitability and return on equity have no connection to corporate governance indexes. The results also show that there is no connection between CEO dualism and any of the performance metrics for the sample firms.

Karmarkar et al. (2017) investigates the relationship between diversification and financial strategies which impacts the firm performance in Indian firms. It analyzes the extent of diversification and strategy of top 30 companies listed on the

Bombay Stock Exchange for 2015-16 using ANOVA. The results show that diversified firms face higher levels of risk, particularly unsystematic and bankruptcy risk. No significant relationship was observed between mode of entry and financial strategy.

Pangboonyanon & Kalasin (2018) explore how within-industry diversity influences the financial performance of SMEs in emerging markets. Based on both resource-based and institutional approaches, the authors asserted that within-industry pluralism enhance the financial performance of SMEs in emerging countries.. The authors tested hypotheses on 195 enterprises from five Southeast Asian nations. The findings revealed that diversification among industries improves the success of SMEs in emerging markets. When institutional environments grow more established, these impacts weaken. However, such impacts get larger as SMEs in emerging markets become more efficient.

Pan et al. (2018) examined what variables could alter relationship between exploitative technological diversification (ETD) and firm performance. 7,555 observations were collected from the sample of 1,569 Chinese listed companies. The results revealed an inversely U-shaped relationship between exploitative technological diversification (ETD) and business performance.

Shu et al. (2019) Explored how entrepreneurial orientation (EO) and strategy renewal influence institutional government support and improve firm performance. Data were collected from 230 Chinese firms and the direct and indirect relationships was examined using structural equation modelling and a bias-corrected bootstrap method. The findings showed that while EO and strategy renewal are both improved by government institutional assistance on their own, EO also entirely mediates the relationship between these two factors. Additionally, strategic renewal partially and completely mediates the link between EO and corporate reputation as well as the association between EO and firm financial performance.

Fahad & Busru (2020) examined the implications of corporate social responsibility (CSR) disclosure on Indian firms performance, taking into consideration firm profitability and firm value.The study employs panel regressions to examine the effect of CSR disclosure on firm performance among the 386 firms listed in BSE 500 index. The results suggest a propensity for a negative impact of CSR disclosure on firms profitability and value with the environmental disclosure.

Kurniawan et al. (2021) examined how market orientation and business process agility affect networking capabilities and the performance of medium and big Indonesian suppliers of telecommunications technology. 150 valid questionnaires were used to collect data from the executives of telecom companies for examination. The findings show that networking skill significantly and favorably influences market orientation. However, the capacity to network has little direct influence on how agile company processes are. The findings also suggest that business process agility plays a mediating role in market orientation's impact on company performance, rather than having a strong direct impact.

Yeniaras & Kaya (2021) tries to understand the impact of strategic planning's (FSP) facilitation in relationship between business and political linkages and financial firm success. Analyses of conditional mediation and structural equation modeling were employed. The authors demonstrate that political relationships have a negative correlation with FSP, economic ties are favourably related to it. Additionally, this study offers empirical proof that FSP mediates the relationship between business relationships and financial performance in a good way. On the other hand, there is a bad indirect correlation between political connections and financial performance. This study demonstrates that the relationship between FSP and financial success is negatively moderated by demand uncertainty.

Shanak & Abu-Alhaija (2022) attempted to understand the relationship in between production and cash performances, assess how market performance affects financial performance, and investigate the mediation role of market performance. 384 managers at Palestinian manufacturing companies received a series of questionnaires. Structural equation modeling, was used to analyze the data. The findings showed that production performance influences financial and market performance in a good way. The results also showed that market performance has a favorable impact on financial performance, but that market performance also plays a vital role in mediating the linkage between financial and production performances.

The following figure highlights additional research papers written on the theme of firm performance.

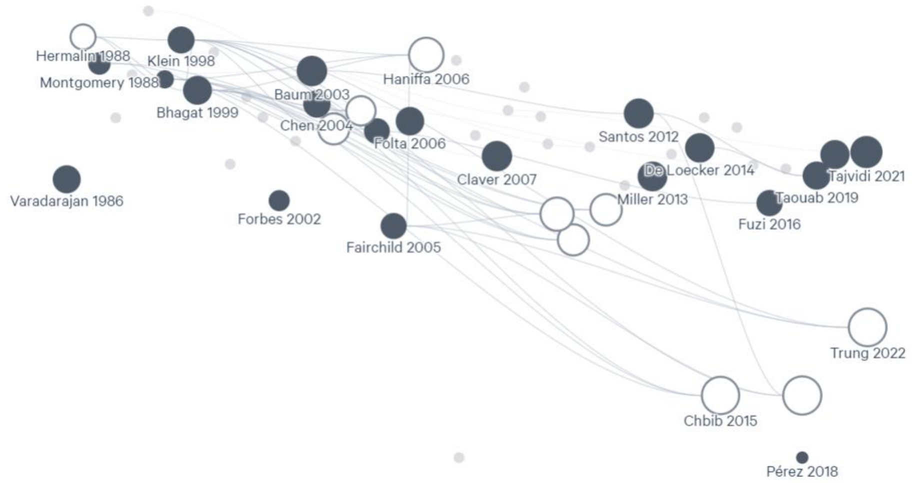

Figure 1. Additional research articles on Firm performance (Source: Litmaps)

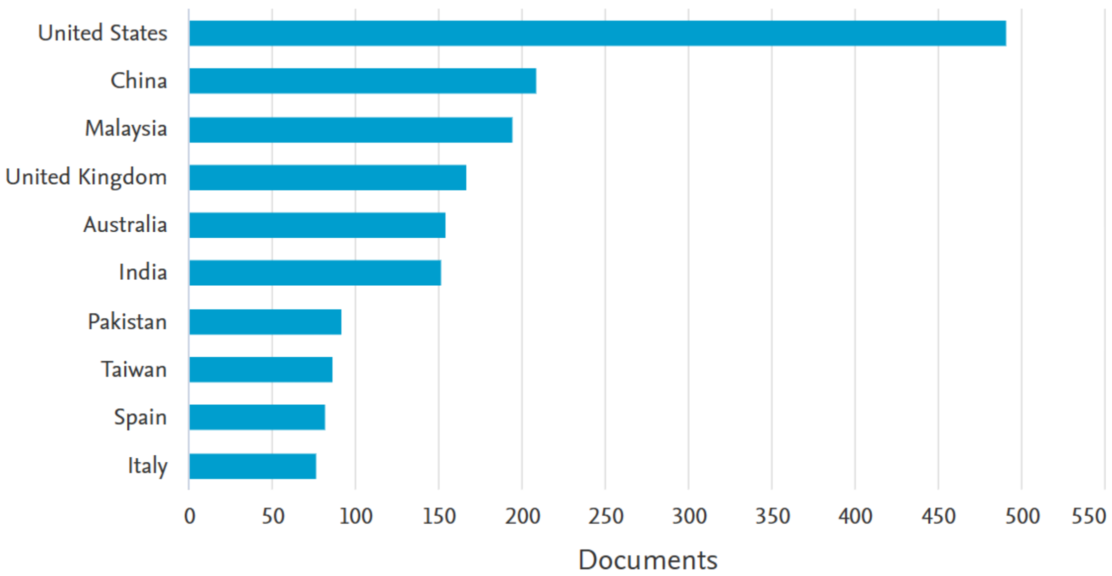

Figure 2. Nation-wise publication of literature (Source: Scopus)

Figure 3 displays the distribution, by country, of the total number of documents published on the topic of the current study. The largest contributions to the publication of literature have come from United States, China, and Malaysia. However, it is apparent that a great many countries are responsible for the production of published literature. Publications from the other top ten nations are shown in Figure 3.

3. Theoretical analysis of Corporate Governance

3.1 Resource Dependence Theory (RDT)

Kor and Misangyi's (2008) resource dependence approach highlights how companies benefit from having outside directors by increasing their resilience to external threats, decreasing uncertainty, and appropriating resources that boost their ability to generate revenue and gain credibility. Large numbers of independent directors are often associated with a high leverage situation (Abor, 2007). The number of non-executive board members is inversely related to a company's leverage, according to the results of prior studies. Managers are less likely to resort to excessive use of authority to achieve their goals if independent directors are doing their jobs.

Companies with a higher percentage of independent directors also prefer to pursue low financial leverage while keeping their equity's market value high. Whereas organizations with a lower percentage of outside directors tend to have a higher level of leverage, those with a higher level of leverage tend to have a significantly higher number of outside directors. Directors, according to RDT, provide value to their companies by providing guidance and counsel, facilitating communication between the company and external factors, providing preferential access to resources, and establishing the company's credibility (Singh et al, 2012). RDT may provide several advantages. Those businesses that successfully recruit community leaders to serve on their boards are better able to attract and retain key personnel and other resources. The ownership structure of boards and access to communication conduits between the company and environmental prospects have gained specific emphasis in RDT-related research on the impact of corporate governance, firm characteristics, and the external environment on firm performance. These were regarded as indications that the board could provide the firm with the required resources.

Pfeffer (1972) argued that boards help businesses reduce dependency and increase resources, was a key figure in the evolution of RDT. To help businesses deal with the complexity and uncertainty of their environments, a thorough explanation was presented. The study concentrated on the board size and membership as a supplier of crucial resources to the firm. His research indicates that company's ownership structure and board composition are not unconnected variables, instead being sensible organizational responses to the external circumstances.

3.2 Agency theory

The agency theory had a tremendous influence on strategic management and its implementation on business.
The agency hypothesis was initially proposed by Jensen and Meckling (1976). The agency hypothesis states that, modern firms with prevalent share ownership exhibit managerial behaviors that deviate from those required to maximize returns on investment for shareholders. According to Jensen & Meckling, proprietors (principals) and managers (agents) incur an agency loss. This term refers to the degree which returns to residual claimants (owners) are lower than they would be if the proprietors had direct control over the company. This is because of the fact that business administrators frequently serve as representatives for the company's owners.

Agency costs may create a loss of value for shareholders since shareholders and business managers frequently have conflicting interests (Jensen & Meckling, 1976). Divergent interests occur, which can be used to explain this loss of value. Additionally, it is difficult to persuade an agent to operate in the principal's best interest, making it impossible to perfectly contract involves an agent whose choices have an effect on their personal well-being as well as the welfare of the principle. As a result, it is impossible to perfectly contract a representative whose actions have a positive impact on both their personal welfare and the welfare of the principle. In a broader sense, the agency theory has the result that managers should be given the power to administer the company through independent directors acting as a system of supervision, control, and monitoring (Jensen & Meckling, 1976). In addition, there should be a focus on board profile, financial transparency, and information sharing. These three ideas make up the agency theory's three basic pillars.

The owners are the ones who employ the managers and delegate to them the authority to run the business for their benefit (Jensen & Meckling, 1976). Nevertheless, managers are typically more focused on accomplishing their own objectives, which may or may not coincide with the maximization of the firm's value, which is synonymous with the maximization of the owners' benefits. As a result, they will pursue their own self-interests by seeking better compensation, more perks, and greater employment security, and in some cases by directly exploiting the company's cash flows. Consequently, the manager's interests are not only distinct from those of the proprietors, but in many cases, they are even antagonistic to those of the owners. This invariably implies that shareholders and administrators have competing interests.

Eriotis et al. (2007), managers now have the authority to govern the business, whereas owners can only try to avoid these value transfers by monitoring and control, such as independent directors' supervision. These authors contend that administrators already possess this authority. Despite this, surveillance and control efforts will incur expenses for the organization. Shareholders should look for solutions that do not take too much value from the firm and should also oversee and control management's actions. However, absolute control is prohibitively expensive, so shareholders should seek alternatives.

3.3 Stakeholder theory

Stakeholder theory is mostly credited to Freeman (1984) for developing it. There are many competing interests in the principal-agent relationship that is assumed to exist as a result of the shareholder connection and the division of the company's resources. Management and shareholder interests may not always align. It has been argued that managers might benefit from a more external perspective in order to better coordinate the efforts of many stakeholders. The government has a legitimate interest in imposing its will on management in the form of regulation or direction, hence it is a valid stakeholder to consider (Heath & Norman, 2004). Moreover, government mandates may complicate management's ability to make key choices.

A compliance platform that emphasizes an organization's efforts can be provided through the provision of such standards or of other voluntary reporting regimes. If there are formal channels for reporting misconduct, managers have a significantly higher chance of facing consequences for their actions (Chabachib et al, 2020). If compliance isn't enforced, managers are much less likely to face consequences for wrongdoing on their own time. More uniform and comparable reporting, which reduces information asymmetry, is another key argument in favor of regulation. When managers are put in this position, they try to preempt the crisis by exposing information before the authorities do so, for example, when they disclose a change in regulations or a move towards mandatory regimes. When the government becomes engaged, which may take various forms, it gives extra reason for a company to follow good corporate governance standards. Similarly, the management of financial institutions should pay particular attention to any rules or suggestions made by the government, as these could form the basis upon which the expectations of other stakeholders are imposed. Moreover, the external environment may facilitate management decision-making by creating advantageous conditions. Research into corporate governance, the external environment, and a company's success has helped validate stakeholder theory.

Managers in the present day are posited to have an implied relationship with the company's stakeholders, including the shareholders. Therefore, information provided by managers is intended for all stakeholders inside the firm, not just shareholders. Managers are obligated to provide explanations to stakeholders in the form of disclosure because of the importance of preserving access to essential resources that are, in certain situations, under the control of stakeholders. Kock et al. (2012) argued that the reciprocal resource dependence between a firm and its stakeholders, other than its shareholders, gives such stakeholders a legal claim on the allocation of a company's resources. Kock et al. (2012) also argued that the relationship between principal & agent can be generalized to include the interaction between management and its stakeholders. This is why the principal-agent model is used in the stakeholder framework.

3.4 Transaction cost theory (TCT)

Coase (1937) first introduced the TCT in an effort to explain why businesses were formed. Then Expanding on this idea, Williamson (1990) explained how firms suffer from transaction expenses, opportunities, and unpredictability when they depend on external partners. Since the TCT is the go-to theory for dissecting the provider-customer dynamic, it stands to reason that it permeates and controls both the service provider and the client throughout the entire process.

According to Bowen et al. (1995), transaction costs, the money spent on things like negotiating, keeping track of, and enforcing the deals between buyers and sellers, can be used as a proxy for a deal's efficiency. TCT is used to determine the costs of economic cooperation, and it is predicated on two behavioral tenets: limited rationality and opportunism. Because assets, investments, and other characteristics of a process are transaction specific, transaction costs truly evolve in accordance with these two conditions (Chabachib et al, 2020). Therefore, the transaction partners (customer and service provider) develop an interdependent relationship.

TCT works by connecting service providers and consumers together because the cost of negotiation, supervising, and implementing exchanges between parties to the transaction impacts how effective TCT is.

4. Content analysis

Content analysis is used to analyze the information included in several types of data, including textual and visual information. It makes it possible to classify the phenomena more precisely, which improves their research and understanding. Word clouds, as described by Heimerl et al. (2014), are a simple and visually appealing technique that is also a great tool for general text analysis. Word clouds, as described by Lohmann et al. (2015), allow for a unified depiction of the most frequently occurring words across many text documents for use in qualitative analysis.

Sl No.	Research Topic
i.	Governance
ii.	Corporate performance
iii.	Firm evidence
iv.	Board ownership
v.	Performance mechanism
vi.	Director compositions

Table 1. Word cloud showing the most researched topic

Word cloud analysis (Table 1) reveals that by avoiding the use of the most common phrases, following topics dominated the discussions related with the corporate governance and firm performance literature: ownership, structure, compensation, board, evidence, impact and directors. This conclusion implies that these are the key concepts that the academic community and researchers are willing to concentrate on when looking at questions about corporate governance and business performance.

5. Methodology

A systematic literature review (SLR) is the primary methodology for the current study (Figure 3). Systematic methods are required for minimizing any kind of existing subjective bias, providing academic rigor, transparency, and reproducibility. To fulfill such requirements, a systematic review tries to provide the response to specific research questions by supportive empirical evidence produced after applying a pre-defined criterion (Figueroa et al., 2015). Preferred Reporting Items for Systematic Review and Meta-Analysis (PRISMA) criteria were used for this systematic review. (Moher et al., 2009)

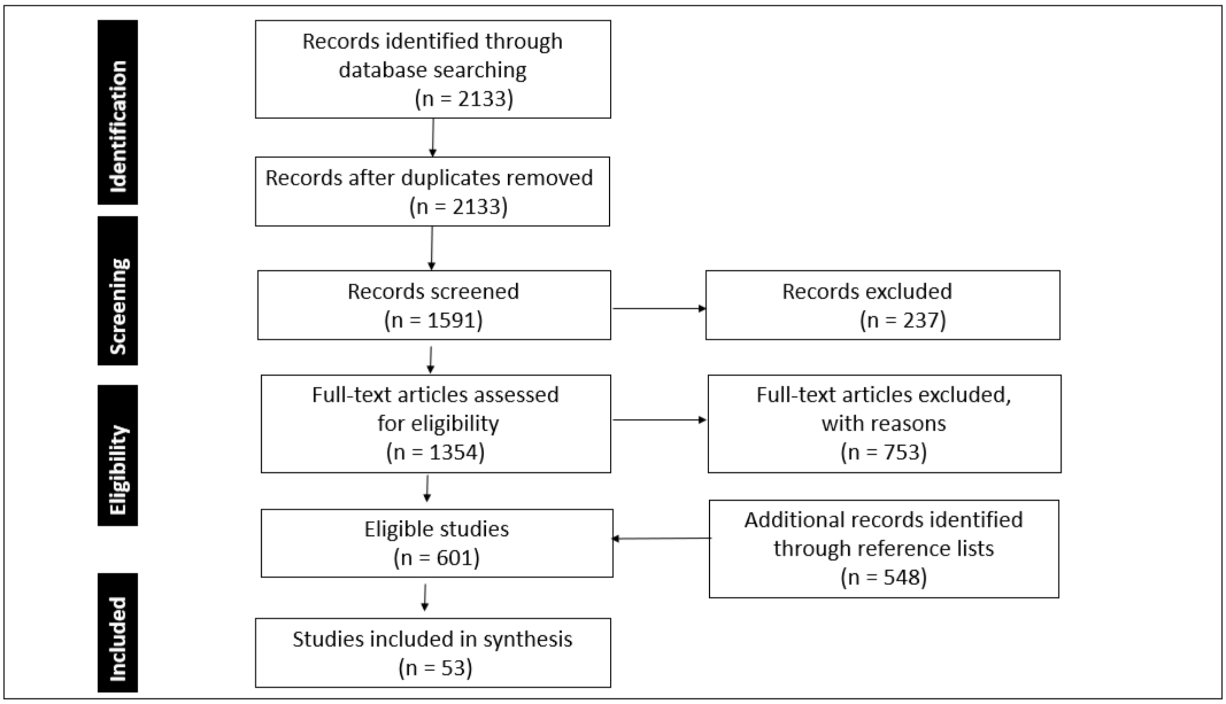

Figure 3. PRISMA Flowchart (Source: Moher et al., 2009)

The current study focuses on the systematic review of existent literature on “corporate governance” and “firm performance”. The SLR approach is frequently utilized in management literature due to its ability to deliver evidence-based imitable research (Tranfield et al., 2003). Along with minimizing research bias, the SLR establishes an investigation process of decision making, and provides an explicit, objective, and transparent outcome (Elavarasi et al., 2020).

Sl No.	Inclusion	Exclusion
i.	Journal articles	Conference papers, book chapters, commentary, notes, editorials
ii.	Published in the English language	Published in multiple languages
iii.	Articles containing identified keywords	Articles on any topic other than the nexus of corporate governance and firm performance
iv.	Peer review articles	Other type of articles

Table 2. Inclusion and exclusion criteria

A content analysis-based study is widely an acceptable review method "to map and assess the existing intellectual territory, and to specify a research question to develop the existing body of knowledge further" (Tranfield et al., 2003). Inclusion and exclusion criteria are mentioned in Table 2.

A total, 2133 pieces of literature were identified in the Scopus database when the search terms "corporate governance" and "firm performance" were used. Then the inclusion and exclusion criteria were applied (see Table 1), for the literature only from the Business, Management & Accounting, English language articles. After careful analysis of Title, Abstract and the Full Text, the resulting literature was reduced to 1354, which were relevant to the current study. For the final selection of the literature, only the reputed journals were taken, which provided the final 53 articles, which were under the investigation for current review.

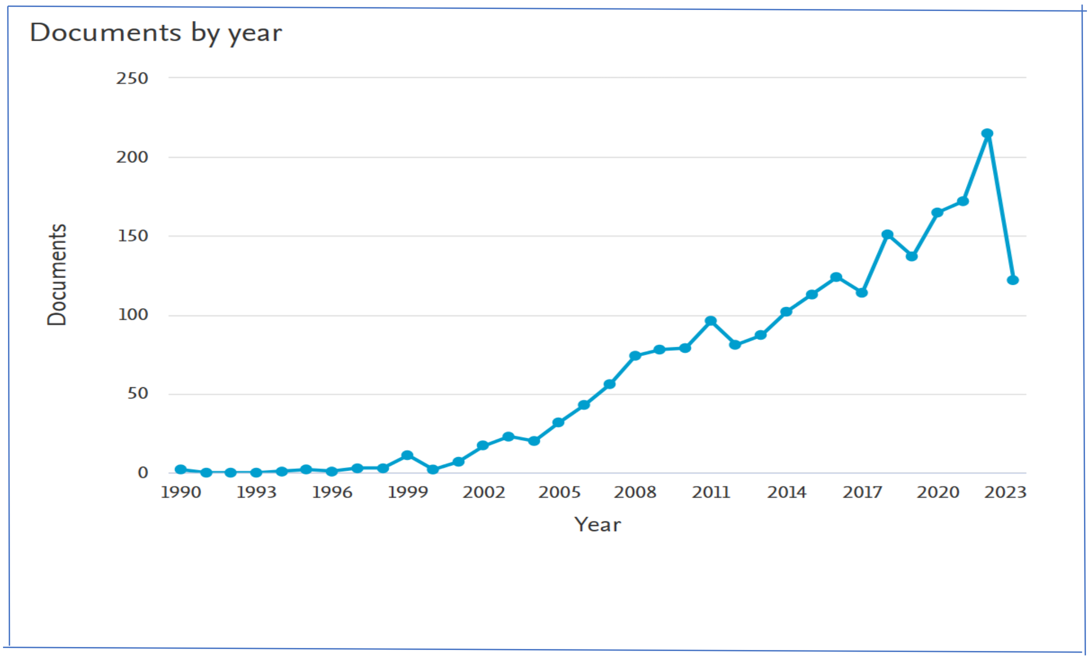

Figure 4. Yearly publications on the topic of current study (Source: Scopus)

There has been a continuous rise in the publication output of the topic of current study (see Figure 4). The year 2023 had 122 publications till the month of May. The years 2022, 2021, 2022 and 2019 have a total of 215, 172, 165 and 137 publications respectively.

6. Results and discussion

Strong links have been established between corporate governance practices and the theories of agency, stakeholder theory, resource dependence, and transaction costs (Hung, 1998; Yusoff & Alhaji, 2012; Biesenthal & Wilden, 2014). Agency theory states that corporations cannot expect managers to achieve shareholder returns without appropriate governance structures in place to defend shareholder interests. Only if these supports are in place will this be possible. Managers of contemporary corporations are assumed, under the stakeholder theory, to interact implicitly with numerous stakeholders, not just shareholders (Shankman, 1999). Boards allow businesses to become less reliant on external factors and to acquire new resources. Because the stakeholder theory investigates the dynamic between service providers and their patrons, it pervades and governs both sides of the transaction. Transaction costs are the amounts spent by both parties to negotiate, track, and enforce the terms of their respective exchanges (Crocker & Masten, 1996). The efficiency of a transaction is frequently evaluated by looking at the amount spent on transaction fees.

7. Conclusion

According to Becht et al. (2003), nations with superior corporate governance and nations with a greater number of socially responsible businesses both have higher income growth rates. There are major methodological restrictions that make it difficult to measure the impact of corporate governance on an organization's performance, which in turn influences economic development. Studies from several different nations have shown how skewedly the link is between company governance and financial performance. When analyzing a company's corporate governance using a number of different indicators (scores), the effects on the company's financial performance may be positive or negative.

The research, senior policymakers, and business boards all stand to gain significantly from the conclusions offered in this review of the literature. Because there is a high correlation between ownership of stock and future operating performance as well as the chance of disciplinary management change in underperforming businesses, board member stock ownership should be the primary target of efforts to improve corporate governance.

The adoption of sound corporate governance procedures is thought to be essential for lowering investor risk, luring in investment money, and enhancing firm's and financial institutions' overall performance. To achieve their objectives, businesses require more financial resources and increased profits. Similarly, the company's characteristics are a significant factor in determining the company's performance. In this sense, businesses that are able to correlate the characteristics of their business with those of their environment perform significantly better than other businesses. Consequently, the company's characteristics are crucial factors that determine its performance and profitability. In addition, modern financial institutions face formidable challenges in terms of sustaining their commercial viability and success.

8. Limitations and future research direction

A numerous limitation with the review performed for this research article can be traced back to the insufficient time allotted to it. Because of the constraints of time, the study was conducted exclusively via the lens of studies that included data from multiple countries. From a theoretical perspective, the inaccessibility of private information remains a major source of concern, including information related to business tax returns and assessments. The choices taken in financial accounting have a significant impact on the many accounting-based approaches to quantifying tax evasion. Especially in terms of how they are to account for income taxes, these decisions involve a large degree of leeway and can be influenced by profits management. It is important to look into how corporate governance is actually used in companies and give more attention to the "how" of corporate governance rather than just the "what."

Future research should concentrate on standardizing financial research, examine with a wider range of firms, compare real variation between individual firms rather than between groups of firm with regard to the corporate governance, and distinguish samples based on variations in the corporate governance of individual firms, according to the conclusion. These are only a handful of the numerous general recommendations for further research.

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