

## How Corporate Governance Affect the Financial Performance? A Hybrid Review

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### ABSTRACT

*The study is motivated by the current debate on how corporate governance affect the financial performance. By focusing on the shortcomings of existing literature reviews on the topic of corporate governance and financial performance in this hybrid review, we identified the conceptual structure of the field. We used SPAR-4-SLR protocol and bibliometric analysis to expose the current trend in literature related on impact of corporate governance (CG) on financial performance. We carried out bibliometric analysis on the extracted meta data from Scopus database. We observed a spike in the number of documents in recent years. Due to increase in publication, total citation reduced. India, Italy and Malaysia emerged as the top contributors.*

**Keywords:** *Corporate governance; CG; Financial performance; SPAR-4-SLR; Impact.*

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### 1.0 Introduction

Higher financial literacy positively impacts investment decisions by enhancing individuals' understanding and utilization of financial information, leading to more informed financial choices (Jappelli & Padula, 2013). It supports better investment management, risk assessment, and decision-making, particularly when combined with financial technology tools (Ammer & Salim, (2024). Kumari (2020), Khalisharani *et al.* (2022), Weixiang *et al.*, 2022 found that while financial literacy significantly influences investment decisions, it does not necessarily improve financial behaviour, especially among students.

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Individuals with higher financial literacy demonstrate increased risk tolerance, greater investment activity, and better financial outcomes (Sutanto & Anastasia, 2024). Overall, financial literacy equips individuals with essential knowledge and skills for making informed financial decisions regarding budgeting, savings, investments, and retirement planning (Lusardi, 2008). Corporate governance serves as a toolkit that helps management, and the board address the challenges of running a company more effectively (Fenwick *et al.*, 2019). Hence, a good corporate governance is essential for a company in various ways: it enhances the company's reputation, boosts shareholder confidence, and lowers the risk of fraud (Shivdasani & Zenner, 2004). The purpose of corporate governance is also to boost the financial performance (Bhagat & Bolton, 2008) of the firms by implementing and maintaining strategies that encourage corporate insiders to enhance operational and market efficiency, promote long-term growth, and restrict insider power to prevent misuse of corporate resources (Obade, 2021).

Corporate governance mechanisms have attracted considerable research interest over the years. Corporate finance researchers worldwide are keen to examine the connections between corporate governance, internal disciplinary systems, and corporate performance. Corporate governance is closely related to a firm's financial performance, as various studies have shown that effective governance practices lead to better financial outcomes. Al-Ahdal *et al.* (2020), Kyere & Ausloos (2021), Aslam, & Haron, (2020) have explored the impact of corporate governance on a company's performance by analysing the relationship between the two using various indicators. Some studies focus on the role of independent directors in enhancing performance, while others examine the significance of committee structures and board diversity in influencing a firm's success (Kanakriyah, 2021; Khan, & Wang, 2021; Nahar *et al.*, 2022). Our literature review has found that companies with a higher proportion of independent directors tend to experience improved profitability and market value. Additionally, smaller, more focused boards have been linked to better financial performance, as seen in Kyere & Ausloos (2021) study.

Diverse boards also contribute to higher profitability, with Fernández-Temprano & Tejerina-Gaite (2020). reporting that companies in the top quartile for board diversity are more likely to be financially successful. Transparent financial reporting and strong investor protection, as emphasized by Salehi *et al.*, (2023), improve investor confidence, leading to better access to capital and lower financing costs. Furthermore, aligning CEO compensation with long-term performance goals fosters better financial outcomes (Luo *et al.*, 2021), while companies with strong governance structures are more adept at managing risk, resulting in greater financial stability (Van & Bratanovic (2020). Overall, firms with robust governance mechanisms tend to achieve superior long-term financial performance,

as evidenced by studies like Alodat *et al.*, (2022). Thus, corporate governance plays a critical role in enhancing a firm's financial success.

## 2.0 Data Collection

For the getting relevant data, we constructed search string i.e. “corporate governance” AND “financial performance”. We selected Scopus database as source of data due to creditworthiness and broad range. On Scopus we performed search on title, keywords and abstract. Then, we applied 4 filters for getting relevant data. First, we restricted the time from 2010 to 2024. Second, we limited our result to Business, management, and accounting stream. Third, due to credit worthiness, we restrict our search to journal articles. Fourth, we filter out the documents who are not in English language. At this point we get metadata of 859 documents. After getting data, we started scrutiny process. First, we removed duplicate document and document with missing or less information. Then we removed irreverent documents after considering title, keywords, and abstracts. At last, we have corpus of 442 documents. As seen in Table 1, the SPAR-4-SLR protocol outlines the process of assembling, arranging, and assessing the data for this study

**Table 1: SPAR-4-SLR Protocol Assembling, Arranging, and Assessing**

<p><b>Assembling</b>  Search keywords: “corporate governance” AND “financial performance”  Search database: Scopus</p> <p><b>Arranging</b>  Filtered year for inclusion: 2010-2024  Filtered area for inclusion: Business, Management and Accounting  Filtered documents types for inclusion: Article  Filtered sources type for inclusion: Journal article  Find duplicates: Using Ms-excel  Ex-post external validation: Manual  Filtered search result:442</p> <p><b>Assessing</b>  Analysis method:  Performance analysis: Publication trend, citation analysis, cooccurrence analysis  Reporting convention: Table, figures and words  Limitation: accuracy of data  <i>Support: No funding received</i></p>
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Source: Authors' own analysis

## **2.1 Objective of the study**

This article aims to find out the answer the following research questions:

1. Which countries and authors do collaborate regarding financial literacy and investors?
2. Which journal do scientist mostly publish their articles in?
3. Who are the most cited scientists?
4. What is the conceptual structure of the field?

## **3.0 Discussion**

### **3.1 About data**

In the study we have depicted SPAR-4-SLR protocol, used in article. We extracted the data from 191 unique sources, such as journals, books, and other academic publications. In this study we compiled a total of 442 documents within this period, which represents the collective research output. During our study we found that research in this area has grown at an average annual rate of 12.34%, indicating increasing interest and activity.

The documents in the dataset are, on an average, 4.78 years old, which implies that the research is relatively recent and each document receives an average of 28.62 citations, implying active involvement in and significance to this area of research. We found that these documents contain 24,407 individual references, showing that the dataset is built on a wide range of previous research. Here, there are 173 unique “Keywords Plus” in the dataset. These are indexing terms that add to the authors’ keywords, making the documents easier to find.

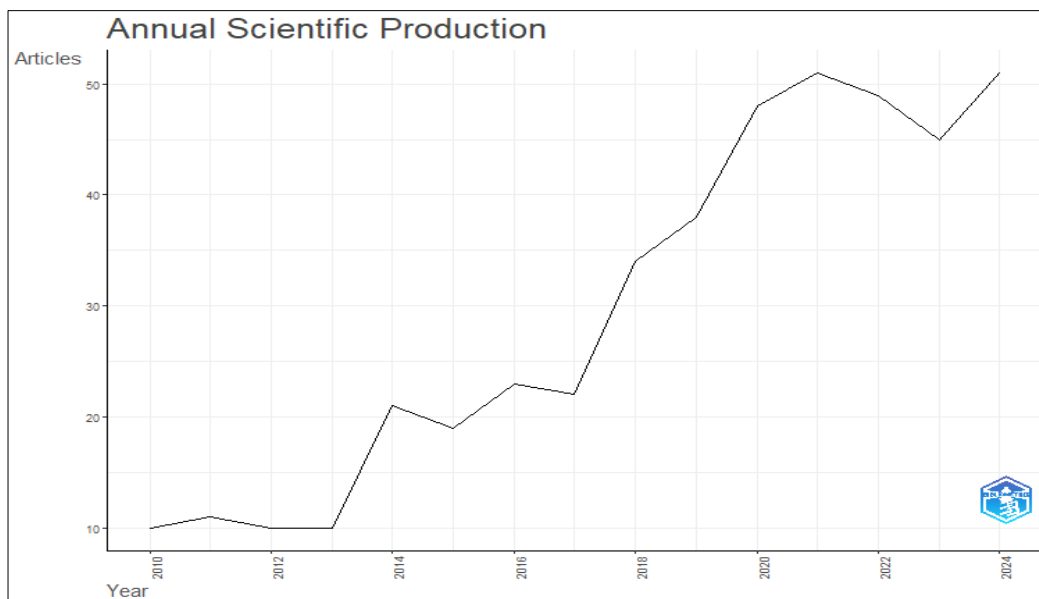
There are 977 unique keywords that the authors have provided, indicating a diverse range of specific topics and subfields covered in this body of research. A total of 1,096 authors have contributed to the documents in the dataset, showcasing a large community of researchers in this field of research and we also found that out of these 1096 authors, 68 contributed single-authored documents which is 15% of the total documents and this represents a small proportion of solo research efforts.

On average, each document has 2.77 co-authors, and 27.38% of documents are the result of international collaboration, showing a strong trend toward global research partnerships. During our study we summarised that the dataset includes three types of documents of which articles make up most documents, with 439 out of 442 falling into this category, highlighting a preference for traditional research publications. This analysis shows a strong and growing research area with a lot of international teamwork, many citations, and active involvement from a wide variety of authors.

### 3.2 Annual scientific production

In Figure 1 we have demonstrated the annual scientific increase in production of articles from the year 2010 to 2024. Initially, the number of articles was relatively low, starting just above 10 in 2010, with a slight decline in 2012. From 2013 onward, we have seen increasing trend, indicating significant growth in scientific output. By 2014, the article count had risen sharply, reaching around 20, and continued with moderate increases each year until 2017. Starting in 2018, there is a steeper rise, with production almost doubling by 2020, approaching 50 articles. The peak is observed in 2021, with close to 60 articles published, which shows a period of utmost research activity. A slight decline follows in 2022, though the production remains high, and by 2024, there is a recovery, reaching a level similar to the peak in 2021. This chart reflects an overall growth in scientific production of articles over the years, with significant increase in recent years and minor fluctuations around the peak.

**Figure 1: Annual Scientific Production**



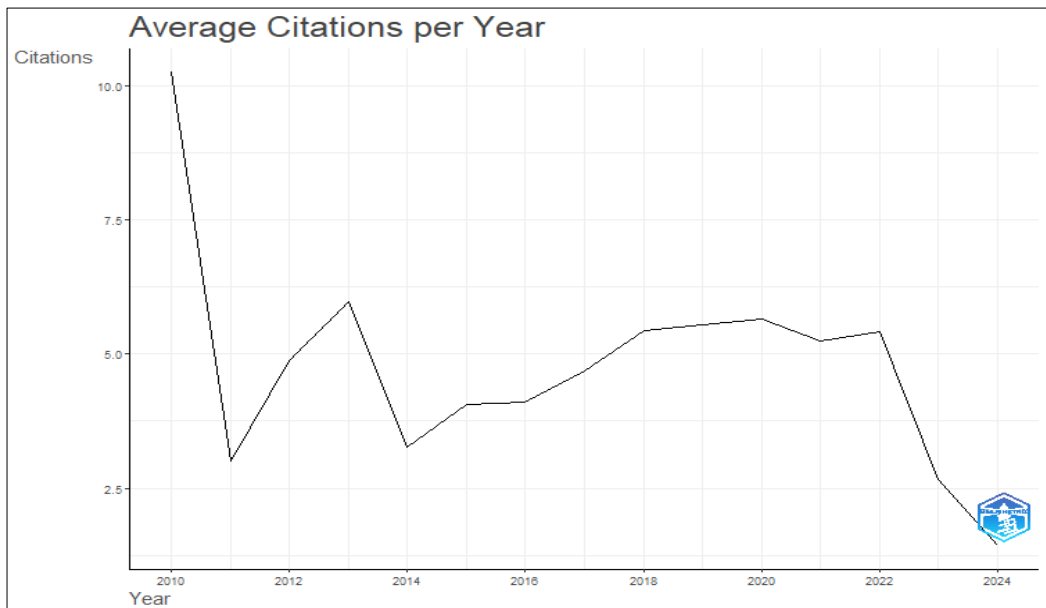
Source: Authors' own analysis.

### 3.3 Average citations per year

Figure 2 here exhibits the average number of citations per article annually from 2010 to 2024. Here we have shown that in the year 2010, the average citations per article

start high, exceeding 10 citations. However, a sharp decline can be seen immediately after, dropping to around 5 citations by 2011. Between 2012 and 2014, there is some fluctuation, with a brief rise in 2013, peaking slightly above 5 citations, followed by another dip. From 2016 to 2021, the citation rate stabilizes, maintaining an average of about 5 citations per article, indicating a period of relative consistency in how frequently articles were cited. However, a noticeable decline begins in 2022, where the average drops sharply, reaching around 2.5 citations by 2023 marking a steep downward trend. This downward trend continues into 2024, where the average citations per article approach zero. Overall, while there is initial stability in the middle years, the chart shows a marked decrease in average citations per article in recent years, suggesting a possible shift in citation patterns or relevance of the published research.

**Figure 2: Average Citations per Year**



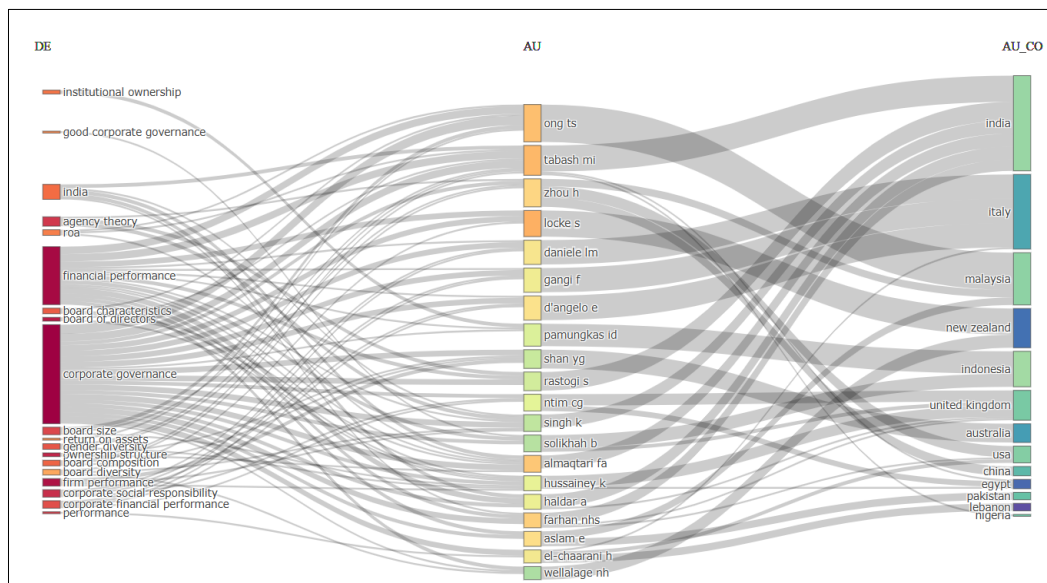
*Source: Authors' own analysis.*

### 3.4 Three field plot

In Figure 3 we have shown a three-part Sankey chart that highlights the links between Author Keywords (left), Authors (middle), and Countries (right). Each line represents the association between keywords, individual authors, and their countries, allowing us to track research themes and international contributions. On the left side

(Author Keywords), we have depicted the main research topics. The top three topics in this dataset are “corporate governance,” “financial performance,” and “board size,” especially in the context of India. These keywords show the focus areas of the research. In the middle section (Authors), we have shown individual authors like “Ong TS,” “Tabash MI,” and “Zhou H.” Each author is connected by lines to specific keywords on the left, which represent their research focus, and to countries on the right, which indicate their zone of contribution. The number of connections shows which authors have a wide range of research interests or are working together on different topics. The section (countries) in the figure shows the list of countries where major contributions have been made on these keywords. The top major contributions are seen from India, Italy, and Malaysia. Lines connecting the authors to these countries demonstrate the global nature of the research and reflect the international collaborations present in this field. Thus, here in figure we have emphasized the global distribution of authors and the wide-reaching interest in these topics, while also highlighting most active authors and their main theme of research.

**Figure 3: Three Field Plot (Sankey Diagram)**



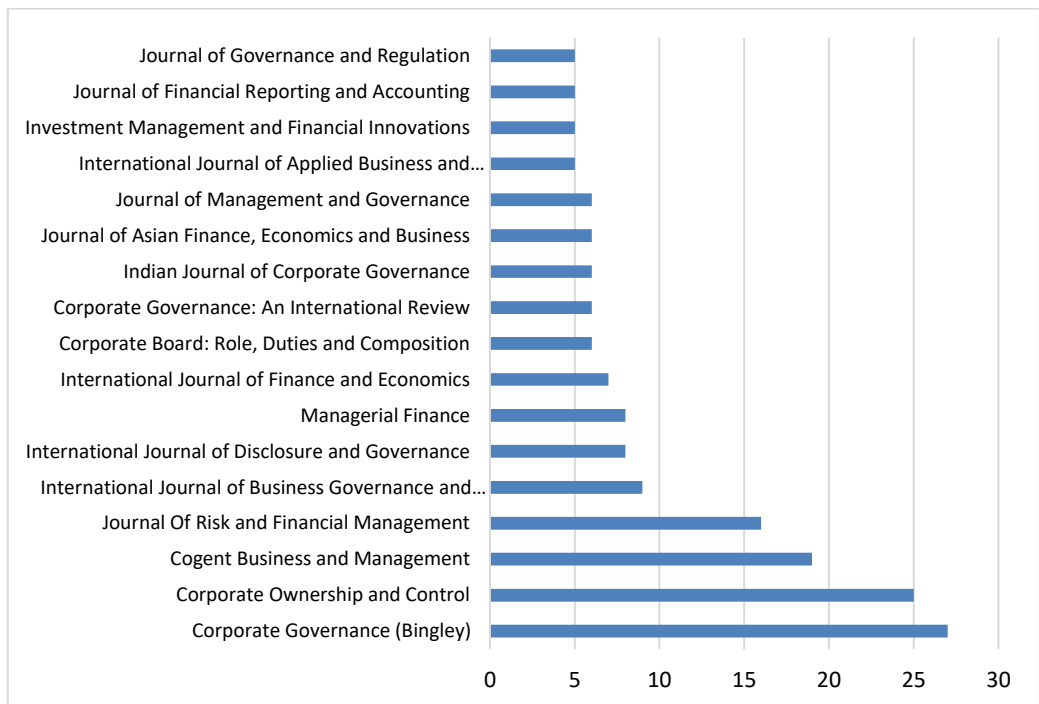
Source: Authors' own analysis

### 3.5 Most relevant source

Figure 4 shows the top sources that published the most articles on corporate governance and related topics. The table shows that Corporate Governance (Bingley) is

ranked first, as they have published the most articles (27 articles) in this area, followed by Corporate Ownership and Control with 25 articles, and Cogent Business and Management with 19 articles. The Journal of Risk and Financial Management ranks fourth with 16 articles, and the International Journal of Business Governance and Ethics ranks fifth with 9 articles on this topic. Further, several journals have published fewer articles but still contribute significantly such as International Journal of Disclosure and Governance and Managerial Finance each have 8 articles while International Journal of Finance and Economics has 7 articles. There are also five journals tied with 6 articles each, including Corporate Board: Role, Duties and Composition, Corporate Governance: An International Review, Indian Journal of Corporate Governance, Journal of Asian Finance, Economics and Business, and Journal of Management and Governance. Finally, four journals—International Journal of Applied Business and Economic Research, Investment Management and Financial Innovations, Journal of Financial Reporting and Accounting, and Journal of Governance and Regulation, each published 5 articles. This ranking highlights the top journals that are important for our research on corporate governance.

**Figure 4: Most Relevant Source**



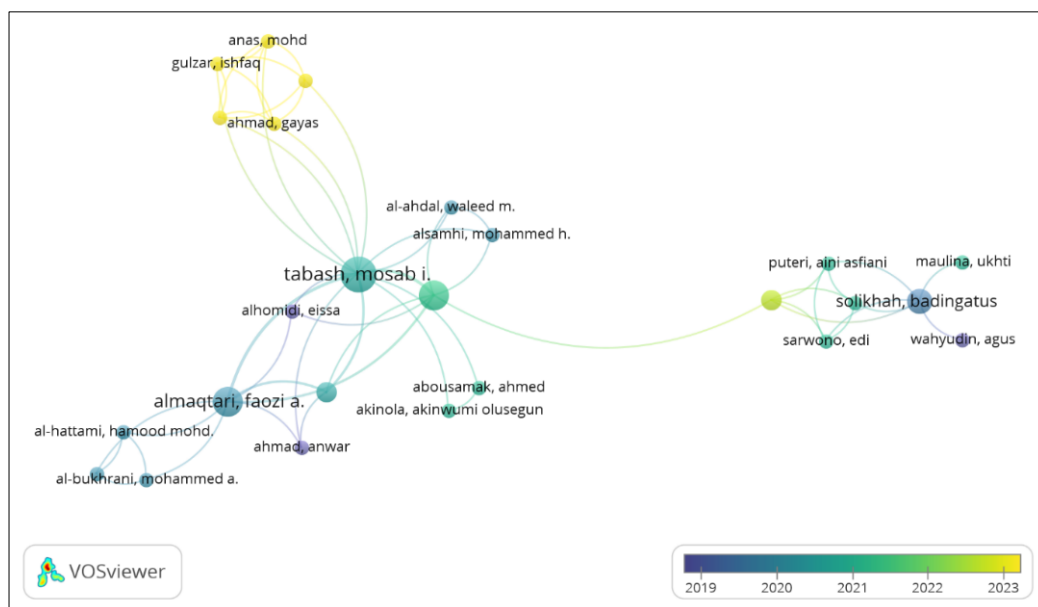
Source: Authors' own analysis



### 3.6 Co-authorship

In Figure 5, we have shown a co-authorship network that illustrates how researchers have collaborated with each other over time. Here, each node represents an author, and the node's size indicates how important or central the author is in the network. The colors of the nodes corresponded to the most recent year of collaboration, with blue representing older collaborations (2019) and yellow representing recent ones (2023). Lines connecting the nodes represents co-authorships, where thicker lines shows stronger or more frequent collaborations. Here, "Tabash, Mosab I." stands out as a central figure, connecting multiple groups, indicating he has collaborated with a diverse range of researchers over the years. His network contains clusters of authors who frequently collaborate with one another, indicating that he serves as a key researcher connecting various groups.

**Figure 5: Co-authorship**



Source: Authors' own analysis.

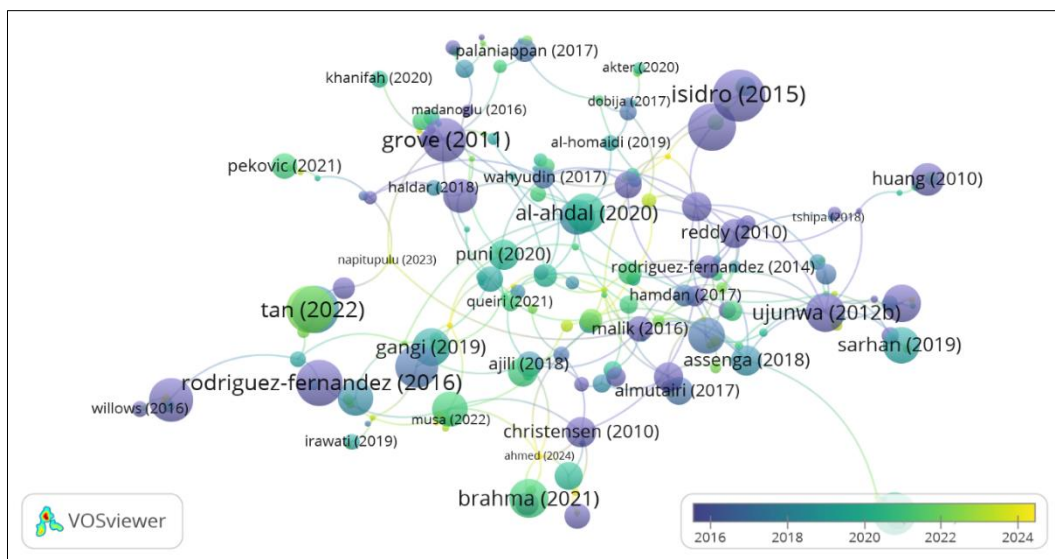
Similarly, "Solikhah, Badingatus" is another key author but has a smaller and more focused network, mostly colored in green, showing collaborations mostly between 2020 and 2021. Different clusters show group of researchers who often work together. For example, the yellow cluster, which includes authors like "Anas, Mohd" and "Ahmad,



### 3.8 Co-citation analysis

In co-citation we have shown a bibliometric network of co-cited authors based on research publications. The nodes in this analysis represent individual authors, with their sizes reflecting citation frequency—larger nodes signify authors with higher citation counts. Figure 7 depicted co-citation analysis constructed on minimum occurrence of three times. The connecting lines indicates co-citation relationships, with thicker lines signifying stronger relationships. The colours show a timeline from 2016 to 2024, as indicated by the gradient legend, where darker blue tones represent earlier years and yellow tones signify more recent publications. Clusters are evident, showing the groups of authors who are often cited together, indicating thematic or disciplinary overlaps in their research. Prominent authors include “grove (2011),” “isidro (2015),” and “al-ahdal *et al.* (2020),” with visible interconnections suggesting collaborative or closely aligned scholarly influence.

**Figure 7: Co-citation**



Source: Authors' own analysis.

### 4.0 Conclusion

During the study our analysis shows a very strong and growing research area with a lot of international teamwork and active involvement from a wide variety of authors.

Our research concluded that there is an overall growth in the scientific production of articles. In the second figure, average number of citations per article annually has been displayed which shows a decrease in the average citation per article suggesting a possible shift in citation patterns or relevance of the published research. Our research work concluded that the most searched keywords for this theme were “corporate governance” and “financial performance” and the major contribution on this topic was from country “India.” Also, the study revealed that the topmost source that published almost 27 articles on corporate governance was “Bingley”. In addition to this our study focused on the most cited document on corporate governance. Analysis depicted a close association between agency theory and corporate governance, as the study suggests.

## **5.0 Future Direction of Research**

The present study adds to the existing stock of knowledge and the body of literature by providing an opportunity to understand the status of corporate governance research in India. In this study we have applied a very strict filtering criteria such as time restriction, stream restriction and, we due to credit worthiness we also restricted our journal articles. We excluded articles which were not in English language, thus we ended up with 442 articles only. Also, we ignored book chapters, conference papers and other publications. To conclude, we gave more emphasis to subject matters such as citation analysis, the ranking of top journals in the data set and so on. Thus, future research could focus on our limitations to present a vibrant presentation of those issues.

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