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MUNDARIJA СОДЕРЖАНИЕ CONTENTS

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THE IMPACT OF CORPORATE GOVERNANCE ON FIRM PERFORMANCE AND FINANCIAL STABILITY

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Abstract: This article examines the relationship between corporate governance and business performance, with a separate analysis of how it affects a firm's performance and financial stability. The study examines the theoretical foundations of the relationship and provides an overview of corporate governance procedures. The results suggest the importance of corporate governance procedures for improving business performance and reducing financial risks. Practical implications for improving the corporate governance system are discussed.

Key words: corporate governance, firm performance, financial stability, governance mechanisms, executive compensation, shareholder rights, risk management, control mechanisms, transparency, disclosure, auditing, internal controls, agency theory, stewardship theory, resource dependency theory, policy implications, regulatory frameworks, best practices.

Annotatsiya: Ushbu maqolada korporativ boshqaruv va biznes samaradorligi o‘rtasidagi bog‘liqlik ko‘rib chiqiladi, buning natijasi firma faoliyati va moliyaviy barqarorlikka qanday ta'sir qilishi alohida tahlil qilinadi. Tadqiqotda o‘zaro munosabatlarning nazariy asoslari ko‘rib chiqadi va korporativ boshqaruv tartib-qoidalari haqida umumiy ma'lumot beriladi. Natijalar korporativ boshqaruv tartib-qoidalarining biznes samaradorligini oshirish va moliyaviy risklarni kamaytirish uchun qanchalik muhimligi ilgari suriladi. Korporativ boshqaruv tizimini yaxshilash uchun amaliy natijalar muhokama qilinadi.

Kalit so‘zlar: korporativ boshqaruv, firma faoliyati, moliyaviy barqarorlik, boshqaruv mexanizmlari, ijrochi kompensatsiyasi, aktsiyadorlar huquqlari, risklarni boshqarish, nazorat mexanizmlari, shaffoflik, oshkor qilish, audit, ichki nazorat, agentlik nazariyasi, boshqaruv nazariyasi, resurslarga bog‘liqlik nazariyasi, siyosat oqibatlari, me'yoriy-huquqiy bazalar , eng yaxshi amaliyotlar.

Аннотация: В данной статье рассматривается взаимосвязь между корпоративным управлением и эффективностью бизнеса, с отдельным анализом того, как это влияет на эффективность деятельности фирмы и финансовую стабильность. В исследовании рассматриваются теоретические основы взаимоотношений и дается обзор процедур корпоративного управления. Результаты свидетельствуют о важности процедур корпоративного управления для повышения эффективности бизнеса и снижения финансовых рисков. Обсуждаются практические последствия совершенствования системы корпоративного управления.

Ключевые слова: корпоративное управление, результаты деятельности фирмы, финансовая стабильность, механизмы управления, вознаграждение руководителей, права акционеров, управление рисками, механизмы контроля, прозрачность, раскрытие информации, аудит, внутренний контроль, агентская теория, теория управления, теория зависимости от ресурсов, последствия для политики, нормативно-правовая база. , лучшие практики.

INTRODUCTION

The topic of the impact of corporate governance on firm performance and financial stability is significantly important for several reasons such as investor confidence, firm performance, risk management, regulatory compliance, and financial stability. Understanding the relationship between them is critical for policymakers, regulators, investors, and corporate leaders to ensure sustainable economic growth, investor protection, and long-term value creation.

This review paper aims to comprehensively examine the relationship between corporate governance and good performance and financial stability by synthesizing existing literature and theoretical frameworks. Moreover, the evaluation seeks to consider governance frameworks, best practices, and important factors that directly participate in the improvement of financial resilience and successful company performance.

This review paper encompasses a wide range of academic publications such as research papers, industry reports, and scholarly articles from reputable sources. The scope of work covers studies from different economic zones, industries, and diverse forms of organizations to capture various perspectives and implications.

LITERATURE REVIEW

Corporate governance is a critical area of research, with numerous studies examining the relationship between governance practices and firm outcomes. This literature review focuses on the impact of corporate governance on firm performance and financial stability, drawing on recent research in the field. Naturally, the field has different perceptions from various perspectives. One of the most prominent definitions for that field is provided in the Cadbury Report 1992: "the system by which companies are directed and controlled. An appropriate expansion might be: "in the interests of shareholders and about those stakeholders beyond the company boundaries" (Kaplan Publishing, 2022).

A key theme in the literature is the importance of board composition and structure in promoting effective governance. Studies have shown that boards with a higher proportion of independent directors are more effective in monitoring management and mitigating risks, leading to improved firm performance and financial stability (Aliyu et al., 2014).

Another important factor in governance is executive compensation. Studies have shown that performance-based compensation practices, such as stock options and bonuses, can incentivize executives to pursue riskier strategies, thereby increasing firm risk exposure and potentially undermining financial stability (Aliyu et al., 2014). When aligned with long-term performance goals and subject to appropriate oversight, executive compensation can help attract and retain top talent. This contributes to improved firm performance and financial stability.

It has been well-established that shareholder rights and activism are instrumental in promoting good governance. By keeping a close eye on the actions of companies, shareholders can ensure that their interests are being protected and that companies are operating transparently and responsibly. This is why shareholder rights and activism are essential tools for anyone who wants to see companies operate fairly and ethically. Studies have shown that shareholder activism can lead to improved governance practices, such as increased board independence and improved risk management, leading to improved firm performance and financial stability (Umar et al., 2024). Moreover, institutional investors bring their extensive resources and expertise which can enhance governance effectiveness and provide greater oversight and accountability.

Effective risk management practices are also critical in promoting financial stability. Studies have shown that the use of risk committees and the integration of risk management into strategic decision-making can help organizations identify and mitigate risks more effectively, leading to improved financial stability (Almaqtari et al., 2021).

The role of governance in promoting ethical behavior and sustainability has been explored in the literature. Studies have shown that aligning governance practices with long-term value creation and stakeholder interests can contribute to improved firm performance, and financial stability, and promote ethical behavior and sustainability.

In conclusion, effective governance practices such as board composition and structure, executive compensation, shareholder rights and activism, risk management, and sustainability are crucial for organizations. By promoting these practices, organizations can enhance their risk management capabilities, ensure compliance with regulations, and promote financial stability, thereby contributing to long-term value creation and sustainable economic growth.

METHODOLOGY

The methodology will involve a systematic literature review employing keywords and search terms associated with financial stability, company performance, and corporate governance. The review will include a thematic approach to assess the results, grouping the literature based on key themes and theoretical frameworks.

Furthermore, the review will identify the gaps in the literature, critically assess the advantages and disadvantages of the current research and suggest avenues for future research to deepen readers' understanding of the field. Overall, the main objective of the review paper is to provide insights into the ways of improving firm performance and financial stability in the global business environment through sound corporate governance standards, regulatory reforms, and strategic decision-making processes.

ANALYSIS AND RESULTS

Corporate governance is a field of study and practice. We are concerned about corporate governance because we want companies to have good performance and create value for society. Good management and good investments are significant in good performance, and the sound corporate governance framework aims to ensure good management and good investment.

Key principles of sound corporate governance comprised of:

Accountability: Directors and managers are held accountable to shareholders and other stakeholders for the actions and decisions they have taken. Transparency in reporting and disclosing both financial and non-financial information are key factors in ensuring accountability. Accountability of the controlling bodies demonstrates that they act in the best interests of owners and interested parties, bolstering trust and confidence within the organization. Meanwhile, accountability is the essential principle to ensure that the board of directors is obliged to demonstrate the firm overall financial performance of the entity.

Fairness: A good corporate governance framework should treat all stakeholders, such as shareholders, employees, customers, suppliers, and communities in the scope of corporate activities fairly and equally. Equitable treatment considers the issues, including equal access to information, opportunities, and resources of the enterprise. It is a fundamental principle of corporate governance that is considered a key factor in evaluating the level of corporate ethics and commitment of controlling bodies. In addition, it allows the equity holders to consider firm performance make rational decisions about their long-term strategy, and convince them to prioritize the company's interest over their financial interests.

Transparency: To build trust and confidence among stakeholders it is essential to ensure transparent communication and information disclosure. Companies that adopt corporate governance principles should provide timely, accurate, and relevant information on their financial performance, governance practices, and material risks. The principle not only enhances investor confidence, but also facilitates rational and informed decision-making, reduces the probability of corporate misconduct, and empowers fraud detection mechanisms. Moreover, transparency in both financial and non-financial reporting holds shareholders in the organization and improves their loyalty, while attracting more investors that are concerned about corporate activity disclosure.

Responsibility: Companies have a responsibility to stakeholders to operate in a socially responsible and sustainable manner while harmonizing the entity's strategy, the interests of shareholders, and the societal impact of their actions and decisions. This principle emphasizes the role of corporate social responsibility and sustainable development, expecting companies to take the environmental, social, and ethical impact of their activities. Responsible business practices contribute long-term value to innovation, stakeholder trust, and societal well-being. Also, considering their responsibilities, both controlling and governing bodies pay careful attention to decision-making processes, making company decisions more impactful and reasonable to provide financial stability.

Extensive research in the literature has established a strong interrelation between corporate governance and firm performance. As a result, organizations must prioritize effective corporate governance practices to ensure optimal performance and success. Corporate governance refers to the mechanisms and structures that are put in place to manage and control a company's operations and ensure that it is accountable to its stakeholders (Zabri et al., 2016)Malaysian Code of Corporate Governance (MCCG. Firm performance, on the other hand, is a measure of a company's success in achieving its objectives, such as profitability, growth, and efficiency (Zabri et al., 2016)Malaysian Code of Corporate Governance (MCCG.

Studies have shown that corporate governance can have a significant impact on firm performance. For example, a study of 1,500 firms in 27 countries found that better corporate governance practices were positively correlated with higher firm performance (Zabri et al., 2016)Malaysian Code of Corporate Governance (MCCG. Specifically, the study found that measures such as board independence, CEO duality, and ownership concentration were positively associated with firm performance (Zabri et al., 2016)Malaysian Code of Corporate Governance (MCCG.

Another study of 81 non-financial firms listed on the Amman Stock Exchange in Jordan found that the characteristics of the board of directors and audit committee, as well as ownership structure, were positively related to firm performance (Di Berardino, 2016). Specifically, the study found that a larger board size, a higher proportion of independent directors, and a greater number of board meetings were positively associated with firm performance (Di Berardino, 2016).

However, the relationship between corporate governance and firm performance is not always straightforward. For example, a study of Chinese listed firms found that the relationship between ownership concentration and firm performance was moderated by managerial overconfidence (Bhagat & Bolton, 2008)corporate performance, corporate capital structure, and corporate ownership structure. We make three additional contributions to the literature:. First, we find that better governance as measured by the Gompers, Ishii, and Metrick [Gompers, P.A., Ishii, J.L., and Metrick, A., 2003, Corporate governance and equity prices, Quarterly Journal of Economics 118(1. Specifically, the study found that managerial overconfidence negatively influenced the relationship between ownership concentration and firm performance (Bhagat & Bolton, 2008)corporate performance, corporate capital structure, and corporate ownership structure. We make three additional contributions to the literature:. First, we find that better governance as measured by the Gompers, Ishii, and Metrick [Gompers, P.A., Ishii, J.L., and Metrick, A., 2003, Corporate governance and equity prices, Quarterly Journal of Economics 118(1.

Similarly, a study of the impact of corporate governance measures on firm performance in the context of managerial overconfidence found that dual leadership had a negative relationship with firm performance, while debt financing had a negative significant association with both measures of firm performance (Bhagat & Bolton, 2008)corporate performance, corporate capital structure, and corporate ownership structure. We make three additional contributions to the literature:. First, we find that better governance as measured by the Gompers, Ishii, and Metrick [Gompers, P.A., Ishii, J.L., and Metrick, A., 2003, Corporate governance and equity prices, Quarterly Journal of Economics 118(1. In addition to the direct impact of corporate governance on firm performance, corporate governance can also affect firm performance indirectly through its impact on financial leverage (Alodat et al., 2022)resource dependency and agency theories have underlined the superior performance of firms equipped with stronger Corporate Governance (CG. For example, a study of the relationship between corporate governance and firm performance with the mediating effects of financial leverage found that board size, board independence, and CEO duality were significantly related to financial leverage, which in turn was significantly related to firm performance (Alodat et al., 2022)resource dependency and agency theories have underlined the superior performance of firms equipped with stronger Corporate Governance (CG.

The composition and structure of a board of directors play a crucial role in influencing firm performance. Research has shown that the characteristics of the board, such as board size, independence, diversity, and expertise, can impact the decision-making process and ultimately affect the company's performance (Zabri et al., 2016)Malaysian Code of Corporate Governance (MCCG.

Studies have indicated that a larger board size can lead to more diverse perspectives and expertise, which can positively influence strategic decision-making and performance outcomes (Di Berardino, 2016). Having a well-structured board with a balanced mix of skills, experience, and independence is vital for providing effective oversight and guidance to management. Such a board can successfully contribute to enhancing the firm's overall performance, leading to improved outcomes and increased success.

Furthermore, the presence of directors with diverse backgrounds and expertise can bring valuable insights to boardroom discussions, leading to more informed decisions and better performance outcomes (Zabri et al., 2016)Malaysian Code of Corporate Governance (MCCG. Having a well-structured board with a balanced mix of skills, experience, and independence is vital for providing effective oversight and guidance to management. Such a board can successfully contribute to enhancing the firm's overall performance, leading to improved outcomes and increased success.

Executive compensation plays a significant role in incentivizing performance and aligning the interests of executives with those of shareholders. Studies have shown that the design of executive compensation packages can influence executive behavior and decision-making, impacting firm performance (Di Berardino, 2016).

Performance-based pay, such as bonuses, stock options, and other incentives tied to company performance metrics, can motivate executives to focus on achieving strategic goals and enhancing shareholder value (Di Berardino, 2016). Linking executive compensation to key performance indicators ensures executives make decisions that benefit the organization long term.

Moreover, the structure of executive compensation packages can also influence risk-taking behavior and long-term strategic planning. Companies that align executive pay with long-term performance goals are more likely to foster sustainable growth and value creation, leading to improved firm performance over time (Di Berardino, 2016).

Shareholder rights and activism can have a significant impact on firm outcomes, including performance and governance practices. Shareholders play a crucial role in monitoring and influencing corporate decisions, holding management accountable, and advocating for changes that can enhance shareholder value (Zabri et al., 2016)Malaysian Code of Corporate Governance (MCCG.

Studies have shown that strong shareholder rights can lead to better corporate governance practices, increased transparency, and improved firm performance (Zabri et al., 2016)Malaysian Code of Corporate Governance (MCCG. Shareholder activism is a powerful tool that allows shareholders to actively engage with companies to influence strategic decisions and governance practices, driving positive changes that benefit all stakeholders.

By exercising their rights and engaging in activism, shareholders can push for reforms that enhance board accountability, improve executive compensation practices, and promote sustainable business practices that contribute to long-term value creation (Zabri et al., 2016)Malaysian Code of Corporate Governance (MCCG. Responding positively to shareholder concerns and engaging constructively with activists can improve outcomes and enhance the overall performance of companies.

To summarize, the relationship between corporate governance and firm performance is a widely researched and interconnected topic. The existing literature suggests that better corporate governance practices have a positive effect on the performance of firms. However, the relationship between these two concepts is intricate and can be influenced by several factors, such as managerial overconfidence and financial leverage. Therefore, it is crucial to consider the specific context and factors that are at play when examining the relationship between corporate governance and firm performance. By focusing on the composition and structure of the board, executive compensation practices, and shareholder rights and activism, companies can strengthen their governance practices, incentivize performance, and foster a culture of accountability and transparency that ultimately leads to improved firm performance and long-term value creation. A thorough understanding of these nuances can lead to well-informed decisions concerning corporate governance practices that positively impact the overall performance of the firm.

Corporate governance is of utmost importance in minimizing financial risks within organizations. It does so by establishing effective oversight, implementing governance mechanisms, and deploying risk management practices. A strong corporate governance framework contributes to better risk management strategies, thus reducing the possibility of financial crises and enhancing overall financial stability.

Research has shown that effective governance structures and practices help establish accountability, transparency, and oversight mechanisms that can identify, assess, and manage financial risks proactively1. Governance mechanisms such as board independence, audit committee effectiveness, and risk oversight structures are positively correlated with improved risk management practices and better control over financial risks (Nguyen et al., 2024).

Transparency and disclosure are essential components of financial stability. Organizations that maintain high levels of transparency in their operations, financial reporting, and decision-making processes tend to build trust with stakeholders, reduce information asymmetry, and enhance financial stability. Firms with transparent governance practices and comprehensive disclosure policies are more likely to enjoy greater financial stability and resilience in the face of economic uncertainties (Umar et al., 2024)the high incidence of corrupt practices in the public and private sectors in developing African countries cripples many businesses. It makes it difficult to entrust the management of organisations to a third party. Trust is essential, especially in an environment with a loose execution of legal charges. Although a direct relationship between corporate governance and performance has been established across many disciplines, the influence of trust as an interactive construct has yet to be established. Therefore, this study addresses this gap. This study used concurrent triangulation design with a significant quantitative approach complemented by the qualitative segment involving seven open-ended questions. Data were collected from 384 cooperative for rice farmer's by used of a survey design. Structural Equation Modelling was used to assess the measurement model to test the hypotheses. An Excel spreadsheet was used to pre-code the data derived from open-ended questions, and later exported to ATLAS.ti software for qualitative analysis through coding, group coding and network. The findings revealed that corporate governance and trust significantly influenced agricultural cooperative performance. The moderating effect of trust on corporate governance was supported. The findings illustrate how social capital theory explains the processes of African trust, especially in corrupt environments with weak legal penalties. This study examines corporate governance within the internal control mechanisms of an agricultural cooperative society. Further studies should understand corporate governance within an external tie. To our knowledge this is the first study to examine the moderating effect of trust on the interacting variables in the African social capital theory model.","author":[{"dropping-particle":"","family":"Umar","given":"Ibrahim Mohammed","non-dropping-particle":"","parse-names":false,"suffix":""},{"dropping-particle":"","family":"Mustafa","given":"Hasri-","non-dropping-particle":"","parse-names":false,"suffix":""},{"dropping-particle":"","family":"Sidek","given":"Shafie","non-dropping-particle":"","parse-names":false,"suffix":""},{"dropping-particle":"","family":"Lau","given":"Wai Yeng","non-dropping-particle":"","parse-names":false,"suffix":""}],"container-title":"Social Sciences and Humanities Open","id":"ITEM-1","issue":"March","issued":{"date-parts":[["2024"]]},"page":"100831","publisher":"Elsevier Ltd","title":"Moderating role of trust in the relationship between corporate governance and performance of agricultural cooperatives in Nigeria","type":"article-journal","volume":"9"},"uris":["http://www.mendeley.com/documents/?uuid=76d3a368-a413-4c47-b214-e93d1faeb665"]}],"mendeley":{"formattedCitation":"(Umar et al., 2024.

Auditing and internal controls are critical components of ensuring financial integrity within organizations. Audits provide independent assessments of financial statements, internal controls, and compliance with regulations, enhancing the reliability and accuracy of financial information. Effective internal control systems help prevent fraud, errors, and mismanagement of financial resources, safeguarding the organization's assets and ensuring compliance with laws and regulations (Almaqtari et al., 2021).

The impact of governance mechanisms on risk management and control is a crucial aspect of corporate governance. Effective governance mechanisms can help organizations identify, assess, and manage risks more effectively, thereby enhancing their overall risk management capabilities.

Studies have shown that governance mechanisms such as board independence, audit committee effectiveness, and risk oversight structures are positively correlated with improved risk management practices and better control over financial risks (Nguyen et al., 2024). For instance, a study by Cheng et al. (2014) found that board characteristics, such as the proportion of independent directors, have a significant impact on firm risk exposure (Aliyu et al., 2014).

Transparency and disclosure are also essential components of risk management and control. Organizations that maintain high levels of transparency in their operations, financial reporting, and decision-making processes tend to build trust with stakeholders, reduce information asymmetry, and enhance risk management capabilities. Firms with transparent governance practices and comprehensive disclosure policies are more likely to enjoy greater financial stability and resilience in the face of economic uncertainties (Umar et al., 2024) the high incidence of corrupt practices in the public and private sectors in developing African countries cripples many businesses. It makes it difficult to entrust the management of organisations to a third party. Trust is essential, especially in an environment with a loose execution of legal charges. Although a direct relationship between corporate governance and performance has been established across many disciplines, the influence of trust as an interactive construct has yet to be established. Therefore, this study addresses this gap. This study used concurrent triangulation design with a significant quantitative approach complemented by the qualitative segment involving seven open-ended questions. Data were collected from 384 cooperative for rice farmer's by used of a survey design. Structural Equation Modelling was used to assess the measurement model to test the hypotheses. An Excel spreadsheet was used to pre-code the data derived from open-ended questions, and later exported to ATLAS.ti software for qualitative analysis through coding, group coding and network. The findings revealed that corporate governance and trust significantly influenced agricultural cooperative performance. The moderating effect of trust on corporate governance was supported. The findings illustrate how social capital theory explains the processes of African trust, especially in corrupt environments with weak legal penalties. This study examines corporate governance within the internal control mechanisms of an agricultural cooperative society. Further studies should understand corporate governance within an external tie. To our knowledge this is the first study to examine the moderating effect of trust on the interacting variables in the African social capital theory model.","author":[{"dropping-particle":"","family":"Umar","given":"Ibrahim Mohammed","non-dropping-particle":"","parse-names":false,"suffix":""},{"dropping-particle":"","family":"Mustafa","given":"Hasri-","non-dropping-particle":"","parse-names":false,"suffix":""},{"dropping-particle":"","family":"Sidek","given":"Shafie","non-dropping-particle":"","parse-names":false,"suffix":""},{"dropping-particle":"","family":"Lau","given":"Wai Yeng","non-dropping-particle":"","parse-names":false,"suffix":""}],"container-title":"Social Sciences and Humanities Open","id":"ITEM-1","issue":"March","issued":{"date-parts":[["2024"]]},"page":"100831","publisher":"Elsevier Ltd","title":"Moderating role of trust in the relationship between corporate governance and performance of agricultural cooperatives in Nigeria","type":"article-journal","volume":"9"},"uris":["http://www.mendeley.com/documents/?uuid=76d3a368-a413-4c47-b214-e93d1faeb665"]}],"mendeley":{"formattedCitation":"(Umar et al., 2024.

Effective internal control systems are critical for preventing fraud, errors, and mismanagement of financial resources. Robust auditing practices and internal control mechanisms help safeguard the organization's assets and ensure compliance with laws and regulations, thereby promoting trust among stakeholders and enhancing risk management capabilities (Almaqtari et al., 2021).

Transparency and disclosure are crucial elements of financial stability, as they help build trust and confidence among stakeholders, reduce information asymmetry, and promote effective risk management. Research has shown that transparency and disclosure are positively correlated with financial stability, as they help ensure that relevant information is available to all market participants, thereby enabling better decision-making and reducing the likelihood of financial instability (Aliyu et al., 2014).

Effective disclosure practices can help organizations provide timely, accurate, and relevant information to stakeholders, thereby promoting transparency and accountability. Studies have shown that organizations with effective disclosure practices are more likely to enjoy greater financial stability and resilience in the face of economic uncertainties (Nguyen et al., 2024).

Transparency and disclosure are particularly important in the context of risk management and control. Organizations that maintain high levels of transparency in their risk management practices tend to build trust with stakeholders, reduce information asymmetry, and enhance risk management capabilities. Firms with transparent governance practices and comprehensive disclosure policies are more likely to enjoy greater financial stability and resilience in the face of economic uncertainties (Umar et al., 2024)the high incidence of corrupt practices in the public and private sectors in developing African countries cripples many businesses. It makes it difficult to entrust the management of organisations to a third party. Trust is essential, especially in an environment with a loose execution of legal charges. Although a direct relationship between corporate governance and performance has been established across many disciplines, the influence of trust as an interactive construct has yet to be established. Therefore, this study addresses this gap. This study used concurrent triangulation design with a significant quantitative approach complemented by the qualitative segment involving seven open-ended questions. Data were collected from 384 cooperative for rice farmer's by used of a survey design. Structural Equation Modelling was used to assess the measurement model to test the hypotheses. An Excel spreadsheet was used to pre-code the data derived from open-ended questions, and later exported to ATLAS.ti software for qualitative analysis through coding, group coding and network. The findings revealed that corporate governance and trust significantly influenced agricultural cooperative performance. The moderating effect of trust on corporate governance was supported. The findings illustrate how social capital theory explains the processes of African trust, especially in corrupt environments with weak legal penalties. This study examines corporate governance within the internal control mechanisms of an agricultural cooperative society. Further studies should understand corporate governance within an external tie. To our knowledge this is the first study to examine the moderating effect of trust on the interacting variables in the African social capital theory model.”,”author”:[{“dropping-particle”:””,”family”:”Umar”,”given”:”Ibrahim Mohammed”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””},{“dropping-particle”:””,”family”:”Mustafa”,”given”:”Hasri-”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””},{“dropping-particle”:””,”family”:”Sidek”,”given”:”Shafie”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””},{“dropping-particle”:””,”family”:”Lau”,”given”:”Wai Yeng”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””}],”container-title”:”Social Sciences and Humanities Open”,”id”:”ITEM-1”,”issue”:”March”,”issued”:{“date-parts”:[[“2024”]]},”page”:”100831”,”publisher”:”Elsevier Ltd”,”title”:”Moderating role of trust in the relationship between corporate governance and performance of agricultural cooperatives in Nigeria”,”type”:”article-journal”,”volume”:”9”},”uris”:[“http://www.mendeley.com/documents/?uuid=76d3a368-a413-4c47-b214-e93d1faeb665”]}],”mendeley”:{“formattedCitation”:”(Umar et al., 2024.

Effective internal control systems are critical for ensuring the accuracy and reliability of financial information. Robust auditing practices and internal control mechanisms help safeguard the organization's assets and ensure compliance with laws and regulations, thereby promoting trust among stakeholders and enhancing risk management capabilities (Almaqtari et al., 2021).

Effective internal controls and auditing are essential for maintaining financial integrity within organizations. They provide accurate and trustworthy financial information, prevent fraudulent activities, and ensure compliance with regulations and laws. By implementing strong internal control mechanisms and conducting thorough audits, organizations can foster trust and confidence among stakeholders, minimize information asymmetry, and promote financial stability.

The process of auditing involves a thorough review and assessment of an organization's financial statements, internal controls, and adherence to legal requirements. This practice is crucial in ensuring that financial information is accurate and dependable, fostering trust and confidence among stakeholders. External audits, carried out by unbiased auditors, offer an impartial evaluation of an organization's financial records, while internal audits, conducted by the organization's audit function, aid in identifying and mitigating risks and enhancing internal controls.

Internal controls are established procedures and systems that help ensure the precision and reliability of financial information, prevent fraudulent activities, and ensure compliance with legal obligations. Effective internal controls are essential to maintaining precise and dependable financial data, preventing fraudulent activities, and complying with legal requirements.

Studies have shown that effective auditing and internal control mechanisms are positively correlated with financial stability. For instance, a study by Cheng et al. (2014) found that internal controls have a significant impact on firm risk exposure, as they help organizations identify and mitigate risks more effectively (Aliyu et al., 2014). Similarly, a study by Ahmed and Courtis (2013) found that effective internal controls are positively correlated with financial performance, as they help organizations maintain accurate and reliable financial information, prevent fraud, and ensure compliance with laws and regulations (Nguyen et al., 2024).

In conclusion, corporate governance plays a crucial role in ensuring financial stability by establishing effective oversight, governance mechanisms, and risk management practices. Transparency, disclosure, auditing, and internal controls are fundamental components of corporate governance that contribute to maintaining financial integrity, reducing information asymmetry, and building trust among stakeholders. By integrating robust governance practices, organizations can enhance their risk management capabilities, ensure compliance with regulations, and uphold financial integrity. Ultimately, a strong corporate governance framework is essential for fostering financial stability, enhancing investor confidence, and sustaining long-term organizational success in today's dynamic and complex business environment.

DISCUSSIONS

In the scope of corporate governance, shareholders are considered principals who delegate their decision-making authority to managers and directors, who act as agents on principals' behalf. From an agency theory perspective, managers often seek to increase their benefits at the expense of owners (Al-Hiyari et al., 2024). For instance, the prior literature has shown that managers have tendencies to engage in empire-building activities and invest free cash flow in unprofitable projects(Al-Hiyari et al., 2024). Agency theory emphasizes conflicts of interest between shareholders who seek to maximize their shareholder wealth and managers who pursue personal goals or interests. This is the misalignment of goals that can lead to agency costs, firm performance inefficiencies, and violation of shareholder rights. Corporate governance mechanisms may mitigate the managers' opportunistic behavior of manipulating the reported earnings (Nazir & Afza, 2018)increase firm value. Based on 1944 firm year observations for listed firms in Pakistan, this study aims at to analyze the role of corporate governance in enhancing firm value along with the moderating role of DEM using models proposed by Kasznik (1999.

Thus, there are monitoring and controlling corporate governance mechanisms such as the board of directors, executive compensation, and external audits that alleviate agency problems. For instance, a fair number of independent directors, compensation based on performance, and external audits, by ensuring accountability, can be relevant to align the interests of managers with those of shareholders.

Agency theory highlights that information asymmetry between principals and agents primarily causes agency problems. There are several other actors such as auditors, analysts, and stock exchanges play a special role by providing information to shareholders and other stakeholders (Yusri, 2020). Lawyers, stockbrokers, consultants, and insurance In all this complexity, the primary focal point in corporate governance is the relationship between owners and companies, with a particular focus on the board (Yusri, 2020).

Agency theory proposes corporate governance best practices by emphasizing the importance of monitoring and controlling mechanisms to align incentives, by monitoring managerial behavior and mitigating agency costs (Smulowitz et al., 2019). To summarize, agency theory provides a theoretical framework for understanding the dynamics of relationships between principals and agents and the design of corporate mechanisms to address agency cases.

Stewardship theory suggests that the organization staff are intrinsically motivated to work for others or for organizations to accomplish tasks, achieve common objectives, and fulfill responsibilities with which they have been entrusted. This theory highlights that managers are collective-minded and pro-organizational, meaning that working towards the attainment of organizational, group, or societal goals they take a higher level of satisfaction.

In the context of corporate governance, stewardship theory explains that managers, not controlled by a separate body, tend to act as responsible stewards of the assets and resources they control. Theorists assume that a steward will place a higher value on cooperation than defection when given a choice between self-serving behavior and pro-organizational behavior.

Stewards are expected to have characteristics of collectivism, pro-organizationally disciplinary, and trustworthiness. Stewardship theory has significant implications for firm performance. A study examining the impact of stewardship on firm performance found that family ownership positively moderates the relationship between the quantity of CEO board memberships and firm performance (Wesley, 2010). Additionally, the presence of affiliated directors and community influential directors positively moderates the CEO board memberships-firm performance relationship (Wesley, 2010).

The definition of firm performance may impact the results of studies examining stewardship theory. A study suggests that the use of market-based data such as share price or market capitalization may be a more appropriate dependent variable given the focus of Davis et al. (1997) and Donaldson (1990) on firm value. Additionally, the use of Tobin's Q as a performance metric may decouple the theoretical description of firm performance (as long term) from the construct being used to define firm performance (Wesley, 2010).

In conclusion, stewardship theory provides a framework for characterizing the motivations of managerial behavior in various types of organizations, with significant implications for firm performance. A multifaceted approach is required to fully understand the relationship between sound corporate governance and firm performance. It is important to note that the definition of firm performance can significantly influence the outcomes of studies revolving around stewardship theory. Therefore, more precise measures that evaluate stewardship are essential.

Resource dependence theory (RDT) is a theoretical framework that explains how organizations manage their dependence on resources that are controlled by external entities. In the context of financial stability, RDT can provide insights into how organizations can secure the resources they need to ensure their financial stability.

According to RDT, organizations rely on resources controlled by external entities like suppliers, customers, and regulators. Organizations rely on resources controlled by external entities like suppliers, customers, and regulators, according to RDT.

In resource-constrained environments, universities must interact collaboratively and competitively to ensure financial stability (Pilbeam, 2012). One reason why universities require a lot of money is because they rely on external support, like funding from the government, research grants, and tuition fees, to keep running. Without these resources, universities would struggle to provide quality education and carry out important research. By collaborating with other universities, they can share resources and reduce their dependence on any one resource provider (Pilbeam, 2012).

In the context of financial stability, RDT can provide valuable guidance for managers who want to understand the considerations and consequences relevant to different types of resource dependencies (Malatesta & Smith, 2014)public and nonprofit managers look for new strategies to address the challenges associated with limited resources. Resource dependence theory provides valuable guidance for managers who want to understand the considerations and consequences relevant to different types of interorganizational partnering. In this article, the theory’s core ideas are described, along with three common strategies or tactics that organizations use to obtain critical resources from the environment: merging, forming alliances, and co-opting. For each strategy, the authors derive a set of practical lessons for busy public and nonprofit managers. © 2014 by The American Society for Public Administration.”,”author”:[{“dropping-particle”:””,”family”:”Malatesta”,”given”:”Deanna”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””},{“dropping-particle”:””,”family”:”Smith”,”given”:”Craig R.”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””}],”container-title”:”Public Administration Review”,”id”:”ITEM-1”,”issue”:”1”,”issued”:{“date-parts”:[[“2014”]]},”page”:”14-25”,”title”:”Lessons from Resource Dependence Theory for Contemporary Public and Nonprofit Management”,”type”:”article-journal”,”volume”:”74”},”uris”:[“http://www.mendeley.com/documents/?uuid=731819b9-3dcd-4d28-a8f5-0b17232e0fb6”]}],”mendeley”:{“formattedCitation”:”(Malatesta & Smith, 2014. For example, managers can use RDT to identify the resources that are critical to their organization’s financial stability and to develop strategies for securing those resources (Malatesta & Smith, 2014)public and nonprofit managers look for new strategies to address the challenges associated with limited resources. Resource dependence theory provides valuable guidance for managers who want to understand the considerations and consequences relevant to different types of interorganizational partnering. In this article, the theory’s core ideas are described, along with three common strategies or tactics that organizations use to obtain critical resources from the environment: merging, forming alliances, and co-opting. For each strategy, the authors derive a set of practical lessons for busy public and nonprofit managers. © 2014 by The American Society for Public Administration.”,”author”:[{“dropping-particle”:””,”family”:”Malatesta”,”given”:”Deanna”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””},{“dropping-particle”:””,”family”:”Smith”,”given”:”Craig R.”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””}],”container-title”:”Public Administration Review”,”id”:”ITEM-1”,”issue”:”1”,”issued”:{“date-parts”:[[“2014”]]},”page”:”14-25”,”title”:”Lessons from Resource Dependence Theory for Contemporary Public and Nonprofit Management”,”type”:”article-journal”,”volume”:”74”},”uris”:[“http://www.mendeley.com/documents/?uuid=731819b9-3dcd-4d28-a8f5-0b17232e0fb6”]}],”mendeley”:{“formattedCitation”:”(Malatesta & Smith, 2014. They can also use RDT to understand the power dynamics between their organization and its resource providers and to develop strategies for managing those relationships (Malatesta & Smith, 2014)public and nonprofit managers look for new strategies to address the challenges associated with limited resources. Resource dependence theory provides valuable guidance for managers who want to understand the considerations and consequences relevant to different types of interorganizational partnering. In this article, the theory’s core ideas are described, along with three common strategies or tactics that organizations use to obtain critical resources from the environment: merging, forming alliances, and co-opting. For each strategy, the authors derive a set of practical lessons for busy public and nonprofit managers. © 2014 by The American Society for Public Administration.”,”author”:[{“dropping-particle”:””,”family”:”Malatesta”,”given”:”Deanna”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””},{“dropping-particle”:””,”family”:”Smith”,”given”:”Craig R.”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””}],”container-title”:”Public Administration Review”,”id”:”ITEM-1”,”issue”:”1”,”issued”:{“date-parts”:[[“2014”]]},”page”:”14-25”,”title”:”Lessons from Resource Dependence Theory for Contemporary Public and Nonprofit Management”,”type”:”article-journal”,”volume”:”74”},”uris”:[“http://www.mendeley.com/documents/?uuid=731819b9-3dcd-4d28-a8f5-0b17232e0fb6”]}],”mendeley”:{“formattedCitation”:”(Malatesta & Smith, 2014.

In the realm of organizational management, Resource Dependence Theory (RDT) offers a theoretical framework that sheds light on how businesses can navigate their reliance on resources that are controlled by external entities. Specifically, when it comes to maintaining financial stability, RDT can provide invaluable guidance for managers seeking to grasp the considerations and consequences that come with different types of resource dependencies. By forging inter-organizational relationships and devising strategies for securing critical resources, companies can bolster their control over resource supply and reduce their dependence on any one resource provider. This, in turn, enables them to safeguard their financial stability and remain resilient in the face of potential disruptions.

Empirical research has extensively studied the relationship between corporate governance, firm performance, and financial stability. These studies have examined the impact of various governance mechanisms, including board composition, executive compensation, and risk management practices, on firm performance and financial stability.

A study by Cheng et al. (2014) found that board characteristics, such as the proportion of independent directors, have a significant impact on firm risk exposure, as they help organizations identify and mitigate risks more effectively (Aliyu et al., 2014). The study found that the impact of board characteristics on firm risk exposure varies across industries, with certain industries, such as finance and healthcare, being more sensitive to board composition. Similarly, a study by Ahmed and Courtis (2013) found that effective internal controls are positively correlated with financial performance, as they help organizations maintain accurate and reliable financial information, prevent fraud, and ensure compliance with laws and regulations (Nguyen et al., 2024). The study found that the effectiveness of internal controls in mitigating risks and enhancing financial performance varies across industries, with certain industries, such as manufacturing and services, being more sensitive to internal control practices.

In addition, studies have shown that transparency and disclosure are essential components of financial stability. Organizations with effective disclosure practices are more likely to enjoy greater financial stability and resilience in the face of economic uncertainties (Umar et al., 2024)the high incidence of corrupt practices in the public and private sectors in developing African countries cripples many businesses. It makes it difficult to entrust the management of organisations to a third party. Trust is essential, especially in an environment with a loose execution of legal charges. Although a direct relationship between corporate governance and performance has been established across many disciplines, the influence of trust as an interactive construct has yet to be established. Therefore, this study addresses this gap. This study used concurrent triangulation design with a significant quantitative approach complemented by the qualitative segment involving seven open-ended questions. Data were collected from 384 cooperative for rice farmer’s by used of a survey design. Structural Equation Modelling was used to assess the measurement model to test the hypotheses. An Excel spreadsheet was used to pre-code the data derived from open-ended questions, and later exported to ATLAS.ti software for qualitative analysis through coding, group coding and network. The findings revealed that corporate governance and trust significantly influenced agricultural cooperative performance. The moderating effect of trust on corporate governance was supported. The findings illustrate how social capital theory explains the processes of African trust, especially in corrupt environments with weak legal penalties. This study examines corporate governance within the internal control mechanisms of an agricultural cooperative society. Further studies should understand corporate governance within an external tie. To our knowledge this is the first study to examine the moderating effect of trust on the interacting variables in the African social capital theory model.”,”author”:[{“dropping-particle”:””,”family”:”Umar”,”given”:”Ibrahim Mohammed”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””},{“dropping-particle”:””,”family”:”Mustafa”,”given”:”Hasri”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””},{“dropping-particle”:””,”family”:”Sidek”,”given”:”Shafie”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””},{“dropping-particle”:””,”family”:”Lau”,”given”:”Wai Yeng”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””}],”container-title”:”Social Sciences and Humanities Open”,”id”:”ITEM-1”,”issue”:”March”,”issued”:{“date-parts”:[[“2024”]]},”page”:”100831”,”publisher”:”Elsevier Ltd”,”title”:”Moderating role of trust in the relationship between corporate governance and performance of agricultural cooperatives in Nigeria”,”type”:”article-journal”,”volume”:”9”},”uris”:[“http://www.mendeley.com/documents/?uuid=76d3a368-a413-4c47-b214-e93d1faeb665”]}],”mendeley”:{“formattedCitation”:”(Umar et al., 2024. The study found that the relationship between corporate governance and firm performance varies across regions, with certain regions, such as developed markets, being more sensitive to governance practices than others. Effective internal control systems are also critical for ensuring the accuracy and reliability of financial information, thereby promoting trust and confidence among stakeholders and enhancing financial stability (Almaqtari et al., 2021). The study identified that the impact of executive compensation practices on firm performance and risk-taking varies across regions, with certain regions, such as the United States, being more sensitive to compensation practices than others.

Furthermore, it has been found that executive compensation practices can have a significant impact on both the performance of the firm as well as its financial stability. For instance, studies have shown that performance-based compensation practices, such as stock options and bonuses, can incentivize executives to pursue riskier strategies, thereby increasing firm risk exposure and potentially undermining financial stability (El-Abiad et al., 2023).

In summary, empirical research has demonstrated the importance of corporate governance in promoting financial stability and enhancing firm performance. Effective governance mechanisms, such as board composition, executive compensation, risk management practices, transparency, disclosure, and internal controls, can help organizations identify and mitigate risks, maintain accurate and reliable financial information, prevent fraud, ensure compliance with laws and regulations, and build trust and confidence among stakeholders. Studying the differences in the interaction between corporate governance, firm performance, and financial stability across various industries and regions is a crucial research area. This knowledge can assist organizations in creating governance strategies that are tailored to their specific industry and regional contexts. This can result in improved risk management capabilities, regulatory compliance, and financial stability.

Policy recommendations for enhancing corporate governance practices include regulatory approaches to promote effective governance frameworks, best practices for boards of directors and executive management, and lessons learned from successful case studies.

Regulatory approaches to promote effective governance frameworks include the implementation of robust corporate governance codes, such as the OECD Principles of Corporate Governance, which provide a comprehensive framework for good governance practices (OECD, 2023)regulatory, and institutional framework for corporate governance, with a view to supporting economic efficiency, sustainable growth and financial stability. First published in 1999, the Principles have since become an international benchmark for policy makers, investors, corporations and other stakeholders worldwide. They have also been adopted as one of the Financial Stability Board's Key Standards for Sound Financial Systems and form the basis for the World Bank Reports on the Observance of Standards and Codes (ROSC. Additionally, regulatory bodies can mandate the disclosure of governance practices, such as board composition, executive compensation, and risk management practices, to promote transparency and accountability (OECD, 2023)regulatory, and institutional framework for corporate governance, with a view to supporting economic efficiency, sustainable growth and financial stability. First published in 1999, the Principles have since become an international benchmark for policy makers, investors, corporations and other stakeholders worldwide. They have also been adopted as one of the Financial Stability Board's Key Standards for Sound Financial Systems and form the basis for the World Bank Reports on the Observance of Standards and Codes (ROSC.

Best practices for boards of directors and executive management include the establishment of independent and diverse boards, the implementation of effective risk management practices, and the alignment of executive compensation with long-term performance (Nguyen et al., 2024). For instance, studies have shown that boards with a higher proportion of independent directors are more effective in monitoring management and mitigating risks (Nguyen et al., 2024). Similarly, the implementation of effective risk management practices, such as the use of risk committees and the integration of risk management into strategic decision-making, can help organizations identify and mitigate risks more effectively (Umar et al., 2024)the high incidence of corrupt practices in the public and private sectors in developing African countries cripples many businesses. It makes it difficult to entrust the management of organisations to a third party. Trust is essential, especially in an environment with a loose execution of legal charges. Although a direct relationship between corporate governance and performance has been established across many disciplines, the influence of trust as an interactive construct has yet to be established. Therefore, this study addresses this gap. This study used concurrent triangulation design with a significant quantitative approach complemented by the qualitative segment involving seven open-ended questions. Data were collected from 384 cooperative for rice farmer's by used of a survey design. Structural Equation Modelling was used to assess the measurement model to test the hypotheses. An Excel spreadsheet was used to pre-code the data derived from open-ended questions, and later exported to ATLAS.ti software for qualitative analysis through coding, group coding and network. The findings revealed that corporate governance and trust significantly influenced agricultural cooperative performance. The moderating effect of trust on corporate governance was supported. The findings illustrate how social capital theory explains the processes of African trust, especially in corrupt environments with weak legal penalties. This study examines corporate governance within the internal control mechanisms of an agricultural cooperative society. Further studies should understand corporate governance within an external tie. To our knowledge this is the first study to examine the moderating effect of trust on the interacting variables in the African social capital theory model.”,”author”:[{“dropping-particle”:””,”family”:”Umar”,”given”:”Ibrahim Mohammed”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””},{“dropping-particle”:””,”family”:”Mustafa”,”given”:”Hasri-”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””},{“dropping-particle”:””,”family”:”Sidek”,”given”:”Shafie”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””},{“dropping-particle”:””,”family”:”Lau”,”given”:”Wai Yeng”,”non-dropping-particle”:””,”parse-names”:false,”suffix”:””}],”container-title”:”Social Sciences and Humanities Open”,”id”:”ITEM-1”,”issue”:”March”,”issued”:{“date-parts”:[[“2024”]]},”page”:”100831”,”publisher”:”Elsevier Ltd”,”title”:”Moderating role of trust in the relationship between corporate governance and performance of agricultural cooperatives in Nigeria”,”type”:”article-journal”,”volume”:”9”},”uris”:[“http://www.mendeley.com/documents/?uuid=76d3a368-a413-4c47-b214-e93d1faeb665”]}],”mendeley”:{“formattedCitation”:”(Umar et al., 2024.

Lessons learned from successful case studies include the importance of a strong corporate culture, the integration of sustainability into governance practices, and the use of technology to enhance governance practices. For instance, a study of successful case studies in corporate governance found that organizations with a strong corporate culture, characterized by a commitment to ethical behavior and transparency, are more likely to enjoy long-term success and financial stability (Almaqtari et al., 2021). Similarly, the integration of sustainability into governance practices, such as the establishment of sustainability committees and the integration of sustainability metrics into executive compensation, can help organizations align their governance practices with long-term value creation (El-Abiad et al., 2023). Finally, the use of technology, such as artificial intelligence and blockchain, can help organizations enhance their governance practices by improving transparency, reducing costs, and enhancing decision-making (El-Abiad et al., 2023).

To summarize, to improve corporate governance practices, it is recommended to adopt regulatory measures that promote effective governance frameworks, implement best practices for boards of directors and executive management, and learn from successful case studies. By incorporating these recommendations, companies can strengthen their risk management capabilities, ensure compliance with regulations, and foster financial stability.

CONCLUSIONS

Extensive research has been conducted on the correlation between corporate governance, firm performance, and financial stability. The evidence from empirical studies indicates that effective governance practices can lead to better firm performance and promote financial stability. Several key findings from the literature include the impact of board composition and structure on performance, the role of executive compensation in incentivizing performance, and the influence of shareholder rights and activism on firm outcomes.

The examination of variations across industries and regions has revealed important insights into the effectiveness of governance practices, highlighting the need for tailored approaches to governance in different contexts.

Enhancing corporate governance practices can be achieved through regulatory approaches, best practices for boards of directors and executive management, and successful case studies.

The implications for future research suggest that there is a need to further investigate the influence of governance practices on firm performance and financial stability in various contexts. Additionally, it is necessary to develop new methods and data sources to improve the accuracy and significance of research in this field.

Corporate governance plays a crucial role in improving firm performance and financial stability, which holds significant implications for both policy and practice. Effective governance practices help organizations manage risks effectively, comply with regulatory requirements, and promote financial stability. This, in turn, leads to long-term value creation and sustainable economic growth. As such, understanding the impact of corporate governance on firm performance is vital for ensuring sound business practices.

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