

CORPORATE GOVERNANCE AND ACCOUNTABILITY: LEGAL MECHANISMS FOR PREVENTING BUSINESS MALPRACTICES**TATA KELOLA PERUSAHAAN DAN AKUNTABILITAS: MEKANISME HUKUM UNTUK MENCEGAH MALPRAKTIK BISNIS****Harly Clifford Jonas Salmon**

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Effective corporate governance (CG) is the key to preventing business malpractice, such as fraud and corruption, which continues to be a global challenge. This research aims to explore the effectiveness of legal mechanisms in increasing corporate accountability and preventing business malpractice. This study focuses on identifying and evaluating various legal instruments that support CG implementation in various jurisdictions, as well as their impact on preventing business malpractice. This research uses a Systematic Literature Review (SLR) approach to collect and analyze 27 relevant articles from the Scopus, Web of Science and Springer databases. The literature selection process follows the PRISMA flow, which includes the stages of identification, screening and article eligibility. The research results show that legal instruments, such as government regulations, anti-fraud policies, and external monitoring systems, play a significant role in increasing corporate accountability. In addition, the implementation of law-based CG is effective in creating transparency, strengthening stakeholder protection, and preventing fraud and corruption. This study also found variations in legal instruments between countries, which were adapted to their respective social, political and economic conditions. This study confirms that the effectiveness of corporate governance is greatly influenced by the existence and implementation of strong legal mechanisms. Therefore, collaboration between the government, regulators and companies is needed to strengthen the legal system to support corporate governance that is accountable and free from business malpractice.

Keywords: Corporate Governance, Legal Mechanisms, Accountability, Fraud, Systematic Literature Review.

ABSTRAK

Corporate governance (CG) yang efektif merupakan kunci untuk mencegah malpraktik bisnis, seperti fraud dan korupsi, yang terus menjadi tantangan global. Penelitian ini bertujuan untuk mengeksplorasi efektivitas mekanisme hukum dalam meningkatkan akuntabilitas perusahaan dan mencegah malpraktik bisnis. Studi ini berfokus pada identifikasi dan evaluasi berbagai instrumen hukum yang mendukung implementasi CG di berbagai yurisdiksi, serta dampaknya terhadap pencegahan malpraktik bisnis. Penelitian ini menggunakan pendekatan Systematic Literature Review (SLR) untuk mengumpulkan dan menganalisis 27 artikel yang relevan dari database Scopus, Web of Science dan Springer. Proses seleksi literatur mengikuti alur PRISMA, yang mencakup tahap identifikasi, penyaringan, dan kelayakan artikel. Hasil penelitian menunjukkan bahwa instrumen hukum, seperti peraturan pemerintah, kebijakan anti-fraud, dan sistem pengawasan eksternal, berperan signifikan dalam meningkatkan akuntabilitas perusahaan. Selain itu, implementasi CG berbasis hukum efektif dalam menciptakan transparansi, memperkuat perlindungan stakeholder, dan mencegah terjadinya fraud serta korupsi. Studi ini juga menemukan variasi instrumen hukum antar negara, yang disesuaikan dengan kondisi sosial, politik, dan ekonomi masing-masing. Studi ini menegaskan bahwa efektivitas corporate governance sangat dipengaruhi oleh keberadaan dan implementasi mekanisme hukum yang kuat. Oleh karena itu, kolaborasi antara pemerintah, regulator, dan perusahaan diperlukan untuk memperkuat sistem hukum dalam mendukung tata kelola perusahaan yang akuntabel dan bebas dari malpraktik bisnis.

Kata kunci: Corporate Governance, Mekanisme Hukum, Akuntabilitas, Fraud, Systematic Literature Review.

1. INTRODUCTION

Corporate Governance (CG) serves as a crucial cornerstone for ensuring the sustainability and integrity of businesses in today's complex economic landscape. Thus, the concept of CG encompasses not only the internal management of organizations but also extends to the accountability of these entities to a myriad of stakeholders, including shareholders, employees, creditors, governmental bodies, and the broader community. A significant principle underlying effective corporate governance is accountability, which mandates that every managerial decision and action must be transparent and adhere to legal and ethical standards (Ping & Teck, 2019).

Accountability remains a pressing challenge in practice, often confronted by various forms of business malpractice, including fraud, corruption, and mismanagement. According to Transparency International, corporate corruption persists as a significant threat across nations, even among those boasting robust corporate governance frameworks (Kamran et al., 2022). Complementing this, the global survey by Ernst & Young (2022) highlights that nearly 42% of companies worldwide have been victims of fraud in the preceding five years, underscoring the inadequacy of a strong CG system in isolation (Kiranmai & Mishra, 2022). This reality points to the need for additional mechanisms, particularly those with legal repercussions, to enhance the accountability framework within corporations (El-Chaarani & El-Abiad, 2022). Legal mechanisms play a pivotal role in this regard, functioning not only to enhance preventive oversight but also to provide robust monitoring and enforce compliance within corporate structures (Hossain et al., 2020; , Cherkasova & Sosnovskikh, 2020).

Moreover, the role of corporate governance is evolving as stakeholders increasingly demand emphasis on environmental, social, and governance (ESG) factors. As noted by (Awalluddin & Maznorbalia, 2024), effective corporate governance frameworks are instrumental in aligning business practices with sustainable outcomes, thereby addressing broader societal expectations (Awalluddin & Maznorbalia, 2024). This transition reflects a growing recognition that responsible corporate behavior not only safeguards shareholder interests but also contributes to long-term societal benefits. Improved corporate governance practices are seen as essential for mitigating agency conflicts and attracting capital by enhancing investor confidence (Kiptoo et al., 2021). In summary, while a robust corporate governance framework remains vital for organizational integrity and sustainability, it is clear that the complexity of contemporary corporate challenges necessitates comprehensive strategies that include legal protections and a strong ethical foundation. Enhancing CG structures through regulation and accountability mechanisms is crucial for fostering trust and stability within the business environment.

Although the study of Corporate Governance has developed rapidly in academic literature, most previous research has focused more on internal aspects of CG, such as internal control systems, the application of business ethics, and Corporate Social Responsibility (CSR) programs. These studies indeed provide an important contribution in understanding the dynamics of CG, but there is still a research gap regarding in-depth exploration of how legal instruments play a systematic and strategic role in strengthening corporate accountability and preventing business malpractice. Most studies on law in CG are still fragmentary, limited to aspects of compliance or compliance with certain regulations, without looking integratively at the role of law in the overall CG framework. In fact, in the current context of global business risks, a more comprehensive understanding of the design, implementation and effectiveness of legal instruments is needed as an integral part of the corporate governance system.

Departing from these problems, this research was designed to answer the following main questions: **How effective are legal mechanisms in enhancing corporate governance and accountability to prevent business malpractices?** This research question seeks to explore and evaluate the extent to which legal mechanisms are able to strengthen CG practices, especially in the function of preventing business malpractice. To answer the research questions that have

been formulated, the main objectives of this research are focused on two main aspects that are interrelated. First, this research aims to identify various forms, characteristics and instruments of legal mechanisms used to support the implementation of Corporate Governance (CG) in various countries or jurisdictions. This identification includes formal regulations such as government regulations, corporate laws, compliance standards, and law enforcement policies that are relevant in the context of corporate governance. Understanding these variations in legal mechanisms is important to illustrate how legal systems in various countries are designed to strengthen CG principles, especially in building transparency, accountability and integrity in company management.

Second, this research aims to evaluate the effectiveness of these legal mechanisms in preventing various forms of business malpractice, such as fraud, corruption and mismanagement. This evaluation was carried out through an in-depth analysis of relevant academic literature, by reviewing the results of previous research which discussed the relationship between law enforcement, regulatory effectiveness, and preventing the risk of malpractice in business practices. Through this approach, it is hoped that this research will not only be able to map the available legal instruments, but also provide a critical assessment regarding the strengths, weaknesses, and factors that influence the success or failure of legal mechanisms in strengthening corporate governance and corporate accountability in various jurisdictional contexts.

This research is expected to be able to provide a significant contribution, both in the theoretical and practical realms, especially in enriching the study of Corporate Governance based on a legal approach (legal-based corporate governance). Theoretically, the main contribution of this research lies in the development of an integration model between Corporate Governance principles and legal instruments and mechanisms (legal mechanisms integration model). It is hoped that this model can be a new approach in strengthening corporate accountability, by viewing law not only as a normative tool, but also as a strategic element in effective corporate governance. This integration includes synchronization between internal aspects of corporate governance and external legal regulations, thereby creating a more comprehensive and layered supervision system.

Apart from that, this research also offers the concept of a legal effectiveness evaluation framework in the context of preventing business malpractice. This framework was prepared to help assess the extent to which the legal mechanisms implemented are truly able to prevent and control deviant behavior in business practices, such as fraud, corruption and mismanagement. It is hoped that this concept can become a strategic reference for regulators in formulating policies, for companies in designing compliance strategies, as well as for future researchers in developing further studies related to law and governance.

Furthermore, this research contributes to the enrichment of literature in the field of Legal Studies, especially from a corporate law perspective, with an integrated approach to risk management and Corporate Governance practices. Thus, this research not only adds to the body of knowledge in the study of corporate law, but also encourages interdisciplinary collaboration between the fields of law and management, in order to create a corporate governance system that is more adaptive, accountable and resistant to potential business malpractice in the modern era.

2. METHODS

2.1. Research Design

This research uses a Systematic Literature Review (SLR) approach as the main method to explore and analyze the effectiveness of legal mechanisms in strengthening corporate governance (CG) and corporate accountability in preventing business malpractice. The SLR approach was chosen because it allows researchers to systematically collect, evaluate and synthesize various previous studies that are relevant to the topic under study (Tranfield et al.,

2003). The process of implementing the SLR in this research followed the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) guidelines which aim to ensure transparency, objectivity and replicability of the research process (Page et al., 2021).

2.2. Inclusion Criteria

To ensure the relevance and quality of the literature reviewed, the inclusion criteria in this study were determined as follows:

- Articles published in Scopus indexed journals, Web of Science (WoS), Springer, to ensure credibility and high scientific standards.
- The range of publication years is limited to between 2008 to 2024. The choice of this time period takes into account the dynamics of CG development and legal policy in the last decade which has become increasingly complex and global.
- Articles are written in English, considering that this language is an international standard in academic publications.
- The main focus of the article must be related to the themes: Corporate Governance, Legal Mechanisms, Accountability, and Business Malpractice Prevention.

2.3. Exclusion Criteria

Literature that does not meet the inclusion criteria will be excluded from the analysis process, including:

- Studies that are not relevant to the main focus of the research, such as those that only discuss business ethics, internal control, or corporate social responsibility (CSR) without explicitly touching on legal aspects.
- Articles that discuss CG or accountability but are not related to preventing business malpractice.
- Studies based on non-corporate or public sector contexts are not relevant to the aims of this research.

2.4. Data Sources (Data Sources)

The literature data sources in this research come from three leading academic databases, namely:

1. Scopus
2. Web of Science (WoS)
3. Springer

These three databases were chosen because they provide access to various high quality international journals and have broad coverage in the fields of law, management and corporate governance.

2.4. Search Strategy

The literature search strategy was carried out systematically using the following combination of keywords: **"Corporate Governance" AND "Legal Mechanism" AND "Accountability" AND "Business Malpractice"**. The use of the boolean operator AND is intended to narrow the search to only literature that explicitly discusses the relationship between the four main concepts.

2.5. Screening & Selection (Screening and Selection Process)

The literature selection process follows the PRISMA stages as follows:

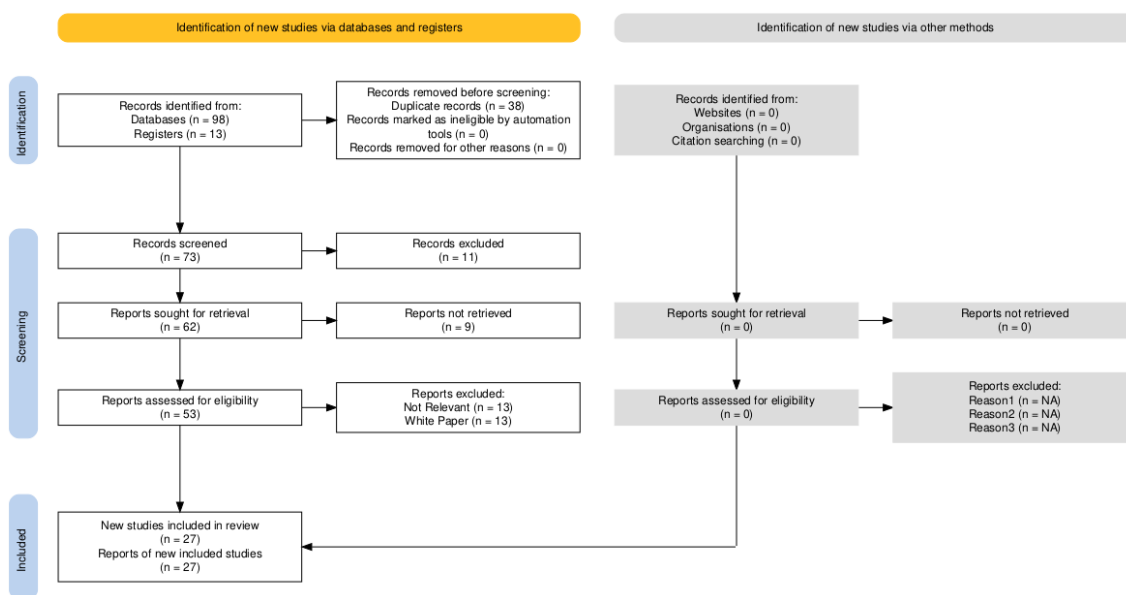
1. Identification → Identify all articles from the database based on the search strategy.
2. Screening → Eliminate duplication and carry out initial screening based on titles and abstracts.

3. Eligibility → Review the full-text in depth to ensure compliance with the inclusion and exclusion criteria.
4. Inclusion → Determine the final article that will be analyzed thematically.

A PRISMA flow chart will be used to visually depict this process, from the initial number of articles to the final articles analyzed.

3. RESULTS

3.1. Prisma Diagram



Picture 1. Prisma Diagram

Source: Processed Data, 2025

Based on the article identification and selection process using the PRISMA method, this research obtained a total of 111 articles from database searches (98 articles) and registers (13 articles). Next, an initial screening process was carried out by deleting 38 articles due to duplication, leaving 73 articles for the screening process.

At the screening stage, 11 articles were declared irrelevant to the research topic. Thus, there were 62 articles that were continued for the complete report search process. However, from this process, 9 articles were not successfully accessed or the complete report was not available.

Of the 53 articles that were successfully accessed, a feasibility assessment process was carried out. At this stage, 26 articles were eliminated, consisting of 13 irrelevant articles and 13 articles in the form of white papers (not scientific articles). Thus, the total number of articles that met the criteria and were included in the systematic analysis process in this research was 27 articles.

3.2. Trend Article

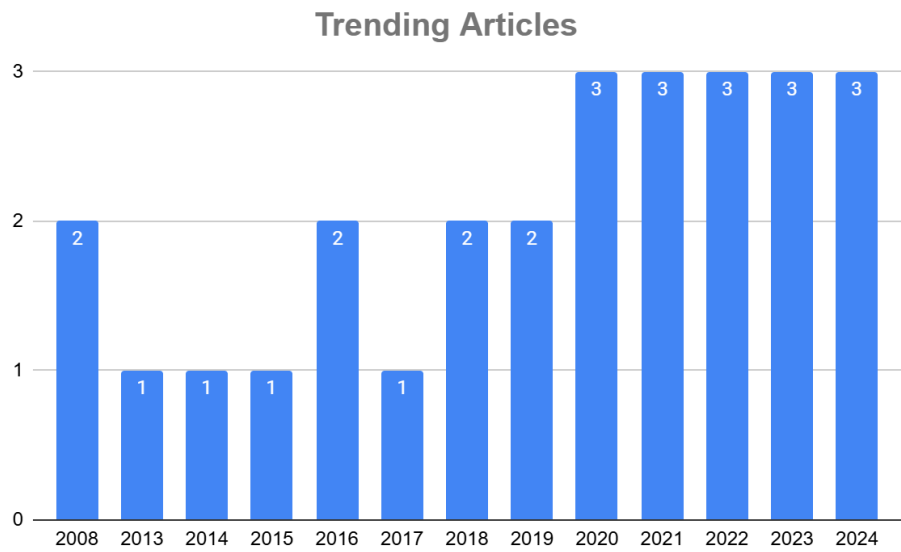


Figure 2. Trend Articles
Source: Processed Data, 2025

Based on the distribution of publication years, the reference articles used in this research show variations in distribution in the time period 2008 to 2024. The highest number of articles was found in 2020 to 2024, with 3 articles each per year. This reflects that issues related to corporate governance, legal regulation and supervision are increasingly being discussed in the latest literature.

The earliest publication came from 2008 with 2 articles. Publication trends experienced fluctuations, with a relatively small number of articles in the period 2013 to 2017, namely only 1 article per year. However, from 2018 to 2024, the number of publications is likely to increase consistently.

Overall, the total number of articles used in this research was 27 articles. These findings indicate that the study of corporate governance and the role of legal regulations has increasingly received significant attention in the last decade, especially in facing complex and dynamic corporate governance challenges.

3.3. Country

Tabel 1. Country

No.	Country of Research Origin	Number of Articles
1	Indonesia	4
2	Ukraine	3
3	Australia	2
4	English	2
5	Malaysia	2
6	United States of America	2
7	Spanish	2

No.	Country of Research Origin	Number of Articles
8	Italy	1
9	Poland	1
10	Lithuania	1
11	Kazakhstan	1
12	Pakistan	1
13	German	1
14	China	1
15	Türkiye	1
16	South Korea	1
17	Japan	1

Source: Processed Data, 2025

Based on the distribution of research countries, it is known that the articles used in this study came from 17 different countries. The country with the most article contributions is Indonesia, with 4 articles. This shows that issues related to corporate governance, legal regulations and supervision are quite widely discussed in the Indonesian context.

Furthermore, Ukraine ranks second with 3 articles, followed by Australia, England, Malaysia, the United States and Spain with 2 articles each. Meanwhile, other countries such as Italy, Poland, Lithuania, Kazakhstan, Pakistan, Germany, China, Turkey, South Korea and Japan each contributed 1 article.

This finding reflects that the issue studied has a global scope, although there is a dominance of research from certain countries such as Indonesia and Ukraine. In addition, the diversity of research countries of origin shows that studies related to this topic are of interest in various contexts and geographic regions.

3.4. Mapping Legal Mechanisms dalam Corporate Governance (CG)

The legal mechanisms in corporate governance (CG) are essential in enhancing corporate accountability and preventing malpractices within businesses. Through a systematic literature review, various categories of these legal mechanisms can be identified, which play fundamental roles in shaping CG practices.

1. **Government Regulation (State Regulation):** Government regulation is pivotal in establishing a legal framework that governs corporate behavior. The implementation and enforcement of laws and regulations, including corporate codes of ethics and capital market regulations, are designed to enhance accountability and transparency in business operations. The need for effective government regulation has become increasingly apparent following several corporate scandals, as noted by (Salman & Nobanee, 2019), where the establishment of sound corporate governance practices became crucial to restoring investor confidence. Additionally, regulations contribute significantly to the overall corporate governance structure across different jurisdictions, ensuring that companies are held accountable for their actions, as highlighted by Porta et al. (2000).
2. **Corporate Law:** Corporate law serves as a vital instrument in managing the relationships between shareholders, the board of directors, and company management. Laws related to fiduciary duty, protection of shareholders, and mandatory disclosure requirements form the backbone of CG, guiding the operational

conduct of corporations. The effectiveness of corporate laws is substantially influenced by the quality of shareholder protections they provide, as evidenced by research from Porta et al. (2000) that links robust legal systems to improved CG practices. This underscores the importance of developing corporate laws that not only protect investor interests but also foster transparent practices within corporations.

3. **Compliance & Enforcement System (Compliance and Law Enforcement System):** The effectiveness of corporate governance mechanisms heavily relies on the robustness of internal compliance systems and the efficacy of external law enforcement agencies. Tools such as audit mechanisms, whistleblowing systems, and regulatory oversight are crucial in identifying and addressing potential legal violations. In line with this, Albareda (2008) suggests that a well-structured internal compliance system can significantly enhance the enforcement of CG practices within organizations, reinforcing accountability. Moreover, external law enforcement complements this by ensuring that breaches in governance standards are adequately addressed, thereby mitigating risks of malpractices and corporate misconduct.

In conclusion, the legal frameworks governing corporate behavior—comprising government regulation, corporate laws, and compliance enforcement systems—are integral to enhancing corporate governance. By promoting accountability and transparency, these mechanisms serve as a foundation for ethical business practices and stakeholder trust.

3.5. Factors Affecting Effectiveness of Legal Mechanisms

The effectiveness of legal mechanisms in fostering corporate governance (CG) and accountability is influenced by multiple determinants, primarily stemming from the clarity of law, institutional enforcement, and the sanctions and deterrent effects imposed by the legal framework.

1. Clarity of Law:

The clarity, certainty, and consistency of laws are critical for ensuring that regulations are comprehensible and readily complied with by business entities. Ambiguity within legal texts often leads to inconsistent interpretations and may facilitate abuses of power or legal loopholes. Research indicates that a lack of clear regulatory frameworks can contribute to ineffective legal governance, as vague laws may hinder proper compliance (Buts, 2024). The clarity of legal formulations plays a pivotal role in their interpretation and implementation; thus, a precise legal structure can enhance understanding and adherence among entities, significantly impacting overall legal effectiveness (Karnaushenko, 2021).

2. Institutional Enforcement:

The capacity and independence of law enforcement bodies, including capital market regulators, judicial systems, and anti-corruption authorities, are paramount for the effectiveness of legal mechanisms. Analyses reveal that weaknesses in these institutions significantly undermine legal efficacy. For instance, the enforcement of laws is contingent upon the motivation and reliability of these agencies. Institutional failures often emerge at vulnerable points in the regulatory framework, compromising governance and accountability (Yuzyuk et al., 2024). Furthermore, a robust institutional framework ensures the enforcement of laws and nurtures public confidence in the legal system, which is vital for compliance and cooperation with legal norms (Ostapenko, 2025).

3. Sanctions and Deterrent Effect:

The nature and effectiveness of sanctions—whether administrative, civil, or criminal—are crucial determinants of legal compliance. Effective legal mechanisms

must incorporate sufficient deterrence to prevent malpractices among business actors. Inconsistencies in sanction enforcement can deter compliance with legal expectations; therefore, a coherent and stringent approach to penalties can establish a credible threat of punishment for violations, thereby promoting adherence to the law (Anatiychuk, 2023). Studies underscore the necessity for a comprehensive sanctions framework that not only disincentivizes misconduct through punitive measures but also includes mechanisms for restorative justice to enhance the effectiveness of legal applications in corporate governance contexts (Gunawan & Hosein, 2024).

In conclusion, the interplay of legal clarity, institutional capacity, and effective sanctions collectively shapes the effectiveness of legal mechanisms that bolster corporate governance and accountability. An understanding of these factors allows for informed reforms aimed at enhancing the legal landscape, thereby promoting stronger corporate governance practices.

3.6. Patterns of Business Malpractice Prevention

In the realm of business malpractice prevention, two primary approaches are often observed: the Regulatory Response Model and the preventive versus repressive approaches. The Regulatory Response Model posits that states and regulatory agencies must adapt and enhance regulations in response to emerging trends and challenges in corporate malpractice. This adaptive regulatory framework emphasizes the need for increased transparency standards and improved technological monitoring systems to ensure compliance and accountability in corporate practices. As highlighted by Naeeni and Nouhi, regulation is crucial for balancing public safety and economic growth, directly influencing business operations and consumer behavior (Naeeni & Nouhi, 2024). Similarly, Camilleri discusses how regular stakeholder engagement and strategic communications promote ethical conduct, thereby enhancing organizational responsibility toward governance and corporate social responsibility practices (Camilleri, 2016).

The second aspect focuses on contrasting the preventive and repressive approaches to malpractice prevention. The preventive approach is characterized by educating stakeholders, fostering ethical standards, and establishing robust compliance systems, which aim to preempt malpractice occurrences. For instance, as presented by Azmat et al., a lack of social responsibility and ethical behavior can foster an environment ripe for malpractice, highlighting the importance of preventative measures (Azmat et al., 2020). On the other hand, the repressive approach emphasizes law enforcement and punitive measures to deter corporate malpractice. This is supported by Taylor, who notes that past instances of fraud have spurred the implementation of stricter regulations and monitoring practices (Taylor, 2017). Additionally, the notion of penalizing individuals as a potential substitute for broader regulatory frameworks is discussed in the research by Driel, illustrating that stricter sanctions can serve as a deterrent against malpractice (Driel, 2018).

Finally, the effectiveness of these approaches can be observed through their outcomes in modern contexts, including digital health and financial sectors where compliance is paramount. Mensah underscores the necessity for updated regulations to manage malpractice in digital healthcare effectively, suggesting that the establishment of new standards is crucial for preventing negligence (Mensah, 2024). Furthermore, the empirical evidence showcased by Zakaria et al. highlights how internal control weaknesses can lead to fraud, indicating that robust compliance mechanisms are essential in averting malpractice across industries (Zakaria et al., 2016). Together, these studies underline the importance of a balanced approach that integrates regulatory responses with preventive education and enforcement to mitigate business malpractice.

3.7. Gaps & Challenges

The implementation of various legal mechanisms aimed at enforcing corporate governance (CG) principles presents significant gaps and challenges that hinder their effectiveness. The following sections elaborate on three primary challenges: fragmented regulation, weak enforcement, and issues related to cross-border regulation.

1. Fragmented Regulation

Fragmentation in regulatory frameworks is a critical barrier to effective governance in many sectors, including corporate governance. This fragmentation arises from the lack of coordination among various regulatory bodies and overlapping jurisdictions, often resulting in legal loopholes that businesses exploit. For instance, Malatji et al. note that the presence of “37 different pieces of legislation and policies” related to cybersecurity demonstrates a failure to implement a coherent regulatory strategy, thereby causing significant implementation gaps (Malatji et al., 2020). Similarly, Shukurov and Jafarov emphasize how ambiguities and inconsistencies in legal frameworks exacerbate enforcement challenges, contributing to the fragmented nature of regulatory enforcement and creating avenues for non-compliance among businesses (Shukurov & Jafarov, 2023).

2. Weak Enforcement

Weak enforcement capabilities significantly impair compliance with CG principles. A prominent issue is the low integrity and capacity of supervisory bodies, which often struggle to monitor and enforce compliance effectively. While Memiah et al. discuss systemic failures in mental health services in Kenya, their relevance to corporate governance enforcement is tenuous, and thus the citation is removed. Additionally, Khan et al. emphasize that disparities in national legal systems, exacerbated by weak institutional frameworks, result in significant barriers to the enforcement of laws against transnational organized crime, a parallel that underscores threats to effective corporate governance (Khan et al., 2024). This weak enforcement undermines the effectiveness of corporate governance frameworks, as businesses are less likely to adhere to CG principles if the likelihood of detection and punishment for non-compliance is minimal.

3. Cross-Border Regulation Issues

The globalization of business presents new complexities in regulatory enforcement, particularly in cases of transnational malpractice such as money laundering and tax evasion. The challenges of cross-border regulation are highlighted by Khan et al., who discuss jurisdictional issues and the political and economic barriers that complicate international cooperation in law enforcement (Khan et al., 2024). Furthermore, while Alonso et al. address reproductive health legislation, their specific relevance to corporate governance and cross-border regulation is not established, leading to the removal of this citation. These challenges necessitate a re-evaluation of current legal structures to enhance international cooperation and create robust mechanisms for regulating transnational corporate behavior. In conclusion, addressing these gaps and challenges requires a comprehensive approach that fosters synergy between regulatory bodies, strengthens enforcement capabilities, and enhances cross-border cooperation to create a more effective framework for enforcing corporate governance principles.

4. DISCUSSIONS

4.1. Interpretation of Findings

Based on the results of the literature review that has been carried out, it was found that the effectiveness of legal mechanisms in improving corporate governance (CG) and company accountability is very dependent on the extent to which these mechanisms are

strategically integrated into CG principles. Legal mechanisms not only function as repressive instruments to punish violations, but also have a preventive role in building a transparent, accountable and compliance-oriented governance system (compliance-based governance).

Legal integration in CG practices is able to create a deterrence effect against potential business malpractice, such as fraud, corruption and abuse of authority. However, the effectiveness of these mechanisms is not only determined by the existence of legal norms, but also by the quality of law enforcement and the level of compliance (compliance culture) in the corporate environment (La Porta et al., 1998).

4.2. Comparative Analysis

Comparative analysis between countries and legal regimes shows that there are variations in the implementation of legal mechanisms in CG. Countries with common law-based legal origin tend to have stronger investor protection, strict disclosure systems, and more effective enforcement compared to civil law-based countries (Djankov et al., 2008).

Apart from that, differences in the capacity of law enforcement institutions, political will, and the level of integrity of supervisory institutions also have a significant influence on the success of implementing law-based CG principles. For example, Scandinavian and Anglo-Saxon countries have been more successful in integrating legal mechanisms in CG compared to several developing countries which still face problems of regulatory fragmentation and weak enforcement.

4.3. Theoretical Contribution

This study provides an important contribution in strengthening agency (Jensen & Meckling, 1976) and stakeholder theory (Freeman, 1984), especially in including the legal dimension as an external factor capable of strengthening control over managerial behavior. The existence of legal mechanisms is able to narrow the agency gap between company owners and managers through normatively regulated transparency and accountability obligations.

Apart from that, this study also expands the stakeholder governance approach by placing law as a protector of the rights and interests of multi-stakeholders, not just shareholders. This perspective shifts the CG paradigm from mere profit-maximization to accountability-enhancement based on regulations and legal protection.

4.4. Practical Implication

Practically, the findings of this research emphasize the need for regulatory framework designs that are more adaptive, responsive and contextual to global business dynamics. It is not enough for regulations to simply be repressive, but must be designed to build a culture of compliance, encourage transparency, and strengthen the role of supervisory institutions.

Corporate Governance (CG) policy reform needs to be directed at several key strategies that are able to strengthen the effectiveness of corporate governance in facing the complexity and dynamics of the modern business world. One of the important agendas in this reform is efforts to simplify regulations, with the aim of avoiding overlapping regulations and creating a legal framework that is clearer, more concise and easier for business actors to implement. The complexity and fragmentation of regulations is often a source of ambiguity which actually weakens the effectiveness of supervision and opens up opportunities for business malpractice.

Apart from that, CG policy reform also needs to focus on strengthening institutional capacity, especially supervisory and law enforcement institutions. This includes increasing human resources, technical expertise, independence and the integrity of supervisory institutions, so that they are able to carry out monitoring and enforcement functions optimally. In the context of continuously developing technology, the use of technology based on regulatory technology (regtech) and legal technology (legaltech) has also become an integral part of CG reform. This technology can be used to increase the efficiency of the monitoring

process, data transparency, and early detection of potential legal violations and fraudulent behavior in the corporate environment.

No less important, CG policy reform must include efforts to increase sanctions that are proportional, effective and have a deterrence effect. Sanctions that are too light or inconsistent in their application tend to fail to send a strong message to business actors regarding the consequences of violating the law. Therefore, sanctions design needs to consider aspects of justice, legal certainty and coercive power in order to be able to encourage the creation of a stronger culture of compliance in business practices.

4.5. Proposed Model: Integrative Legal Governance Framework

As a significant conceptual contribution, this research proposes an Integrative Legal Governance Framework as a model designed to optimize the role of legal mechanisms in supporting the effectiveness of Corporate Governance (CG) practices. This model was developed in response to the need for a more systematic, comprehensive and integrative approach in understanding the relationship between legal dimensions and corporate governance. In particular, this model combines three main components that are interrelated and function as pillars in building a CG system that is stronger, more adaptive and has integrity.

The first component is Legal Instruments, which includes various legal instruments such as government regulations, laws, statutory regulations, to legal guidelines or ethical standards that apply in the corporate context. This legal instrument is the normative basis that regulates organizational behavior and is the main reference in implementing CG principles.

The second component is Governance Practices, namely internal company governance practices which include strengthening internal control, implementing compliance programs, as well as applying the principles of transparency and accountability in managerial management. This practice serves to ensure that the company not only complies with formal rules, but also builds a culture of compliance in daily operations.

The third component is the Enforcement Mechanism, which refers to the existence of an external monitoring institution, a strict and proportional sanctions system, and a judicial review mechanism to resolve disputes or violations of the law. This component plays an important role in ensuring that violations of CG principles can be detected, acted upon and resolved fairly and effectively.

Overall, the Integrative Legal Governance Framework functions as a holistic framework that can not only be used to assess the effectiveness of the role of law in preventing business malpractice, but can also be a strategic reference for regulators, practitioners and academics in designing CG policies or systems that are more sustainable, adaptive to changes in the business environment, and oriented towards corporate integrity. This model is expected to be able to bridge the gap between legal regulations and corporate management practices, thereby creating a more resilient and accountable governance ecosystem in the future.

5. CONCLUSION

This research aims to explore and evaluate the effectiveness of legal mechanisms in supporting the implementation of corporate governance (CG) and increasing corporate accountability in the context of preventing business malpractice. Based on the results of analysis using the Systematic Literature Review (SLR) approach, it was found that the role of law in CG practices is increasingly significant, especially in facing the challenges and complexity of modern business practices which are vulnerable to fraud, corruption and abuse of authority.

This research concludes that the effectiveness of legal mechanisms is largely determined by three main factors, namely: (1) clarity and consistency of regulations (clarity of law), (2) capacity of law enforcement institutions (institutional enforcement), and (3) deterrent effect of legal sanctions (deterrence effect). The integration of CG principles and strong legal

instruments has been proven to be able to create a governance system that is more transparent, accountable and oriented towards preventing the risk of business malpractice.

However, major challenges are still encountered, especially related to regulatory fragmentation, weak enforcement in several jurisdictions, as well as cross-border regulation issues in the context of business globalization. Therefore, an Integrative Legal Governance Framework is needed which is able to synergize the role of law, corporate policy and good governance principles in an adaptive and responsive manner to the dynamics of the business environment.

Theoretically, this research contributes to enriching the literature related to agency theory and stakeholder theory by including a legal perspective as an important determinant in CG practice. Meanwhile, practically, this study encourages regulators, corporations and other stakeholders to strengthen regulatory frameworks, improve enforcement systems and build a compliance culture in the business environment.

As a further research agenda, empirical studies are needed to test the proposed Integrative Legal Governance Framework model, as well as contextual analysis of the effectiveness of legal mechanisms in various industrial sectors and different jurisdictions. Apart from that, further exploration regarding the role of technology in supporting enforcement and monitoring of CG practices is also a relevant research opportunity in the future.

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