

**CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE DURING
ECONOMIC CRISES: A GLOBAL EVIDENCE**

**TATA KELOLA PERUSAHAAN DAN KINERJA KEUANGAN SELAMA KRISIS
EKONOMI: BUKTI GLOBAL**

Nur'atni Botutihe

Universitas Muhammadiyah Luwuk

*botutiheatni@gmail.com

**Corresponding Author*

ABSTRACT

Corporate governance (CG) is an important element in ensuring accountability and operational efficiency, especially during global economic crises such as the 2008 financial crisis and the COVID-19 pandemic. Although many studies have discussed the relationship between CG and financial performance (FP), few have explicitly considered the institutional context across countries. This gap suggests the need to examine how institutional factors moderate the relationship between CG and FP during times of crisis. This study examines how CG mechanisms affect corporate financial performance during economic crises, highlighting the moderating role of differences in institutional settings across countries. A narrative review approach is used to synthesize conceptual and empirical findings from reputable journals (2000–2024), focusing on two major crises: the 2008 global crisis and the COVID-19 pandemic. The literature is mapped by theme, geographic region, and type of crisis. The results show that strong CG mechanisms, such as board independence and the existence of an audit committee, can improve financial resilience during crises. However, their effectiveness varies greatly depending on the quality of institutions in each country. In countries with weak institutions, formal CG structures often do not produce optimal results. These findings underscore the complexity of the CG–FP relationship and the importance of contextual strategies. In conclusion, CG plays an important role in maintaining corporate financial stability during crises, but its impact is highly dependent on the quality of local institutions. A uniform approach is inadequate; a deeper understanding of local dynamics and policy responses is needed. This study integrates Agency Theory and Institutional Theory, and provides theoretical and practical contributions for managers and policymakers.

Keywords: Corporate Governance, Financial Performance, Economic Crisis, Institutional Context, Resilience, Narrative Review

ABSTRAK

Corporate governance (CG) merupakan elemen penting dalam memastikan akuntabilitas dan efisiensi operasional, khususnya selama krisis ekonomi global seperti krisis keuangan 2008 dan pandemi COVID-19. Meskipun banyak studi telah membahas hubungan antara CG dan kinerja keuangan (FP), hanya sedikit yang secara eksplisit mempertimbangkan konteks institusional antar negara. Kesenjangan ini menunjukkan perlunya kajian mengenai bagaimana faktor institusional memoderasi hubungan CG dan FP selama masa krisis. Studi ini menelaah bagaimana mekanisme CG mempengaruhi kinerja keuangan perusahaan selama krisis ekonomi, dengan menyoroti peran moderasi dari perbedaan setting institusional antar negara. Pendekatan narrative review digunakan untuk mensintesis temuan konseptual dan empiris dari jurnal bereputasi (2000–2024), dengan fokus pada dua krisis besar: krisis global 2008 dan pandemi COVID-19. Literatur dipetakan berdasarkan tema, wilayah geografis, dan jenis krisis. Hasil menunjukkan bahwa mekanisme CG yang kuat, seperti independensi dewan dan keberadaan komite audit, dapat meningkatkan resiliensi keuangan selama krisis. Namun, efektivitasnya sangat bervariasi tergantung pada kualitas institusi di masing-masing negara. Di negara dengan institusi yang lemah, struktur CG formal sering kali tidak memberikan hasil optimal. Temuan ini menegaskan kompleksitas hubungan CG–FP dan pentingnya strategi yang kontekstual. Kesimpulannya, CG memiliki peran penting dalam menjaga stabilitas keuangan perusahaan selama krisis, tetapi dampaknya sangat bergantung pada kualitas institusi lokal. Pendekatan seragam tidak memadai; diperlukan pemahaman yang lebih

mendalam terhadap dinamika lokal dan respons kebijakan. Studi ini mengintegrasikan Agency Theory dan Institutional Theory, serta memberikan kontribusi teoritis dan praktis bagi manajer dan pembuat kebijakan.

Kata kunci: *Corporate Governance, Kinerja Keuangan, Krisis Ekonomi, Konteks Institusional, Resiliensi, Narrative Review*

1. INTRODUCTION

Corporate governance (CG) has become a fundamental pillar in ensuring accountability, transparency, and operational efficiency in modern organizations. As a system of mechanisms that regulates the relationship between various stakeholders of a company—including the board of directors, management, shareholders, and external stakeholders—CG serves as a control tool to minimize conflicts of interest and direct the company towards long-term goals. In the context of agency theory, CG plays an important role in reducing information asymmetry and moral hazard risks between principals and agents, especially in a business environment full of uncertainty.

In the context of external shocks, such as the global economic crisis and the COVID-19 pandemic, corporate governance (CG) has been recognized as a critical determinant that enhances organizational resilience. Research indicates that strong governance mechanisms can alleviate the adverse effects of financial pressures on firms. For instance, companies with robust governance structures, characterized by independent boards, clear audit processes, and the separation of the CEO and chairman roles, demonstrate superior resilience during crises by maintaining financial performance compared to those with weaker governance systems (Nasution et al., 2024; Francis et al., 2012).

Analyses of the 2008 global financial crisis and the ongoing impacts of the COVID-19 pandemic reveal that firms confronted substantial challenges, including reduced market demand, disrupted supply chains, and heightened capital market volatility. These crises underscore the necessity for effective CG not solely to mitigate financial risks but also to enable quick, accurate, and accountable strategic decision-making (Kılıç & Kuzey, 2016; Susanti & Raharja, 2024). Studies show that firms failing to adjust their governance structures in times of crisis potentially face exacerbated impacts, resulting from ill-timed investment decisions, stakeholder neglect, or an overall lack of preparedness for external fluctuations (Güney et al., 2020; Mangena et al., 2011).

Moreover, empirical evidence supports the assertion that strong corporate governance enhances decision-making processes, which is particularly vital during turbulent times. For example, well-structured boards that actively monitor management and incorporate diverse perspectives tend to navigate crises more effectively, thus protecting shareholder interests and ensuring operational stability (Khan & Ali, 2018; Noliviasari & Siswantoro, 2022). Insights from various studies indicate that companies with financial experts on their boards or those emphasizing board independence exhibit a more significant capacity to withstand economic shocks (Nasution et al., 2024; Noliviasari & Siswantoro, 2022).

Furthermore, recent investigations into the performance outcomes associated with CG during crises highlight that firms with robust corporate governance not only recover more swiftly but also have better long-term strategic positioning post-crises. This is attributed to improved accountability and transparency in decision-making processes (Sibindi & Makina, 2018; Vieira, 2017). Overall, the body of literature strongly advocates for the integration of effective CG practices as a preventative mechanism against potential financial adversities that arise from external shocks.

In the context of globalization, the role of corporate governance cannot be separated from the dynamics of the institutional environment in which companies operate. Differences in legal quality, transparency levels, and organizational culture across countries affect how CG mechanisms are implemented and interpreted. Therefore, a deeper understanding is needed

of how corporate governance functions effectively in the face of economic crises, especially considering institutional variations across countries.

Although there have been many studies examining the relationship between corporate governance and financial performance, most of these studies were conducted in the context of stable economic conditions or only examined the structural aspects of CG in general. Only a small portion of the literature explicitly investigates the role of CG during economic crises, especially in a cross-country context that takes into account the institutional dimension. This creates an important gap in our understanding of how CG can function as a stabilizing mechanism during times of systemic economic disruption. Furthermore, although some studies have shown that strong governance can improve corporate performance during crises, these findings have not consistently taken into account external factors such as the quality of the legal system, the effectiveness of regulation, and the level of market supervision in each country. In fact, Institutional theory posits that the effectiveness of a governance system is profoundly influenced by the institutional context in which it operates. This concept, articulated by North in 1990, reflects the essential role institutions play in shaping economic performance and governance practices. Specifically, institutions—including laws, regulatory frameworks, and cultural norms—create the structural context within which organizations develop their governance mechanisms Li, 2004).

The legitimacy of governance systems, particularly in corporate contexts, is shaped by these institutions. As highlighted by Judge et al., the perception of corporate governance legitimacy is contingent upon the broader institutional context, suggesting that no corporate governance system is ideal; rather, its effectiveness is relative (Judge et al., 2008; . Their study underscores how institutional contexts impact the legitimacy and, therefore, the operational success of governance arrangements, addressing the governance question, “Who will watch the watchman?” (Judge et al., 2008). In addition, research into emerging economies elucidates the interplay between institutions and entrepreneurship. Wei et al. argue that the relationship between institutions and entrepreneurial ventures is crucial for fostering effective economic growth. This underscores the importance of governance structures being sensitive to their institutional frameworks to minimize risks and align with broader economic objectives Wei et al., 2019; . This adjustment process is necessary for meeting institutional demands and ultimately enhancing governance effectiveness.

Moreover, specific institutional forces, such as government support and relational networks (*guanxi*), are critical in facilitating collaborative practices within supply chains, particularly in contexts such as China. Cai et al. discuss how trust and cooperation in information sharing are mediated by these institutional pressures, demonstrating the direct impact institutions have on operational effectiveness Cai et al., 2009; . Such findings reinforce the notion that institutional context is a determinant not only of governance systems but also of operational execution.

The influence of institutional contexts extends beyond corporate governance to encompass broader economic structures. Li's work suggests that the decentralization experienced in China has permitted significant institutional changes that drive economic outcomes, evidencing how institutional contexts dictate governance effectiveness Li, 2004). This raises important implications for scholars and practitioners in understanding that effective governance cannot be achieved in isolation from its surrounding institutions. To summarize, institutional theory offers a robust framework for analyzing governance systems by highlighting the vital influence of contextual institutional factors. The legitimacy, operational success, and structural adjustments of governance frameworks are intricately linked to institutional contexts, as shown by an array of studies across different settings (Judge et al., 2008; Wei et al., 2019; Cai et al., 2009; Li, 2004).

In other words, effective governance in developed countries with strong legal systems does not necessarily produce the same results in developing countries with weaker

institutions. Therefore, there is an urgent need to explore how institutional variables moderate the relationship between CG and FP during economic crises. By understanding these differences, we can gain more comprehensive and relevant insights in designing crisis-responsive governance policies, not only at the firm level, but also at the systemic and public policy levels.

The main objective of this literature review is to examine in depth the relationship between corporate governance and financial performance in the context of the global economic crisis. In this regard, the review will focus on how CG structures and mechanisms—both internal and external—contribute to the resilience and sustainability of corporate financial performance under severe economic pressure. In addition, this review aims to highlight how different institutional settings, including the quality of law enforcement, transparency, and corporate cultural norms, affect the effectiveness of CG. By examining findings from different regions and legal systems, this article hopes to uncover patterns of variation in the impact of CG on financial performance that have not been widely discussed in the literature.

More broadly, this review also aims to identify theoretical contributions that can enrich our understanding of the role of governance in the context of economic turbulence, while formulating a further research agenda that can fill the gaps in the existing literature. Thus, this review is not only retrospective, but also prospective, encouraging the development of a stronger and more contextual conceptual framework in the study of CG and financial performance in the future.

2. METHODS

This literature review uses an approach narrative (narrative review). This approach was chosen to allow for a more flexible conceptual exploration and theoretical synthesis of the relationship between corporate governance (CG) and financial performance (FP) during times of economic crisis, particularly in institutionally diverse contexts. Narrative review is suitable for studies that aim to build conceptual understanding and synthesize findings from heterogeneous and scattered literature, especially when the focus of the study involves complex variables influenced by external contexts such as economic crisis and institutional differences across countries.

The literature analyzed was selected purposively from reputable international journals height in the fields of Finance, Management, Accounting, and Corporate Governance, including journals that indexed Scopus Q1/Q2 such as *Journal of Corporate Finance*, *Corporate Governance: An International Review*, *Journal of Financial Economics*, and *Review of Financial Studies*. The studies included in this review are relevant and substantial publications, both based on empirical data and conceptual reviews, which explicitly discuss at least two of the three main elements: corporate governance, financial performance, and economic crises.

The selection criteria include literature published between the years 2000 to 2024, with particular attention to two major crisis periods: global financial crisis 2008 and COVID-19 pandemic crisis 2020. These periods were chosen because they represent conditions of significant economic instability globally and have given rise to a range of governance responses that are comparable across countries and sectors.

In the analysis process, articles are mapped according to main theme (e.g. board structure, ownership mechanisms, internal controls), geographical area (developed vs developing countries, common law vs civil law legal systems), and crisis period. This approach aims to highlight patterns of association between governance variables and financial performance in different institutional frameworks, while identifying gaps and inconsistencies in the findings of the existing literature.

3. RESULTS

3.1 Corporate Governance: Key Concepts and Dimensions

Corporate Governance (CG) serves as a vital framework that dictates the structures, rules, and practices by which companies are directed and controlled. The primary aim of CG is to strike a balance among the various interests of stakeholders, including shareholders, management, customers, suppliers, financiers, government entities, and the broader community. This balance is crucial as it leads to sustainable business practices and enhances the overall economic environment in which corporations operate (Mostepaniuk, 2017; Onukwuli, 2014).

The realization of effective corporate governance requires a spectrum of internal and external mechanisms that regulate corporate behavior. Internal mechanisms involve the interactions among a company's management, board of directors, and shareholders. These dynamics play a significant role in ensuring that management acts in the best interests of shareholders and other stakeholders (Onukwuli, 2014). External mechanisms, on the other hand, include regulatory frameworks, market forces, and standards established by institutions. These elements collectively contribute to accountability and transparency in corporate governance practices, which are necessary for fostering trust and encouraging investment (Jolović & Mijatović, 2020).

The discussion of CG often incorporates insights into how it affects corporate financial performance and firm value. Research has demonstrated that robust corporate governance correlates positively with the financial success of organizations. Specifically, companies with high governance standards tend to have higher stock price multiples and reduced monitoring costs, thus attracting more investors and boosting their market value (Ammann et al., 2011). Studies in various contexts, including banking sectors and emerging economies, provide evidence that enhanced corporate governance leads to improved profitability and operational performance. For instance, Akram et al. highlighted the significance of good corporate governance practices in enhancing profitability, affirming the positive economic impacts of such frameworks (Akram et al., 2014).

Moreover, CG also intertwines with corporate social responsibility (CSR), influencing how companies engage with societal expectations. Jo and Harjoto's studies suggest that firms with strong governance structures are more likely to commit to CSR initiatives, thereby enhancing their overall performance and stakeholder relationships (Jo & Harjoto, 2011). This relationship emphasizes that effective governance not only safeguards shareholder interests but also promotes sustainable business practices that align with broader societal values (Jo & Harjoto, 2011). In conclusion, the complexity and importance of corporate governance cannot be overstated. CG acts as a pivotal element in promoting ethical business practices and supporting the long-term viability of organizations. It remains clear that effective governance structures benefit not just individual companies, but also contribute positively to the economic fabric of society (Taraba et al., 2014).

Structurally, the main dimensions of CG include:

- Structure of the board of directors(board structure), including number of members, frequency of meetings, and independent composition;
- Managerial and institutional ownership(ownership structure), which influences control and strategic decision making;
- Board independence(board independence), which ensures objectivity in supervising management;
- Audit and risk oversight committee, which serves to ensure transparency and compliance with regulations;
- CEO duality, namely a situation where the CEO also serves as chairman of the board, which often raises concerns regarding the concentration of power.

Various theories have been used to explain the role of CG. Agency Theory Emphasizes that CG serves to reduce conflict between shareholders (principals) and managers (agents), especially when their goals are not aligned. Stewardship Theory, on the other hand, argues that managers as servants of the organization act in the best interests of the company, so excessive supervision can be counterproductive. Resource Dependence Theory Expanding the view that boards of directors are also important resources because they provide access to information, legitimacy, and external networks—factors that are critical in dealing with economic crises.

3.2 Financial Performance in the Context of Economic Crisis

Financial performance serves as a crucial indicator for assessing a company's economic health, often relying on a variety of accounting and market ratios to evaluate efficacy. Financial performance measurement is fundamentally centered around the analysis of monetary outcomes that reflect how effectively a business manages its resources, debt, and revenue growth. This multidimensional approach to financial performance utilizes historical financial data to inform predictions about future financial positions (Sharma, 2023; (Lubis, 2023).

Various financial ratios play significant roles in measuring performance. These include return on assets (RoA), return on equity (RoE), and return on capital employed (RoCE), which help in evaluating the efficiency of a company in generating profits relative to its equity or asset base (Batchimeg, 2017; Yousaf & Dey, 2022). The analysis of past financial statements forms a critical basis for these measures, allowing stakeholders to assess the adequacy with which businesses implement financial regulations and practices (Lubis, 2023). Furthermore, financial ratios not only reflect current health but can also signal potential future performance, thus guiding investors and management decisions alike (Said et al., 2003; Halíř, 2011).

In addition to traditional financial metrics, the consideration of non-financial measures has gained prominence in performance evaluations. Companies are increasingly recognizing the impact of non-financial factors such as customer satisfaction, innovation, and market share on overall financial outcomes (Said et al., 2003). Research indicates that integrating non-financial metrics into performance measurement systems can enhance the predictive power of these systems and provide deeper insights into long-term sustainability (Fullerton & Wempe, 2009). For instance, a study demonstrated that non-financial performance measures could mediate the relationship between operational processes and financial results, thereby enriching the understanding of efficiency and productivity (Fullerton & Wempe, 2009).

The integration of different measurement techniques, including financial ratios and non-financial indicators, is critical for a comprehensive view of a firm's economic health. Studies have shown that employing diverse performance assessment methodologies leads to a more robust overview of a company's operational efficacy and market standing (Said et al., 2003; Halíř, 2011). In conclusion, it is essential for organizations to utilize a balanced approach in performance measurements that encompasses both financial and non-financial metrics, ensuring comprehensive evaluations that drive informed strategic decisions.

The most commonly used indicators in the literature include:

- Return on Assets (ROA) And Return on Equity (ROE) as a measure of the efficiency of asset use and returns to shareholders;
- Tobin's Q, which measures the market value against the book value of a company's assets;
- Abnormal returns, particularly in capital market-based literature;
- Earnings per Share (EPS), as a representation of profitability per share.

In economic crisis situations such as the 2008 global financial crisis and the COVID-19 pandemic, companies generally experience a drastic decline in these indicators. Declining demand, macroeconomic uncertainty, supply chain disruptions, and capital market volatility put pressure on net income, company market value, and operational efficiency. In this context,

a company's ability to maintain its financial performance is often influenced by the quality and effectiveness of the governance structure implemented.

3.3 Relationship between Corporate Governance and Financial Performance: Evidence in the Literature

Empirical evidence indicates a link between strong corporate governance mechanisms and enhanced financial resilience during crises. Studies suggest that companies with independent boards can incur lower losses during financial downturns, particularly noted during events like the global financial crisis, as established by Erkens, Hung, and Matos in their 2012 study (Barasa et al., 2018). Additionally, governance practices such as the presence of an active audit committee and a diversified ownership structure significantly improve oversight and mitigate poor managerial decision-making during uncertain times (Dabboos et al., 2024).

Board independence has been linked to increased transparency and improved information disclosure. For instance, Kyere and Ausloos highlight that independent boards enhance objective decision-making, ultimately leading to better financial performance (Kyere & Ausloos, 2020). This relationship is further supported by findings from Musa et al., which evaluate the role of corporate governance in maintaining financial stability amid challenges like the COVID-19 pandemic (Musa et al., 2022). Moreover, institutional ownership plays a role in motivating more rigorous monitoring of management, thereby mitigating opportunistic behavior during crises (Yang & Krishnan, 2005). However, it is crucial to recognize that the impact of these mechanisms may vary; their effectiveness often depends on the interaction of internal company factors and external conditions, as noted by Yang and Krishnan regarding the effectiveness of audit committees being contingent on various external pressures (Azizah & Lismawati, 2024).

Furthermore, the literature indicates that while there is a tendency for corporate governance mechanisms to enhance resilience, the relationship is not straightforward. Kamau et al. identify that variations in governance practices across different firms may yield inconsistent outcomes concerning financial distress, underscoring the necessity for both strong governance and favorable external conditions to align effectively (Kamau et al., 2023). This complexity is reflected in the findings from Barasa et al., who suggest that governance factors can influence an organization's ability to withstand acute and everyday challenges, affirming that the interactions between governance and resilience are multifaceted (Barasa et al., 2018). These insights support the argument that effective corporate governance can serve as a critical buffer against financial instability, yet the specific outcomes may differ based on contextual factors surrounding each organization during crises. In summary, strong corporate governance mechanisms contribute to financial resilience during crises by enhancing transparency, promoting effective oversight, and motivating management accountability. However, the effectiveness of these mechanisms is nuanced, influenced by both internal and external company dynamics.

3.4 The Role of Institutional Context

One of the important findings from the literature review is that the effectiveness of corporate governance (CG) mechanisms is profoundly influenced by the institutional context in which they operate. In countries characterized by robust legal frameworks, stringent investor protection, and comprehensive regulatory infrastructures, CG mechanisms tend to be more effective. This alignment fosters a governance environment in which accountability, transparency, and ethical behavior are upheld (Wu, 2005; Ahmed & Anifowose, 2023). For instance, common law systems, such as those in the United States and the United Kingdom, generally provide stronger shareholder protections and more resilient corporate governance structures, which are crucial during crises (Khanna et al., 2004). The legal apparatus in these

jurisdictions promotes greater responsiveness of CG systems to external pressures, thereby enhancing organizational performance (Al-Khonain & Al-Adeem, 2020).

In contrast, developing nations often face significant challenges in implementing effective CG due to factors such as corruption, weak law enforcement, and low levels of investor literacy. Research indicates that weak judicial systems and inadequate regulations allow corruption to flourish, thereby undermining the potential benefits of corporate governance reforms (Hope, 2021; Tsamenyi et al., 2007). A comparative study illustrates that jurisdictions with institutional voids often see CG practices that, while theoretically sound, falter in practical application due to a lack of law enforcement and cultural acceptance of corrupt practices (Pinto et al., 2019).

Literature demonstrates that effective corporate governance can mitigate corruption risks, especially in environments where governance structures are vulnerable (Agyei-Mensah, 2017; Arif et al., 2023). Studies highlight that mechanisms such as independent auditing, strong board oversight, and transparency in financial reporting can counteract corruption (Carrillo et al., 2019; Bushman et al., 2004; Hopper et al., 2017). Furthermore, the interaction between corporate governance and socio-economic factors can significantly impact economic growth, illustrating the broader implications of governance practices beyond mere compliance ("Role External Auditing and Corporate Governance Practices in Combating Corruption in The Financial Sector", 2024).

In essence, while the formal adoption of corporate governance principles might exist across various jurisdictions, the real measure of their effectiveness is contingent upon the underlying institutional contexts. Countries that prioritize the enhancement of their legal and regulatory frameworks, as well as fostering a culture of accountability and transparency, stand a greater chance of realizing the benefits of solid corporate governance structures (Arslan & Roudaki, 2017; Al-Qadasi & Abidin, 2018).

3.5 Comparative Studies and Inconsistency of Findings

The relationship between corporate governance (CG) and financial performance (FP) during crises is complex and nuanced. While numerous studies indicate a generally positive association, various findings suggest that strong governance does not consistently yield better financial performance across different crisis scenarios. For instance, Ramdani and Witteloostuijn highlight that the positive effects of CEO duality diminish as board size increases, indicating that larger boards may complicate decision-making processes, which can negatively influence performance (Ramdani & Witteloostuijn, 2010). Similarly, Belkhir's study suggests that larger boards in the banking sector do not necessarily enhance performance, conflicting with expectations derived from agency theory (Belkhir, 2009).

The effectiveness of corporate governance structures, such as board size and CEO duality, varies considerably across different sectors and circumstances. Lee and Ko emphasize that CEO duality's positive impact on firm survival is contingent upon board size, showing how governance structures can manifest differently based on contextual factors (Lee & Ko, 2022). This implies that governance mechanisms effective in one industry or crisis might be ineffective in another scenario. Puni and Anlesinya assert that the inconclusiveness in existing literature regarding CG mechanisms and FP indicates that efficacy depends on factors like industry dynamics, firm size, and the nature of the crisis (Puni & Anlesinya, 2020).

Furthermore, the rigidity of governance mechanisms can hinder swift decision-making in crisis situations, demanding agility and adaptability. This concern aligns with the principles of Stewardship Theory, which advocate for a more flexible approach that fosters trust and collaboration between executives and shareholders (Puni & Anlesinya, 2020). This flexibility is vital as different crises, such as the 2008 financial crisis and the COVID-19 pandemic, present unique challenges that require distinct governance responses. Research indicates that systemic

financial crises present different risk dynamics compared to public health crises, necessitating a reevaluation of governance strategies in response to varied risk profiles.

Future inquiries into the CG–FP relationship during crises should carefully consider these contingency factors shaping these dynamics. Khan et al. discuss the prominence of corporate governance principles following the Asian Financial Crisis and the Global Financial Crisis, indicating an evolution in governance practices responding to emerging challenges (Khan et al., 2019). Ultimately, while some governance frameworks may enhance organizational resilience and performance, their effectiveness is highly contextual, warranting a greater focus on empirically examining industry-specific characteristics and crisis dynamics that influence these relationships.

4. DISCUSSIONS

4.1 Theoretical Implications

The examination of corporate governance (CG) frameworks reveals significant support for pivotal theories in corporate governance and finance, particularly Agency Theory and Institutional Theory. Agency Theory, articulated by Jensen and Meckling in 1976, posits that the relationship between principals (shareholders) and agents (managers) is fraught with risk, particularly the risks associated with agency costs stemming from divergent interests. Recent findings in the literature have reinforced this perspective. For instance, studies demonstrate that effective internal controls, such as independent audit committees and boards, enhance managerial accountability and reduce the propensity for opportunistic behavior, especially during economic downturns (Zaman et al., 2011), Zgarni et al., 2016). Audit committees act as crucial checks on management, ensuring that financial reporting remains transparent and reliable. Zaman et al. argue that audit committee effectiveness is intricately linked with maintaining high standards of financial reporting quality, thereby aligning managerial decisions with shareholder interests (Zaman et al., 2011). Moreover, empirical evidence indicates that governance structures that incorporate independent oversight mitigate risks related to moral hazard and foster an environment conducive to rigorous financial oversight, particularly relevant in times of crisis (Ali et al., 2018; Murhadi et al., 2022).

In the context of crises, the divergence in incentives between principals and agents often sharpens, thereby making governance mechanisms more critical. For example, the enforcement of robust governance practices can inhibit unethical decision-making by providing a structured framework for accountability and transparency (Rusmin, 2010; Habib & Bhuiyan, 2016). This alignment of interests is further manifest in research by Al-Musali et al., which highlights how ownership structures can impact the effectiveness of audit committees by aligning stakeholders' interests through enhanced corporate governance practices within firms in the Gulf Cooperation Council (GCC) (Al-Musali et al., 2019).

Conversely, Institutional Theory suggests that corporate governance practices are not universally effective but are contingent upon the institutional contexts within which they operate. North and Scott's frameworks illustrate how variations in legal systems, cultural environments, and levels of public trust significantly affect the implementation and impact of governance mechanisms across different countries (Tušek, 2015). For instance, an effective audit committee in a country with stringent legal enforcement may significantly reduce earnings management, while the same committee might only play a symbolic role in a jurisdiction with weaker institutional frameworks (Eriandani et al., 2020). This perspective emphasizes the non-universal applicability of governance practices; rather, their efficiency can be enhanced or hindered by the surrounding institutional environment (Jolović & Mijatović, 2020).

Furthermore, research indicates that the characteristics of audit committees, such as their independence and the financial expertise of their members, substantially correlate with the quality of financial reporting, underscoring the need for context-specific governance

reforms (Kallamu & Saat, 2015; Lutfi et al., 2022). Thus, understanding the institutional landscape becomes paramount in tailoring CG strategies that effectively mitigate agency risks and enhance overall corporate transparency. In conclusion, the interplay between Agency Theory and Institutional Theory provides a robust framework for understanding corporate governance dynamics. Effective internal control mechanisms are essential for reducing agency costs, particularly during turbulent economic periods, while the efficacy of these mechanisms is intricately linked to the institutional environment in which they operate.

The results from the literature also show the need for a more contextual and dynamic theoretical approach. Economic crises introduce uncertainties that cannot be fully explained by traditional static models. In this regard, theories such as Contingency Theory Or a strategic adaptation-based approach (dynamic capabilities framework) can be used to explain how companies with certain CG structures can adapt more flexibly in emergency situations. That is, a combination of various theories in a multi-theoretical approach is highly recommended to capture the complexity of the relationship between CG and FP during a crisis.

4.2 Practical Implications

In practical terms, the results of this review provide a number of important recommendations for managers, regulators, and policy makers. First, companies need to design governance systems that are not only robust under normal conditions, but also responsive to dynamics during a crisis. This includes regular evaluation of the role and composition of the board of directors, the functioning of the audit and risk committees, and adaptive internal communication processes in the face of uncertainty. Second, there is an urgent need for flexibility in board structure. In a crisis, the board's ability to act quickly and decisively is often the difference between a company's survival and failure. Therefore, governance arrangements must provide room for adjustments to decision-making processes without compromising accountability and transparency. Strengthening the board's capacity in risk management is also a priority, given the high volatility during a crisis. Third, governance policy reform at national and international levels need to consider local institutional readiness level. Developing countries may require a more gradual approach tailored to the available resource capacities, legal systems, and oversight infrastructure. A "one size fits all" approach to adopting CG models from developed countries risks creating dysfunction in practice. Therefore, collaboration between the public and private sectors in designing CG policies based on local contexts is essential.

4.3 Further Research Agenda

Based on the gaps and inconsistencies in findings in the literature, a number of future research agenda can be submitted. First, it is required to study longitudinal studies that systematically assess how changes or consistency of CG mechanisms impact financial performance before, during, and after a crisis. Such studies will help distinguish between short-term and long-term effects of corporate governance in the context of economic uncertainty. Second, cross-national research integrating quantitative and qualitative approaches becomes increasingly important. While quantitative approaches can measure CG impacts statistically, qualitative approaches can explore contextual factors, including political dynamics, organizational culture, and informal practices that are often not captured by numerical data. The combination of the two will produce a richer and more contextual understanding. Third, there is great potential to develop studies on the relationship between Corporate Governance (CG), Environmental, Social and Governance (ESG), and Digital Governance During the crisis. ESG and digitalization are now important dimensions in corporate sustainability and resilience. An integrative exploration of these three aspects will help formulate a more comprehensive and adaptive governance framework in the era of economic disruption and digital transformation.

5. CONCLUSION

Corporate governance plays a central role in maintaining and protecting a company's financial performance during periods of economic crisis. In situations of systemic uncertainty characterized by market volatility, operational disruption, and liquidity pressures, effective governance mechanisms can serve as risk controllers and maintain organizational stability. Through strict supervision, transparent decision-making, and managerial accountability, corporate governance can strengthen a company's resilience in the face of external pressures.

However, the effectiveness of this governance system is not universal. The literature shows that the relationship between corporate governance and financial performance during the crisis is greatly influenced by the institutional context where the firm operates. Differences in legal quality, capital market structure, organizational culture, and regulatory capacity lead to significant variations in the empirical results reported across countries. On the one hand, strong governance in environments with good regulation and enforcement has been shown to strengthen financial performance. On the other hand, in countries with institutional weaknesses, formal governance is often not effective enough to ensure the financial success of firms during crises.

Thus, the main conclusion of this review emphasizes that corporate governance is not a single solution that can be applied uniformly across economic and institutional contexts. Instead, a deeper understanding of local dynamics, including institutional preparedness and policy responses to the crisis. In addition, the limitations in the current literature open up great opportunities for further research that combines approaches interdisciplinary—integrating finance theory, institutional economics, organizational behavior, and public policy—to capture the complexity of the relationship between governance and financial performance more comprehensively.

Future studies also need to adopt more diverse methodologies, including longitudinal, cross-country comparative approaches, and integration between corporate governance dimensions with contemporary issues such as ESG (Environmental, Social, and Governance) And digital governance. This kind of approach is believed to expand academic contributions while providing relevant practical implications for regulators, investors, and management in building adaptive governance in an era of global uncertainty.

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