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AN OVERVIEW OF CORPORATE GOVERNANCE MODELS IN FINANCIAL INSTITUTIONS

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ABSTRACT

The paper illustrates the models of corporate governance in the aspects of its definition, nature of management and objectives along with its roles, regulation and power of various stakeholders in ensuring the accountability and the protection of the rights of various stakeholders from conventional and Islamic perspectives. These models are different in their characteristics, nature, culture, costume, epistemology, and country's rules and regulation. However, the conventional models highlight the roles of shareholders, stakeholders, depositors, institutions, investors, and communities from the perspective of the nation's demand and cultures. In contrast, the Islamic model of corporate governance consists of some roles and responsibilities such as the responsibilities to suppliers, customers, investment account holders, shareholders, management, the board of directors, competitors, Shariah supervisory boards, societies, and the employees from its spiritual and social commitments. Through the critical analysis of these models of corporate governance is deemed to help the empirical research on corporate governance model and develop a certain model of Islamic corporate governance. However, the paper may help to give a simple understanding of the corporate governance models in both the conventional and Islamic perspectives of financial institutions.

Contribution/Originality: This study illustrates the global corporate governance models in relation to financial institutions. The study is exclusive on the corporate governance models because to be our best of the knowledge none of the paper discusses the seven models of governance systems. The paper can be a source of understanding the corporate governance system for the academicians to get the preliminary picture of globalized models and help to develop and improve the existing systems.

1. INTRODUCTION

Corporate governance plays a significant role in the contemporary business world where different countries practice different types and concepts of corporate governance in relation to their own legal and regulatory perspectives. Considering the distinguishing features of financial perspectives, this article describes the definition and basic principles of different models of corporate governance systems. Corporate governance has been explored broadly from the perspective of the conventional and Islamic financial systems. However, the usual conventional corporate governance models are the European model, Anglo-Saxon model, Japanese model, Germanic model, Latin, and Chinese Model. The conventional models of corporate governance uphold either the shareholder value system or the stakeholder value orientation where the BOD, management, supervisory boards, try to protect the rights of the stakeholders and institutional objectives and goals. On the other hand, little attention has been given from the perspective of the Islamic corporate governance system, though, it has been showing a fast-growing trend since in the mid of the 1970s and its development in the global monetary markets (Yunis, 2007). The objective of this paper is to highlight the overview of the seven models of corporate governance from the conventional and Islamic perspectives including their basic elements and with its development from the perspective of the country's particular aspects and circumstances. Before describing the models of corporate governance, in the following sub-sections, the definitions and principles of corporate governance are discussed.

1.1. Corporate Governance

Corporate governance is a set of relations among the parties namely management, board, shareholders, and stakeholders of the organizations which provide a structure to attain the predetermined objectives (Morin and Jarell, 2001; Dittmar *et al.*, 2003; OECD, 2004; World Bank, 2013; Ahmad and Omar, 2016). In addition, Bandsuch *et al.* (2008) opined that corporate governance is a set of dignified principles and processes executed by the owners, directors and the management of the operating activities of the business and to communicate with the stakeholders. Corporate governance the structure of the effective board, robust shareholder rights, and board disclosures in handling a business (Holder-Webb *et al.*, 2008). A good corporate governance system is related to wider information transparency, minor capital cost, upper working productivity and well distribution of resources (Maher and Andersson, 2000; Aksu and Kosedag, 2006; Barako *et al.*, 2006). To sum up, a corporate governance structure is a relationship between its shareholders, stakeholders, management, boards and other related parties which outlines the roles, functions, and power of these parties as well as rules and procedures to monitor the business activities and protect the interest of all stakeholders. Corporate governance makes the balance within the objectives of the organization, personal, community, economic and social.

In the contest of institutional theory, corporate governance delivers an overall view of relationships among the capital owners, account holders, shareholders, stakeholders, and the corporations and relation between society and corporations. To fulfill the organizations' aims and objectives, corporate governance plays a significant role. The key functions of corporate governance in the financial sector are mainly in preparing policies, rules and regulations and managerial behavior for the inner and outer stakeholders (Hasan, 2011). Moreover, the additional significant functions of corporate governance are the enhancement of corporate reliability, transparency, and responsibility (Wolfensohn, 1999).

A robust corporate governance structure is deemed to be able to safeguard the interest of all stakeholders, reduce agency cost and control agency conflicts (Haniffa and Hudaib, 2006). Furthermore, an ideal corporate governance structure ensures accountability and enhances the organizations' performance by developing the mechanisms and practices (Brammer *et al.*, 2007; Kılıç and Kuzey, 2016). Corporate governance behavior has a strong positive correlation in firm performance (Black, 2001; Black *et al.*, 2006; Selvaggi and Upton, 2008). From the perspective of financial sectors, corporate governance is very significant in determining the organizational performance in terms of capability to smooth access of external finance, lower cost of capital, enhance operating performance and minimize the operational risk, and attain better relationships among the stakeholders (Claessens, 2006). Having better transparency and accountability which the key features are of best corporate governance practice will positively affect the improvement of firms' strength, effectiveness, and trustworthiness (Grais and Pellegrini, 2006).

1.2. Principles of Corporate Governance

Due to the absence of a unique model of corporate governance, global practices create differences in the global practice from a corporation to corporation and country to country (OECD, 2004). These differences emerge mainly from the dissimilar common beliefs, different proprietorship structures, altered environment of business and the competitive situations (Gregory, 2000). Moreover, the structure of corporate governance relies on the enlargement of a legal and regulatory system and organizational environment. Numerous reports such as The Cadbury Code (1992); CC (1998); The Combined Code on Corporate Governance (2003;2006) and Higgs (2003) has been published on corporate governance in different countries protecting the shareholders' rights.

The King Report (2002) promotes a unified tactic of good governance in the interest of a wide range of stakeholders. The report pointed out a complete tactic to inaugurate vital principles of decent monetary, social, moral, and environmental practice (Mallin, 2007). Besides, the report highlights the idea that profit-making for the shareholders is not the only purpose of the corporation but also it should follow the seven fundamental principles of corporate governance which include discipline, accountability, fairness, independence, transparency, responsibility, and social obligation (Du Plessis *et al*., 2018). Apart from these principles, the United Nations Development Program in 1997 described five principles of good governance namely, legitimacy and voice, direction, performance, fairness and, accountability (Graham *et al*., 2003). Additionally, Aboagye-Otchere *et al.* (2012) and Shrives and Brennan (2015) also focused on transparency and disclosures related to corporate governance.

2. MODELS OF CORPORATE GOVERNANCE STRUCTURE

In global corporate governance practice, due to the dissimilarities of the structure of corporate governance, the different country follows the diverse models. Though all models of corporate governance are practicing, in reality, they are different in nature due to their national, socio-economic, cultural, and religious perspectives. For example, Shleifer and Vishny (1997) designed a corporate governance structure based on the principles of investors' legitimate security and proprietorship concentration. The ultimate problem of corporate governance structure among the scholars regarding the traditions and practices which are mostly different in the mechanism of ownership control and management decision-making process (Marshall, 1920; Berle and Means, 1932; Smith, 1993; Keasey *et al*., 1997). Corporate governance codes, rules, and regulations were restructured with a view to managing and controlling the companies after the numerous corporate governance scandals (Bank of Credit and Commerce International's web fraud, and deception, the Collapse of Baring and Policy Peck and the Enron Scandals of United States) into the banks transactions and countries (Kay and Silberston, 1995).

Besides, Lewis (1999) studies six diverse models of corporate governance such as the Anglo-Saxon model, the Germanic model, the Japanese model, the Latin model, the Confucian model, and the Islamic model. In the European countries and the few other countries follow the European model of corporate governance. Moreover, some nations i.e. France, China, and India, have their own distinct models of corporate governance. The specific model of corporate governance of a country is narrated in its own code but the roots are like a shareholder model (Anglo-Saxon model) or stakeholder model (Continual European Model) or best of both models namely hybrid model. A precise overview of each model is describing onwards.

2.1. The European Model

The European model of corporate governance is formed based on the stakeholders' perspective. Clarkson (1995) and Donaldson and Preston (1995) examined the corporate governance in relation to the stakeholder theory, who proclaimed that all stakeholders' have their inherent value of self-interest, but one's interest does not influence others (Yamak and Süer, 2005). As a fundamental principle, stakeholder theory rejects the suggestions of shareholder's value model and enhances the area of corporate governance framework by establishing the rights of stakeholders to participate in the corporate governance decisions, where, managers have the obligations to guard the interests of all stakeholders and the firms' objectives are to improve the interest of all stakeholders' more than shareholders' (Iqbal and Mirakhor, 2004).

Freeman (1984) pointed out that stakeholders as group constituents who have the rights of the corporation or a person who contributes to the corporation directly or indirectly. Besides, Lepineu (cited in Hasan (2011)) classified the stakeholders into shareholders, internal stakeholders (such as employees, and labor unions); operational associates (customers, suppliers, creditors, and contractors); and social community (state authorities, trade unions, non-government institutions, and civil society) (Pesqueux and Damak-Ayadi, 2005). The European model has been criticized because it was unable to discuss agency problems effectively (Macey and Miller, 1997). The model of European corporate governance structure is shaped on a two-tier system comprising an isolate management board from executive directors and a supervisory board from outside directors in which the structure of these two boards meet separately (Dignam and Galanis, 2009).

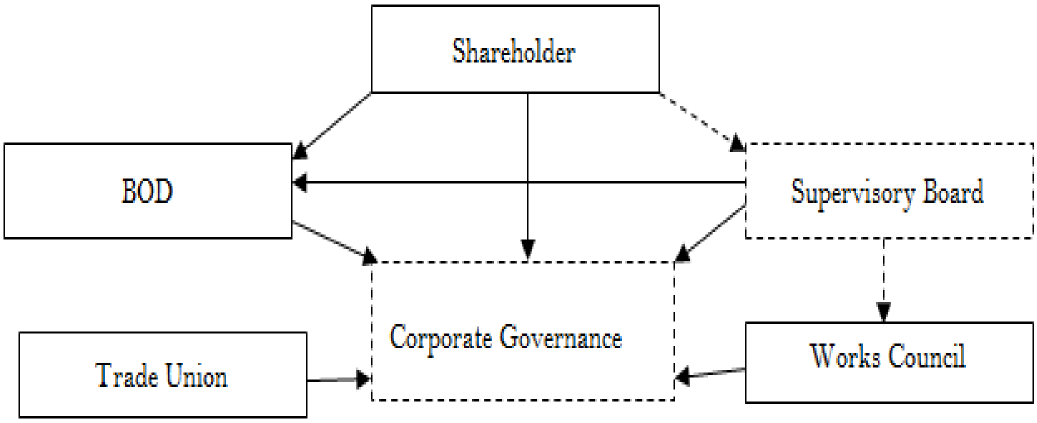

Figure-1. European model of corporate governance.

Source: Cernat (2004).

The European corporate governance model showed in Figure 1 works on two-tier board systems, i.e. management and supervisory board system. In this model, the management board is selected from the employees and the supervisory board is elected by the shareholders (Schilling, 2001). The supervisory board is comprised of shareholders, trade union members, and work council legislatures (Dignam and Galanis, 2009). The management board has a consolidated response to accomplish business activities of the firm bearing in mind the right and interest of all stakeholders more than the shareholders, while, the management board is supervised and monitored by a supervisory board (Schilling, 2001; Hasan, 2011). The European model protects the right of stakeholders but from the perspective of shareholder rights, the European model is silent and does not discuss clearly the agency conflicts.

2.2. The Anglo-Saxon Model

The Anglo-Saxon model of corporate governance is originated in the United States of America (USA) and United Kingdom (UK) based on the shareholder theory and commonly practiced globally specifically in the Commonwealth countries.

This model is also known by different names such as the shareholder model, American model, market-centric model, equity-based model, principal-agent model, outsider model, and finance model. The shareholder theory posits that the managers' obligation is to maximize the assets of shareholders because they are the proprietors and bear the maximum risk of the company (Shleifer and Vishny, 1997; Daily *et al.*, 2003; Nwanji and Howell, 2007). As a representative of the shareholder, the board of director's fiduciary duty is to safeguard the shareholder interest. Moreover, the members of the executive and non-executive directors are hired and fired by the shareholders in the general meeting (Denis and McConnell, 2003).

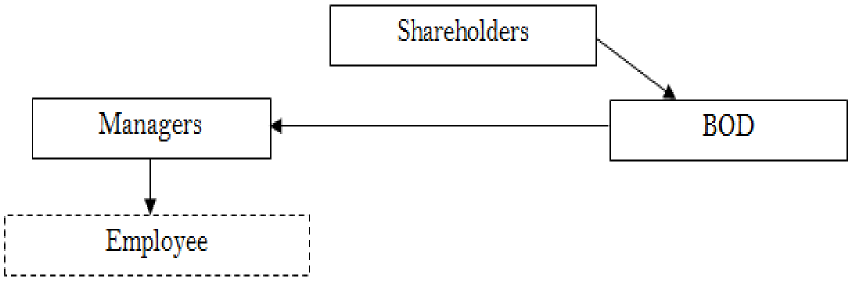

Figure-2. The Anglo-Saxon corporate governance model.

Source: Cernat (2004).

In the Anglo-Saxon model shown above Figure 2, the board of directors (BOD) is generally one-tier and mainly consisted of non-executive directors. Besides, several one-tier boards are formed with both executive and non-executive directors. This model is featured by arm's length relationship between the corporation's (board) and investors (shareholders) (Franks and Mayer, 1997). In the practice of the USA and UK Anglo-Saxon model with respect to the roles of CEO is not similar, because, the dual nature of CEO is forbidden in the UK while it is permitted and practiced in the USA (Siepel and Nightingale, 2012; Meier and Meier, 2014). These diverse structures and practices make variances among the manager's power and capacity to adjust and extract resources (Siepel and Nightingale, 2012). Besides, most of the firms are emphasized on the fewer individuals and shareholders (Akinpelu, 2012) and trade unions have low focused and retained relatively less influence and disputes rate is increasing in the Anglo-Saxon model (Cernat, 2004). Nowadays, global practices of corporate governance are moving towards the Anglo-Saxon model (Gilson, 2001; Martynova and Renneboog, 2011). This model has its own limitations in practices in case of CEO selection and their roles. Only the institutional shareholders have a great influence in this model rather than general shareholders and prioritize the shareholders interest instead of overall interest of all stakeholders.

2.3. Japanese Corporate Governance System

The Japanese model of corporate governance structure is popularly famous as a bank-led or bank-based model. This bank-based model does not only represent the shareholder's perspective but, the additional significant component of strong state regulation and interference (Okumura, 2004). In Japanese firms, generally, two groups lie in the system namely, corporate shareholders, recognized as market investors, and bank shareholders, familiar as stable investors (Ewmi, 2005). This structure affects the objectives of corporate governance because it maximizes the profit for the corporate shareholders and also safeguards the bank shareholders' rights by protecting the quality of its loan portfolio (Yoshikawa and Phan, 2005). In this structure, the BOD shapes as an office of representative directors and an office of auditors. Banks have an excessive effect on the management decision making procedure in the Japanese corporate governance structure (Allen and Zhao, 2007).

The Japanese corporate governance structure showed in Figure 3 is classified by a high level of stock ownership which is associated with banks and companies; a banking procedure by robust, long-term relations between bank and company; a public and industrial policy framework planned to support and enhance "Keiretsu" (industrial group associated with trading relation additionally cross-shareholding of debt and equity) (Ewmi, 2005). In the Japanese system, BOD is formed more or less from solely insiders and a comparatively low (in some companies, non-existent) level of input of external shareholders, caused and impaired by complex processes for exercising shareholders' ballots (Ewmi, 2005).

However, insiders and their associates are the key shareholders in most of the Japanese companies and they play a major role in the single companies and in the structure as a whole. Though the percentage of foreign ownership in Japanese stocks is small though it plays a significant role in terms of forming the structure of corporate governance which is more acceptable to the outside shareholders' (Ewmi, 2005).

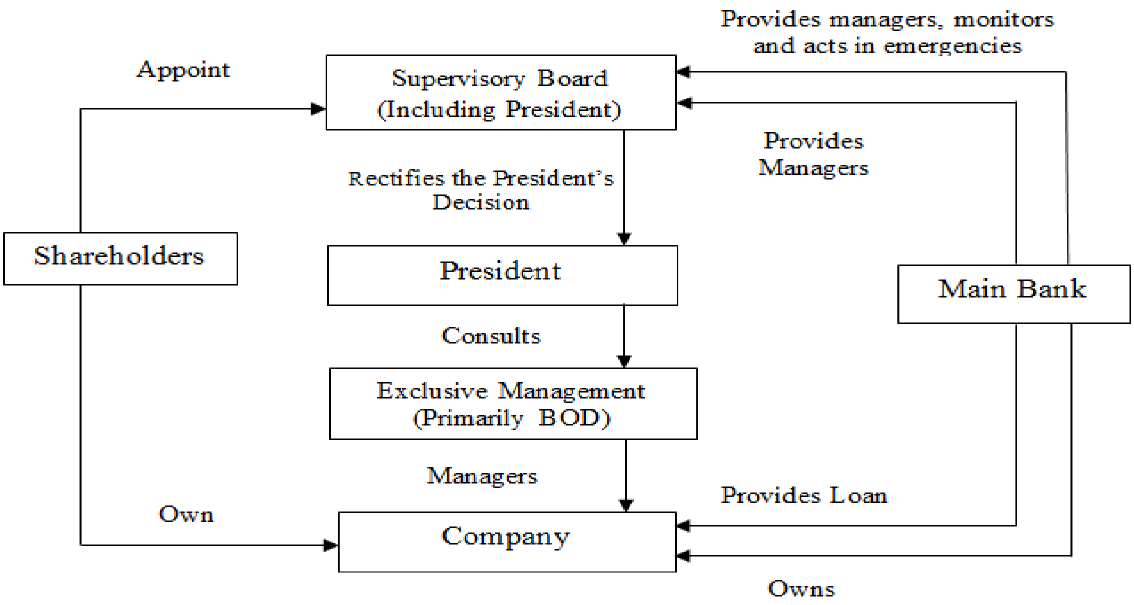

Figure-3. Japanese model of corporate governance.

Source: Adapted from Mostepaniuk (2017) (Modified).

In this model, general shareholders are the less importance where the institutional shareholders control the corporations and managements are not independent in performing their works. Profit maximization is the main motto of this model without more focusing on the protection of the rights of all stakeholders.

2.4. Germanic Corporate Governance System

The structure of Germanic corporate governance practices in an autonomous economic system where, both the shareholders and stakeholders of a firm get the benefit. The structure is formed by a combination of a supervisory board and a managing board. In this system, banks are considered the main source of finance (Odenius, 2008). The model of Germanic corporate governance (see Figure 4) is diverse itself significantly from both the Anglo-Saxon model, European model, and the Japanese model even though few of components look a lot like the Japanese model. In German companies, banks hold the long-term stakes and as in Japan, bank representatives are selected by German boards (Ewmi, 2005). However, representation is perpetual, unlike the condition in Japan where bank legislatures were selected by a corporate board only in the period of monetary distress.

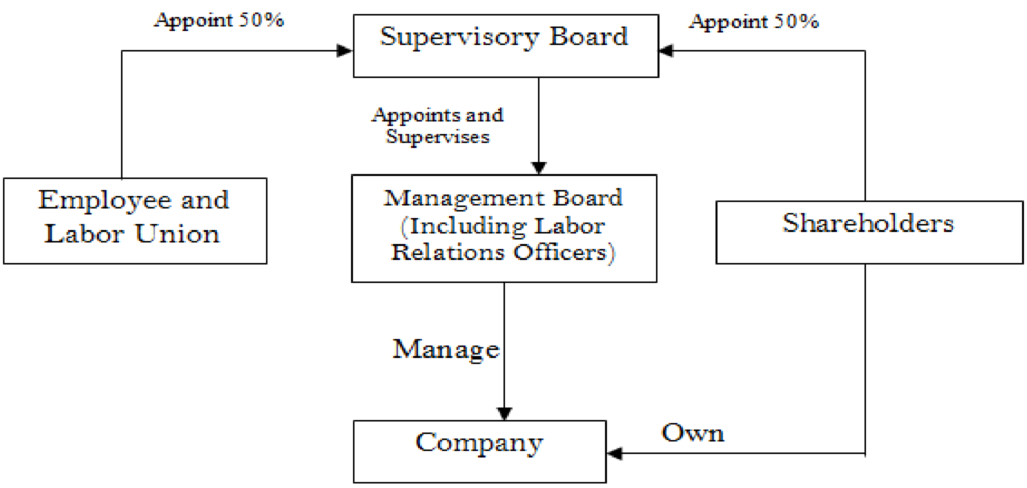

Figure-4. Germanic model of corporate governance.

Source: Adapted from Mostepaniuk (2017). (Modified).

The Germanic model of corporate governance is different from other models because of its three unique components where two are regarded to the board formation and one pertains shareholders' rights.

Firstly, the Germanic model recommends two-tier boards with separate members where the supervisory board is a combination of labor or employee representatives and shareholder representatives; and the management board is composed fully of insiders such as executives of the firms.

The two boards are fully separate, and one person may serve all together at a time in the management board and supervisory board of the corporation. Secondly, the supervisory board size is fixed by law and shareholders cannot change the board size. Thirdly, voting power limits are lawful and these limit a shareholder to polling a certain proportion of the firm's entire share capital, regardless of share ownership position (Ewmi, 2005).

2.5. Latin Corporate Governance System

The structure of Latin corporate governance is thought a more flexible system of corporate governance associated with the previous systems. In the structure of Latin corporate governance, the BOD can be selected in two ways, one board is like the Anglo-Saxon model or two boards like the Germanic model, and shareholders have further impact in this system (Aguilera, 2009).

This model is categorized as an insider model of corporate governance, where the attention of the share is owned by cross-shareholding, financial shareholding, stubborn government ownership and family-based control (Lewis, 1999).

The Latin model of corporate governance seems to be less organized than the Anglo-Saxon model and finds less prerequisite for actions for resolution because it is formed for the family and the local community. In some perspectives, the Latin model is contrary to the Anglo-Saxon model because its formation is based on a bottom-up philosophy rather than a hierarchical top-down path.

Hence, the model is based on the extended families where they are connected with all other family members and therefore feel gratified. Besides, the older family members are considered the wiser person and considered them for the leading, because of the respect conferred to them by other family members. As a result, the informal procedures are more satisfactory rather than the proper arrangements of governance processes and resolution structure (Ewmi, 2005).

More so, the Latin model is spread out from family to the local community and works on the same basis. In this model, family ownership is more dominant than the general shareholders. The family members control the banks' higher authority and decision-making process.

2.6. Chinese Corporate Governance Model

The Chinese structure of corporate governance is demonstrated based on the Anglo-Saxon model or market model by the government (Tam, 2000). In 1996, the government of China determined to implement its own corporate governance model shown in Figure 5 known as 'Zhuban Yinhang' or Main Bank' a mixture of Japanese and European models as a way to reconstruct the state-owned corporations (Tam, 2000). After that, the Chinese economists, policymakers shaped the corporate governance structure comprising the owner, BOD and senior managers. In this model, a proper and a sound relation is made in the structure, through which the owner assigns its investment to the board of directors. The BOD is the highest authority of the corporation in taking any decision and has the authority to hire and fire, reward, and punish (Wu, 1994).

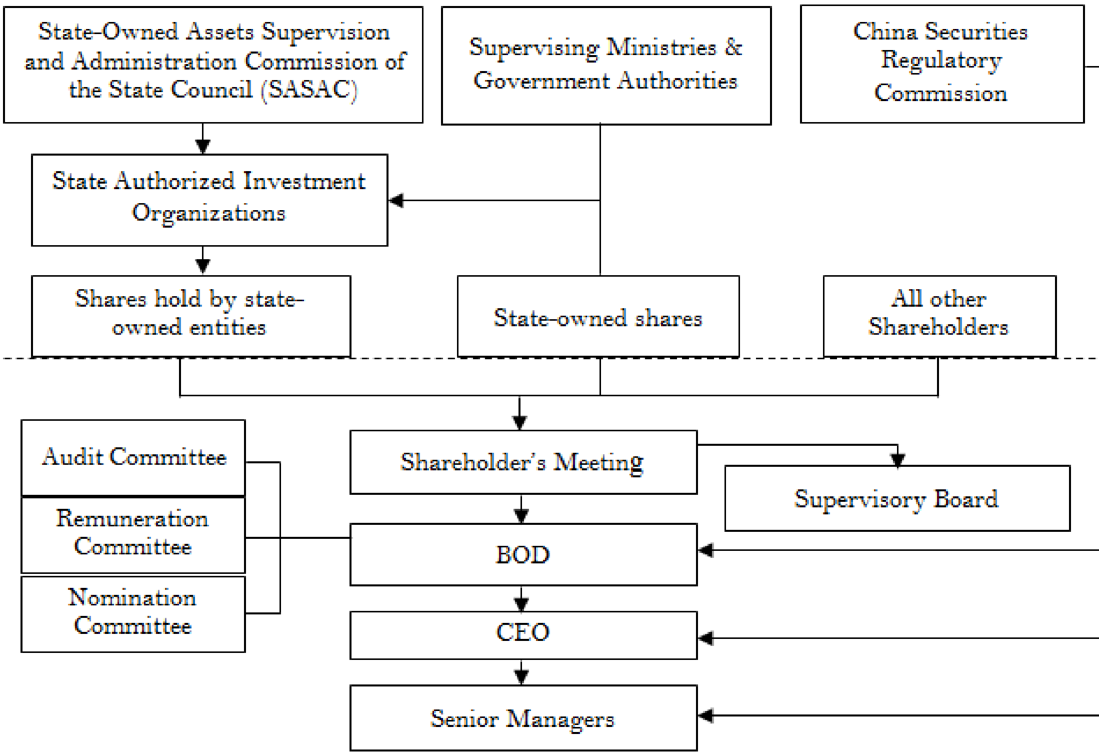

Figure-5. Chinese model of corporate governance.

Source: Guo *et al.* (2013).

In the Chinese model, the government has strong monitoring in the corporate governance system. The BOD is the ultimate authority for any corporate decision making and formulating internal policy.

2.7. Islamic Corporate Governance Model

The Islamic banking system is similar to the capitalist economic trade and the conventional system of banking, where it allows the shareholders to earn the profit and have the right to maximize their wealth. However, the Islamic corporate governance model accredited the rights of stakeholders to make corporate stability, social and economic fairness through the organizational structure. In this model, stakeholders can participate directly in the process and structure of corporate governance systems and liaise with shareholders to protect their interests (Iqbal and Mirakhor, 2004). Besides, by implementing the rule-based incentive system, the Islamic corporate governance assures the social justice (Iqbal and Mirakhor, 2004) where the rule-based sets into the organizational structure so that managers are inaugurated to implement the well-being of all stakeholders and the implementation of rules ensure the internal rights of stakeholders. In the process of Islamic corporate governance (see Figure 6), two boards, namely Shariah supervisory board and the shura board formed with the stakeholders are involved to monitor the Shariah issues and to safeguard the interest of all stakeholders. Shariah compliance is the main feature that differentiates Islamic corporate governance very unique (Alam *et al.*, 2019a). Together with the BOD, Shariah supervisory board monitors the principles of Shariah to ensure Shariah compliance in the overall activities of Islamic banks. Additionally, BODs and Shariah supervisory boards are also responsible to implement the Islamic principles and protect the Islamic image of the Islamic banks.

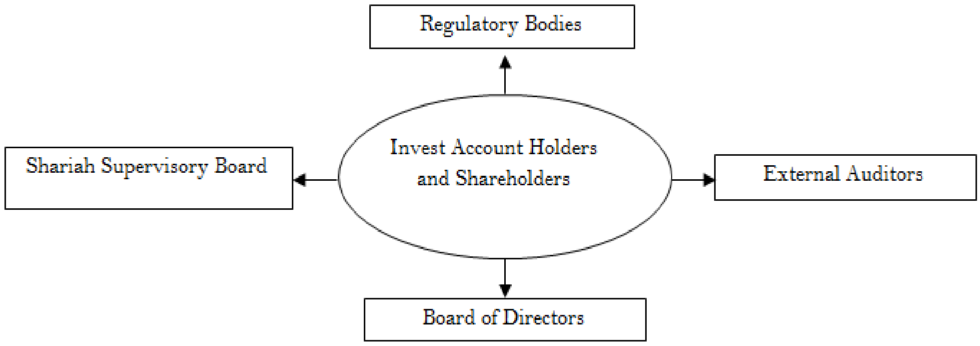

Figure-6. Responsible parties for the implementation of corporate governance in IFIs.
Source: Shanmugam and Zahari (2009).

In the stakeholder model of Islamic corporate governance, managers have a fiduciary duty to conduct the business to safeguard the best interest of all stakeholders and the stakeholders have the freedom to join in the organizational activities to rigid the conflicts among the stakeholders for safeguarding his rights (Hasan, 2009).

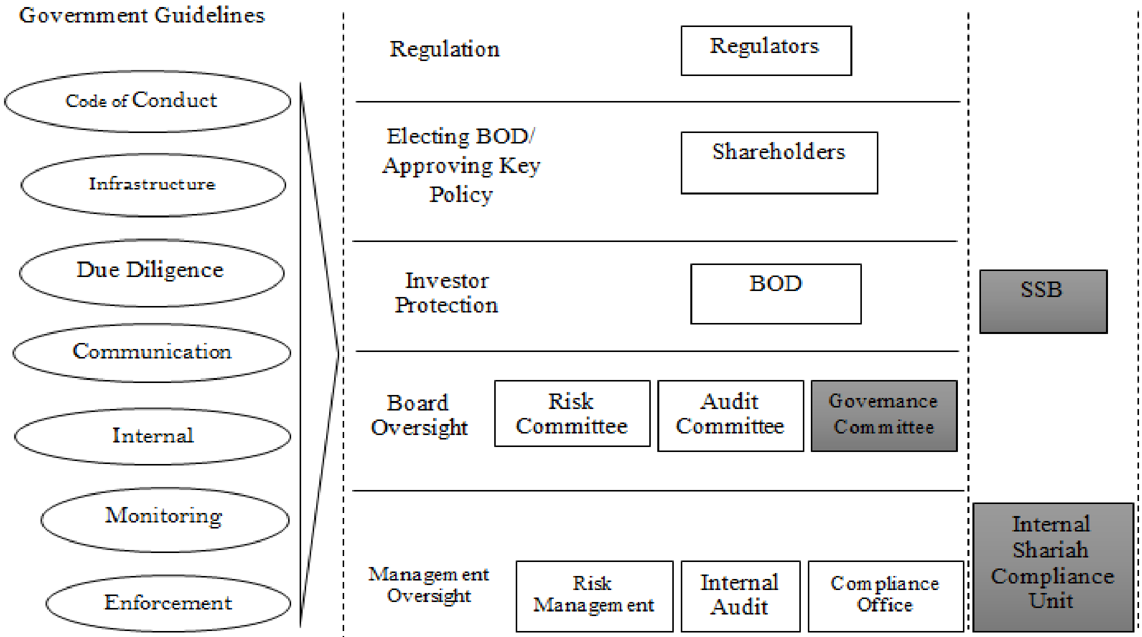

Figure-7. Corporate governance structure for IFIs.
Source: Stanley (2008) Modified.

Moreover, in the view of the normative approach of corporate governance, the Muslim people believe that they will be responsible (as a self-regulatory model) to Almighty in life and also in the Day of Judgment. Responsibility is the most important component in this structure to disclose all the information to the stakeholders and uphold transparency in Islamic banking activities. More so, the structure beliefs in preserving up to date, fair, and impartial bookkeeping of monetary transactions. In the corporate governance model of IFIs showed above Figure 7, Shariah supervisory board plays an important role to supervise, determine and monitor the Shariah principles in the activities of Islamic corporations through the internal Shariah compliance unit or Shariah department. Shareholders and the other community members play an efficient role to achieve the ultimate goal of Islamic corporate governance by upholding social justice (Choudhury and Malik, 1992; Choudury and Hoque, 2004).

Islamic corporate governance model ensures the rights and interests of all stakeholders of the corporation. Besides, the shareholder has the opportunity to participate in the decision-making process of Islamic banks.

3. CORPORATE GOVERNANCE IN FINANCIAL INSTITUTIONS

Corporate governance is a procedure of preserving, directing, guiding, monitoring and controlling the corporations. In the corporate governance system, there are two parties namely, internal participants which is combined with BOD or supervisory board, the managers, the shareholders and the depositors (Salacuse, 2003) and the external participants which is composed of government regulatory authorities, employees, suppliers, customers, partners, stock market community, and the court that enforces the remedies for breaking governance rules (Salacuse, 2003; Choudhury and Alam, 2013).

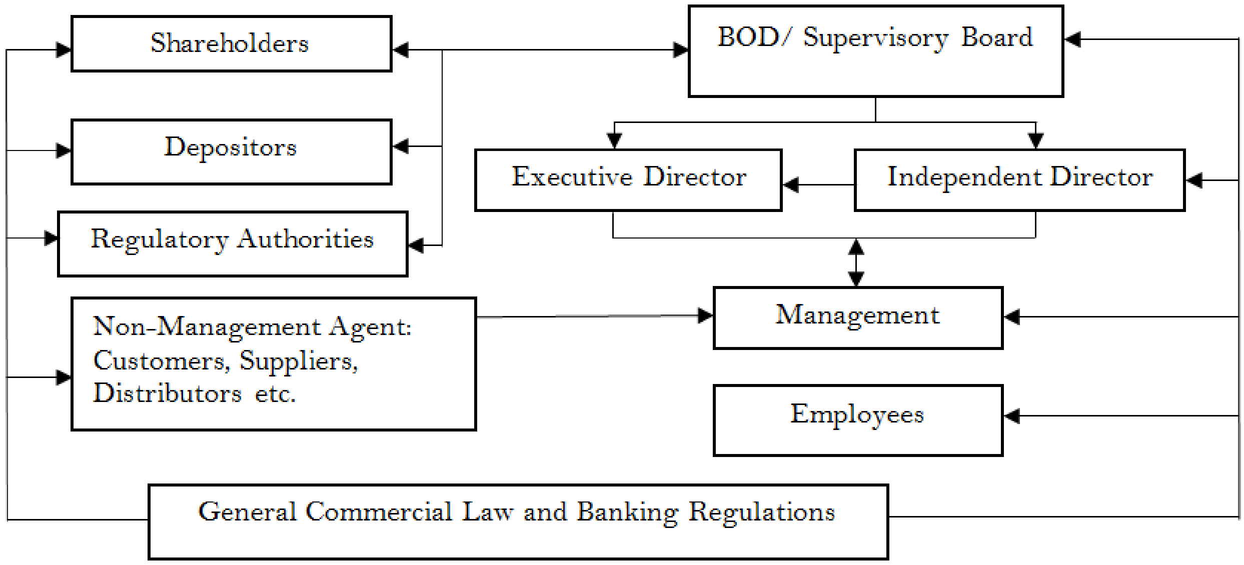

Figure-8. Corporate governance structure in conventional financial institutions.
Source: Choudury and Hoque (2004) and Nienhaus (2007): Modified by Hasan (2011).

The Figure 8 shows the corporate governance model of conventional financial institutions and is formed with a combination of Anglo-Saxon and the European model and the only variance among these models is the supervisory board and the corporate objectives. Here, BOD is accountable to the shareholders, regulatory authorities, and depositors. Banks are monitored under the banking regulations and commercial laws.

4. DISCUSSION

This paper provides a brief background of conventional and Islamic corporate governance associated with financial institutions. In the mechanism of the corporate governance system, the board of directors, the managers, supervisors, the shareholders, the depositors, the regulatory authorities, and the customers are the main elements in the conventional financial service sector. The corporate governance models are dominated by insider mechanisms such as individual, family and state participation and outsider mechanisms namely institutional investors and the people participation. In this perception, the regulators and the government of these countries highlight the interest of both mechanisms such as shareholders and stakeholders. Moreover, in Islamic corporate governance, the Shariah supervisory board is an extra layer who monitors and supervises the Shariah principles in the activities of Islamic banks. The principles of corporate governance differ globally because of its nature of practice, religion, customs, cultures, and beliefs and developed to protect the rights and interests of all the shareholders and shareholders. Corporate governance structure success lies in the improvement of the legal and regulatory processes in the corporate environment.

This paper is an attempt to review the several models of corporate governance from conventional and compares with the Islamic corporate governance model. The paper discusses the corporate governance model from the conventional and Islamic perspective to understand the variations of different models of corporate governance practiced globally and the endeavors that have been taken to modify the governance structure of these countries. The Anglo-Saxon model has demonstrated on the perspective of agency theory and describes the shareholder value system, whereas, the European model, formulated based on the stakeholder theory, assumes to provides solutions for the faults of the shareholder model by stimulating stakeholder value orientation structure. The Anglo-Saxon model emphasizes protecting the interest of shareholders, while the European model, Japanese model, and Chinese model give more emphasize on the interest of stakeholders or multiple capital players like employees, suppliers, investors, and the public. The German model and Latin model emphasize protecting the interest of both shareholders and stakeholders. Besides, the Islamic model of corporate governance protects the right of all stakeholders by implementing the Shariah rules in the organizational structure. Moreover, in the Islamic model, stakeholders can participate directly in the corporate structure with the shareholders, so that they can protect their rights. The most common issue in these models is that the government of these countries emphasizes to increase investors' and customers' faiths and confidence.

In the global practice, the Anglo-Saxon and European models are gaining more popularity because of its diversities in roots state to state, nature and legal framework, the political ground, societal rules or culture and the economic formation (Jacoby, 2000). Furthermore, the Islamic model of corporate governance is becoming popular in the perspective of Islamic banking in the Muslim and also the non-Muslim countries. Muslim and non-Muslim countries are moving forward to the Islamic financial system. To monitor and supervise the Islamic financial institutions, Islamic corporate governance system is developed in the context of local rules and regulations by applying the Shariah principles. Finally, for effective corporate governance practice and monitoring the financial institutions, an arrangement of several aspects alike regulators, observation and advocacy are required to ensure compliance within the institutions and protect the interest of stakeholders. Besides, it is important to have a comprehensive Shariah governance guideline for IFIs to obey and apply in their particular institution and need to be monitored by the BOD, Shariah supervisory board, and regulatory body (Alam *et al.*, 2019b). A strong monitoring movement is important to implement the governance structure so that all corporate participants follow the standards of the governance system.

5. CONCLUSION

Corporate governance is a mixture of organizational policies, procedures, structures, customs, rules and regulations which have an effect on the monitor and control an institution to enhance and business performance and ensure accountability. Good corporate governance minimizes agency costs and conflicts (Bozec and Bozec, 2007). The structure of corporate governance of the business organization, conventional banks and Islamic banks in different in its practices because of depositors, extraordinary government regulation, and Shariah principles. In contrast, Islamic corporate governance has to comply with the Shariah principles and Shariah supervisory board monitors the banking activities to ensure the Shariah parallel with the current banking rules and regulations. Corporate governance plays a significant role in improving firm performance and ensuring the accountability of all stakeholders (Samuel *et al.*, 2019). Our study has significant contributions to the existing literature in the context of conventional corporate governance and Shariah governance. The researcher and academicians will get an overview of the overall corporate governance systems practicing in the world. This study is limited to the review of the corporate and Islamic governance models rather than empirical evidence. Future researchers can evaluate these governance models in terms of performance, formation, structure, application, and protecting rights and accountability. Further study can investigate the diversified BOD formation in the application and evaluation of firm performance, roles, and disclosure.

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