A Framework for Identifying and Analyzing the Factors Affecting Corporate Governance in the Country's Banking System with the Approach of Realizing Resistance Economy[1]

Hamed Sarvarian[2], Omid Ali Adeli[3], Mohamad Hasan Maleki[4]

INTRODUCTION

Investigations indicate that part of the disturbances and challenges in the banking system arise from the lack of design and implementation of a proper corporate governance system in the country's banks (Shehbazi, 2015). Corporate governance aims to improve the effectiveness and efficiency of the internal control system by employing mechanisms to avoid issues that could lead to the bankruptcy of the banking network (Azizi, 2018).

Corporate governance refers to "the system and framework by which a bank or company is managed, organized, and controlled" (Hopt, 2021). The use of corporate governance in organizations has increased significantly in recent years. This phenomenon is attributed to the fact that the topic serves as the foundation and executive framework for an organization's activities. The adoption and implementation of this method benefit the owners and shareholders of an economic enterprise because they are committed to principles and mechanisms that enable effective monitoring of organizational activities. This importance becomes more evident when the principles of disclosure and transparency are adopted (Garzon Castrillon, 2021).

The publication of specific reports on the performance of some banks in Iran highlights the need to pay attention to banking health indicators and plan for their improvement.

1. doi: 10.22051/JFM.2024.48113.2958

2. Ph.D. Student, Department of Economics, Faculty of Economics and Administrative Science, Qom University, Qom, Iran. Email:h.sarvarian@stu.qom.ac.ir.

3. Associate Professor, Department of Economics, Faculty of Economics and Administrative Science, Qom University, Qom, Iran. Corresponding Author. Email:oa.adeli@qom.ac.ir.

4. Associate Professor, Department of Management, Faculty of Economics and Administrative Science, Qom University, Qom, Iran. Email:oa.adeli@qom.ac.ir.

Developing a framework to enhance bank performance and strengthen monitoring of the banking network can improve these indicators. Furthermore, the more banks comply with corporate governance principles, the quicker they can improve their supervisory ratings (Ahmadian et al., 1400). Additionally, one of the key reasons for the 2008 financial crisis was the weakness and failure of corporate governance, evident in shortcomings related to legal requirements and accounting standards (Kirkpatrick, 2009).

The common denominator of corporate governance approaches is their effort to provide a framework for closely monitoring a bank's operational status, strictly enforcing laws and regulations, and meeting policymakers' goals. A review of the various models of corporate governance reveals that most models have distinctions based on their specific objectives. Examining different standards and principles of corporate governance in banks indicates that this framework, by regulating various roles and responsibilities, aims to establish rules and mechanisms that promote internal banking health, transparency, and accountability. This, in turn, supports the health and stability of the entire banking system (Shehbazi et al., 2015).

Despite extensive research in corporate governance, the most significant weakness of these studies is their lack of attention to the principles of a resistance economy and efforts to realize them. A resistance economy focuses on strengthening, de-crisis, and restoring existing economic structures and institutions. Establishing corporate governance aligned with this concept can fulfill clauses 9 and 19 of the macroeconomic policies of the resistance economy and improve banking health. This research seeks to identify the most critical components affecting corporate governance to meet the goals of resistance macroeconomic policies, prioritizing and presenting them accordingly.

The research questions are:
1. What are the effective factors influencing corporate governance in the country's banking system within the framework of realizing the resistance economy?
2. What are the priority levels of factors affecting corporate governance in the country's banking system within the framework of realizing the resistance economy?

MATERIALS AND METHODS

The current study, from the perspective of its philosophical foundation, is rooted in pragmatism. In terms of its purpose, it is exploratory, and in terms of its orientation, it is practical. The study is classified as field research in terms of data collection, employing a mixed-methods approach. In this research, the techniques of theme analysis, Fuzzy Delphi, and Cocoso were utilized. The Fuzzy Delphi and Cocoso techniques are quantitative and computational, while the theme analysis method has a qualitative nature.

The theoretical population of the research includes managers, senior experts, consultants from the country's banking network, and faculty members specializing in banking and corporate governance (with an academic rank of associate professor or higher). Sampling was conducted based on the expertise of banking and corporate governance professionals, with 10 individuals selected as the sample. The sample size was determined using the criterion of theoretical saturation. Data collection tools in this study consisted of interviews and questionnaires. Theme analysis was based on

interviews, whereas the Fuzzy Delphi and Cocoso methods were applied using questionnaires.

RESEARCH STAGES

1. Conducting interviews with experts in the fields of corporate governance and resistance economy, followed by theme analysis to identify factors affecting corporate governance in the country's banking system within a resistance economy framework.
2. Screening the research factors using the Fuzzy Delphi method and distributing questionnaires to experts.
3. Prioritizing factors affecting corporate governance in the country's banking system with a resistance economy approach using the Cocoso method.
4. Proposing recommendations based on the most significant factors influencing corporate governance in the banking sector.

In this study, theme analysis was employed to analyze expert interviews, aiming to extract factors affecting corporate governance in the country's banking system with a resistance economy approach. Theme analysis is a qualitative technique that relies on interviews to identify primary and secondary factors.

The Fuzzy Delphi method was used in this research to screen the factors influencing corporate governance in the banking system. In the algorithm for the Fuzzy Delphi technique, the first step involves developing an appropriate fuzzy spectrum for fuzzifying the linguistic expressions provided by experts. Conventional fuzzy spectra can be applied for this purpose.

RESULTS AND DISCUSSION

1. Screening of research factors using the fuzzy Delphi method and distribution of expert questionnaires

Factors affecting corporate governance in the country's banking system with a resistant economic environment were obtained through interviews with experts. The interviews were analyzed using the topic analysis method. The research factors are presented in the form of main topics, categories of concepts, and their related codes in the table of numbers. Each factor consists of several sub-factors. After interviewing experts, researchers start their conceptual analysis. A careful examination of these interviews creates themes and categories of concepts related to each topic. To clarify and identify the topics and conceptual categories related to them, codes have been used. After extracting 34 sub-factors and categorizing them, the aforementioned factors were screened using thematic analysis and the fuzzy Delphi method. At this stage, 19 sub-factors were removed from the analysis, and 11 factors were selected for evaluation and final ranking. Factors that had a diffusion number higher than 0.7 were considered for analysis and final prioritization with Cocoso. In the present study, 11 factors had a diffusion coefficient greater than 0.7. The threshold value of 0.7 was considered to evaluate and screen the factors affecting corporate governance. In most of the research, the numerical threshold limit is between 0.5 and 0.7, and in the current research, the number 0.7 was considered the threshold limit.

According to the number of factors affecting corporate governance in the country's banking system with a resistance economy approach, the identified factors are the use of data-driven technologies such as blockchain for the transparency of contracts (smart contracts) (A), the level of transparency of banks in selection and recruitment policies and the promotion of managers (B), the extent of banks' attention to economic indicators of resilience in sustainability reports (C), the extent of banks' movement towards sustainability in different dimensions (D), the strengthening of banks' expertise in evaluating economic plans to make it possible to pay facilities to innovative plans (E), the level of attention of banks' risk committees to the dimensions and policies of the resistance economy in identifying and analyzing risks (F), the existence of foresight committees in banks to discover important trends and drivers affecting the banking industry (G), the creation of incentive policies in case the bank moves in line with the goals of the resistance economy (H), the familiarization of board members with the topics and concepts of the resistance economy (I), the extent of banks' use of consultants and elite experts specializing in the field of resistance economy in topics related to corporate governance (J), and training and culturalization of corporate governance and resistance economy by senior managers of operating banks (K).

2. Prioritizing factors affecting corporate governance in the country's banking system with a resistance economy approach using the Cocoso method

After screening the research factors using the fuzzy Delphi method and distributing the questionnaire, the screened factors were ranked by the Cocoso method. At first, experts expressed their opinions about the degree of importance of each of the factors affecting corporate governance on a spectrum of 10. The decision matrix was formed based on the opinions of 10 experts. These data were normalized using the fuzzy method according to the second stage of the Cocoso method.

According to the calculations, the factors of banks' use of advisors and elite experts in the field of resistance economy in corporate governance issues, the amount of attention banks pay to indicators of resistance economy in sustainability reports, the level of transparency of banks in the selection, hiring, and promotion of managers, the use of data-driven technologies such as blockchain for the transparency of contracts (smart contracts), and the extent to which banks move towards sustainability in different dimensions, respectively, have the highest priority and importance. The higher this index is for propulsion, the more important the propulsion is evaluated. The practical proposals of the research were developed based on the most important factors affecting corporate governance with the approach of realizing the resistance economy.

CONCLUSION

The banking sector, as one of the drivers of the economy, plays an important role in fostering good economic governance in the country. The current research seeks to identify and prioritize factors affecting corporate governance with an approach focused on realizing the resistance economy. The main factors identified were technological and innovative factors, legal and regulatory factors, structural factors, managerial factors, factors related to sustainability, factors related to transparency and reporting, and finally, educational-advisory factors. Among these factors, the ones selected in the final prioritization include the extent to which banks use advisors and elite experts in

the field of resistance economy in matters related to corporate governance, the extent to which banks pay attention to resistance economy indicators in preparing sustainability reports, the level of transparency in banks' selection, recruitment, and promotion policies for managers, the use of data-driven technologies such as blockchain for transparency in contracts (smart contracts), and the extent to which banks move towards sustainability and stability. In this regard, practical research proposals have been developed and presented based on priority factors and interviews with focus groups.

Many concepts of corporate governance are drivers for the realization of a resistance economy. To achieve a resistance economy, it is critical to utilize expert consultants in this field. Experts should strive to extract the driving indicators of corporate governance from resistance economy documents and implement them operationally in the banking sector. Such an approach will make the banking sector more adaptable, as the resistance economy emphasizes a native perspective on issues. Many banks in Iran, due to a lack of expert consultants in the fields of corporate governance and resistance economy, merely implement foreign models without considering the local background and context necessary for realizing a resistance economy. Therefore, integrating foreign models with local approaches will yield the most benefits and advantages. In this case, bank managers can benefit from the impact analysis approach. This approach examines the potential effects of implementing specific models and their dimensions in the future.

Good reporting is a key component of corporate governance and good governance. For example, one of the important indicators of a resistance economy is the concept of being knowledge-based. Banks should disclose their performance regarding the development of various types of fintech and their collaboration with these technologies. The amount of investment by banks in fintech, the number of joint projects between banks and fintechs, and the variety of fintechs with which banks collaborate are useful operational indicators for realizing a resistance economy (specifically the knowledge-based dimension). These indicators also play a significant role in the development of technology-oriented banking. The development of technology further enhances transparency and integration within banks. Banking consultants should aim to explain resistance economy indicators concretely and objectively in the banking sector instead of relying on generalized statements.

Another important concept in a resistance economy is justice-oriented practices. Banks should specify in their reports the extent to which they have contributed to financing micro-businesses and innovative projects. If banks have primarily provided facilities to large companies, this indicates injustice within the banking sector.

In a resistance economy, the two categories of justice and social capital are influential concepts. Both categories are strongly shaped by transparency in important organizational and managerial decisions. The use of data-driven technologies, such as big data, in the recruitment, appointment, and promotion processes enhances transparency in these processes. A data-driven performance evaluation system evaluates individuals based on objective, tangible, data-based indicators. This approach to evaluation fosters organizational justice. Moreover, when employees, stakeholders, and customers perceive this approach, their perception of the organization improves, thereby strengthening the organization's social capital.

Data-driven technologies, such as blockchain, play a crucial role in enhancing transparency, reducing costs, and increasing security. The use of smart contracts enables beneficiaries and customers to have a clear understanding of the terms of the contracts. Furthermore, many of these contracts are irreversible and resistant to manipulation.

In terms of research proposals, strategic and operational plans can be developed to realize a resistance economy with a focus on corporate governance in banks. Developing objective indicators to evaluate the degree of realization of the resistance economy based on the establishment of desired corporate governance components is another step in this direction. Additionally, methods such as DEMATEL and interpretive structural modeling can be used to determine the extent to which factors influence one another, rather than simply assessing their degree of priority.

Keywords: Corporate Governance, Banking System, Resistance Economy, Theme Analysis, Cocoso.
JEL Classification: E5, G34.

COPYRIGHTS