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Research Article

The Influence of Institutional Investors on Shaping Corporate Governance Practices: Insights from Global Perspectives through Blend of Bibliometric and Systematic Review

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Abstract: ***Purpose***: This research aims to investigate the influence of institutional investors in affecting corporate governance practices, with a particular emphasis on emerging economies. It investigates the mechanisms by which institutional investors might improve governance traits such as board composition, CEO compensation, and strategic decision-making, while also identifying contextual elements that may facilitate or impede their success. ***Design/methodology/approach***: The study employs a mixed-methods approach combining bibliometric analysis using the 'biblioshiny' R package and systematic literature review. The quantitative phase analyses 464 English-language publications from 1996-2024 in Scopus, examining research trends, collaboration networks, and thematic evolution. The qualitative phase involves a systematic literature review of 40 selected papers following PRISMA guidelines, focusing on empirical studies investigating institutional investor and corporate governance relationships. ***Findings***: The bibliometric analysis shows an enormous spike in research production in this area, with a small group of key journals and writers driving the field. Thematic mapping identifies key themes, such as how institutional investors influence board composition, oversight, and strategic decision-making. The systematic literature review found that institutional investors have a major impact on corporate governance by pressing for improved board independence, diversity, and competence. Their involvement has been connected to improved management monitoring, executive remuneration practices, and effective risk management supervision. However, the magnitude of this influence varies according to different regulatory and institutional environments. ***Originality/value***: This study enhances agency issues by demonstrating how institutional investors address agency conflicts between managers and shareholders. It highlights their importance in improving governance practices in emerging markets. The mixed-methods approach gives a complete overview of the research landscape, identifies literature gaps, and lays the groundwork for future studies on institutional investors' involvement in corporate governance.

Keywords: Institutional investors, corporate governance, emerging markets, board composition, agency theory, systematic review.

INTRODUCTION

The role of institutional investors in the formation of corporate governance practice was the subject of considerable interest in the academic literature (Aggarwal et al., 2011; Gillon and Starrs, 2003; McCreery et al., 2016). Institutional investors, such as mutual funds, pension funds and insurance companies, have become outstanding players in world stocks, having the opportunity to influence the decision-making processes of the firms in which they invest (Edman and Manso, 2011; Vishny, 1986). According to agency theory, the separation of ownership and control in modern corporations can lead to a conflict of interests between managers and shareholders (Jensen and Meck, 1976). Institutional investors with their substantial shares and experience in financial markets can play an important role in monitoring management and coordinating their interests with the interests of minority shareholders (Shlaffer and Vishny, 1986; Gillon and Starrs, 2003). By actively participating in the council of directors and management, institutional investors can improve corporate governance practices, such as the composition of the board of directors, the policy of the executive branch, and the disclosure of information (McCarey et al., 2016; Agrawal et al., 2011). However, this depends on how effectively institutional investors can shape corporate governance (Gillon and Starrs, 2003; Aggarwal et al., 2011). In countries where security investors are weak and capitalized markets are being developed, the role of institutional investors in corporate management may not be so obvious (Chung and Zhang, 2011; Aggarwal et al., 2011). Understanding the specific dynamics is essential for politicians, corporate managers and investors to understand how institutional investors will influence corporate governance in different contexts.

OBJECTIVE OF THE STUDY

The purpose of this study is to examine the role of institutional investors in shaping corporate governance

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practices, with a particular focus on emerging markets. The review aims to examine the relationship between institutional investor ownership and various characteristics of corporate governance identify the mechanisms through which institutional investors may contribute to improving business governance and provide insights into the factors that influence this relationship and what may induce or impede efficacy.

METHODOLOGY

This research adopts a mixed-methods design to explore the impact of institutional investors on corporate governance practices, combining quantitative bibliometric analysis with a qualitative systematic literature review for a comprehensive examination. The methodology unfolds in two primary phases, each with specific steps to address different dimensions of the research objective.

In Phase 1: Bibliometric Analysis, The study begins by outlining research objectives to establish the analytical scope, with an emphasis on identifying major themes, influential authors, and trends in publications about institutional investors and corporate governance. The Scopus database is used to collect data, resulting in a dataset of 464 English-language publications published between 1996 and 2024, with only one item eliminated due to irrelevance. This dataset is cleaned and organised to prepare it for bibliometric analysis, which includes descriptive analysis, network analysis, and theme mapping. Descriptive analysis reveals patterns in publication volume, authorship, and geographical distribution, whereas network analysis focuses on relationships between authors, institutions, and nations. Thematic mapping identifies key subjects in a discipline, capturing developing themes and research focal points. This quantitative phase provides an empirical assessment of the research landscape, highlighting major journals, frequently referenced publications, and collaborative networks that contribute to a better understanding of intellectual trends in corporate governance and institutional investment.

Phase 2: Systematic Literature Review carries the emphasis on a qualitative analysis of the selected literature. This phase begins with generating particular research questions that will lead the literature review and creating a review protocol to standardise the process. A full literature search is undertaken in Scopus, yielding an initial list of 65 relevant papers. These papers are subjected to thorough screening using inclusion and exclusion criteria. The inclusion criteria prioritise English-language publications published between 1975 and 2024 that particularly investigate the relationship between institutional investors and corporate governance, ensuring that the selected studies are consistent with the study purpose. Papers that do not match these criteria are excluded, allowing a final selection of 40 eligible and 25 excluded papers. These 40 publications are extensively reviewed, with each study considered for quality and relevance to extract valuable findings. This phase's key findings include earlier study conclusions, recognised literature gaps, and emerging trends and themes.

The final step involves combining the findings from both phases to gain a comprehensive grasp of the research field. This synthesis integrates the quantitative insights derived from the bibliometric analysis with the qualitative themes discovered in the literature review, providing a more nuanced understanding of the area. The study not only consolidates existing information, but also identifies specific gaps, such as understudied geographical regions, sectoral focusses, or methodological approaches. It suggests potential areas for further research, such as in-depth assessments of institutional investor motivations, the impact of governance structures, and the role of regulatory frameworks.

Search terms:

- "Institutional investor*" AND "corporate governance"
- "Institutional ownership" AND (board OR "executive compensation" OR "shareholder rights")
- "Institutional investor*" AND (monitoring OR engagement OR activism)
- "Institutional investor*" AND ("emerging markets" OR "developing countries")

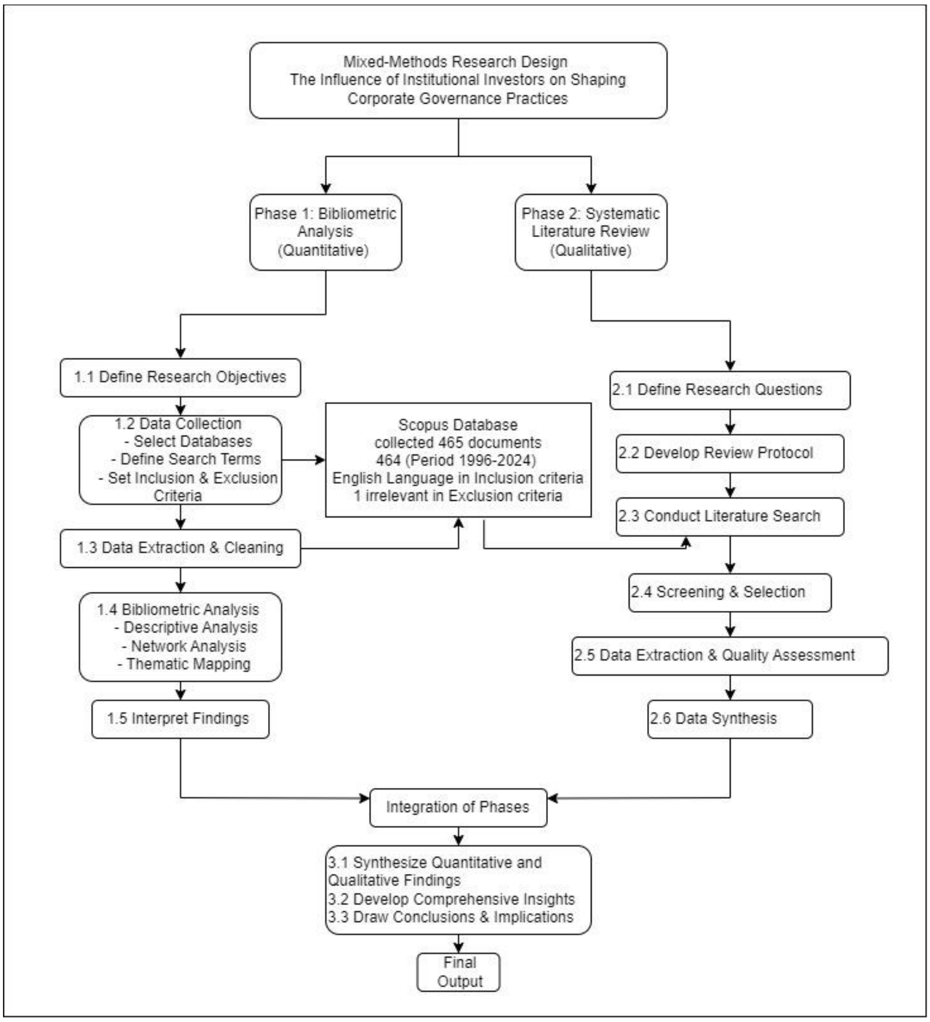

Figure 1: Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) Framework

Source: Author's Work

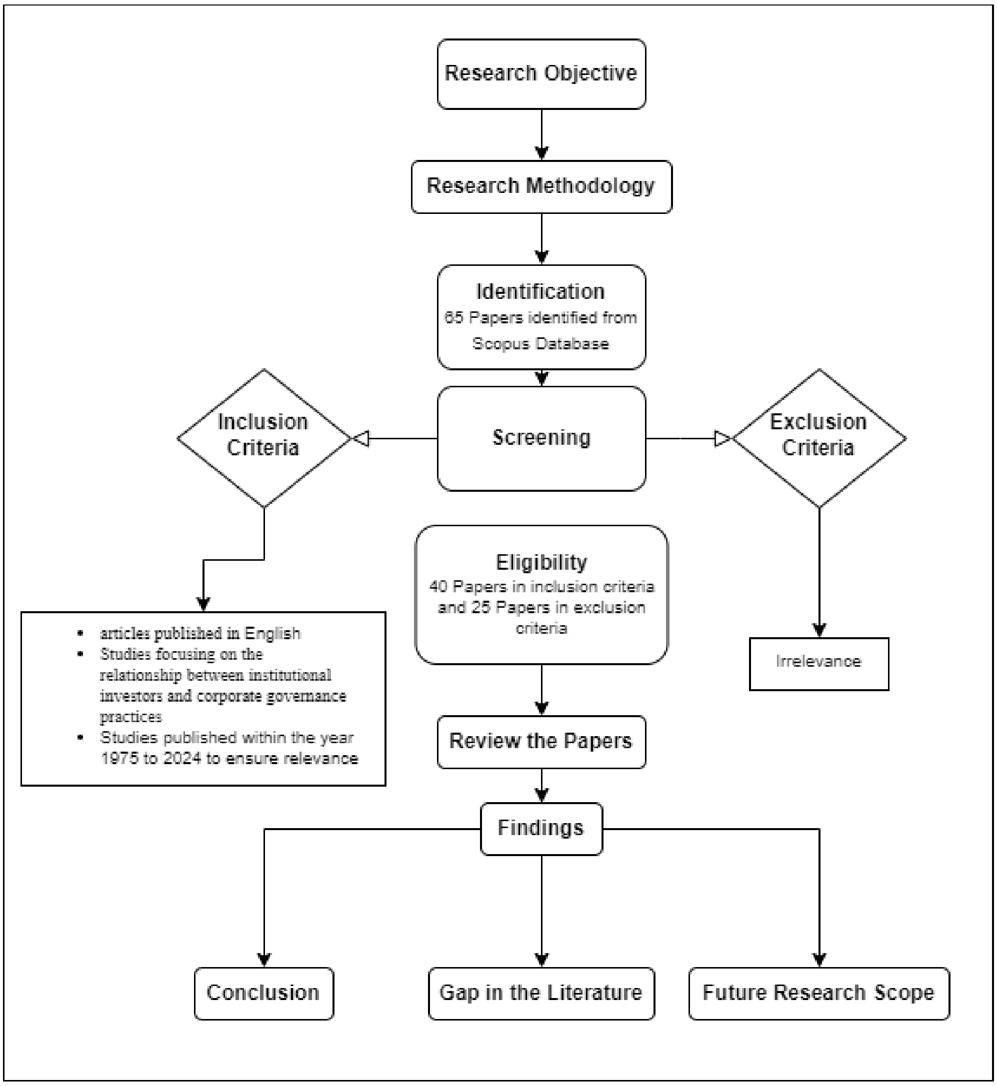

Figure 2: Author's Work

FINDINGS AND DISCUSSION

1. Annual Scientific Production

The data shows a significant upward trend in the number of research articles on institutional investors and corporate governance practices over the years. Starting with just one publication in 1996, there was a slow increase until the mid-2000s, with a notable surge beginning in 2005. This growth has become more pronounced from 2010 onward, peaking dramatically in recent years, with the article count reaching 64 by 2024. This trend reflects a growing academic and practical interest in the role of institutional investors in corporate governance, likely driven by heightened regulatory focus, evolving market dynamics, and the increasing influence of institutional investors in global markets. (Table 1 and Figure 3)

Table 1: Annual Scientific Production

Description	**Results**
MAIN INFORMATION ABOUT DATA	
Timespan	1996:2024
Sources (Journals, Books, etc)	234
Documents	464
Annual Growth Rate %	16.01
Document Average Age	6.3
Average citations per doc	25.07
References	25912
DOCUMENT CONTENTS	
Keywords Plus (ID)	379
Author's Keywords (DE)	1118
AUTHORS	
Authors	1002

Authors of single-authored docs	92
AUTHORS COLLABORATION	
Single-authored docs	97
Co-Authors per Doc	2.47
International co-authorships %	28.66
DOCUMENT TYPES	
article	409
book	3
book chapter	11
conference paper	30
editorial	1
review	10

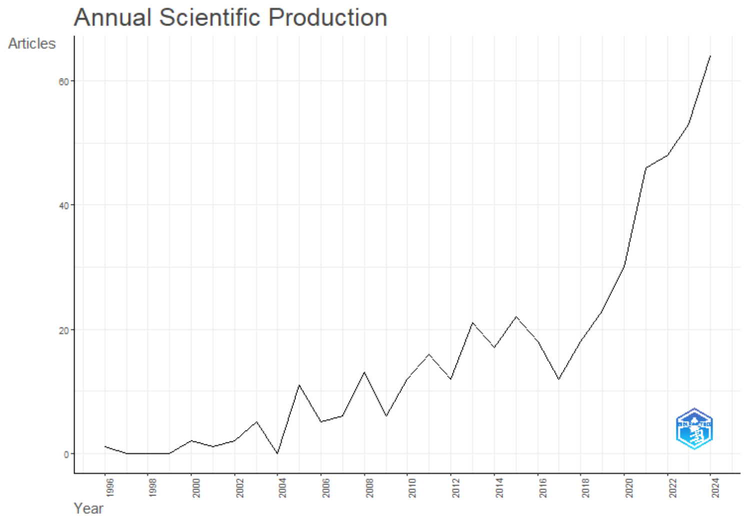

Figure 3: Annual Scientific Production

2. Three fields Plot

The image represents a three-field plot (TFP) from a bibliometric analysis, illustrating connections between cited references (CR), authors (AU), and keywords or descriptors (DE) in the context of institutional investors and corporate governance. The plot highlights the most influential studies (e.g., by McCahery, Dyck, and Jensen) and prolific authors (e.g., Chung, Liu) linked to recurring themes such as shareholder activism, ownership structures, and corporate governance frameworks. It visualizes how foundational works and key contributors align with specific thematic areas, showcasing their impact and interconnectivity in this field. (Figure 4)

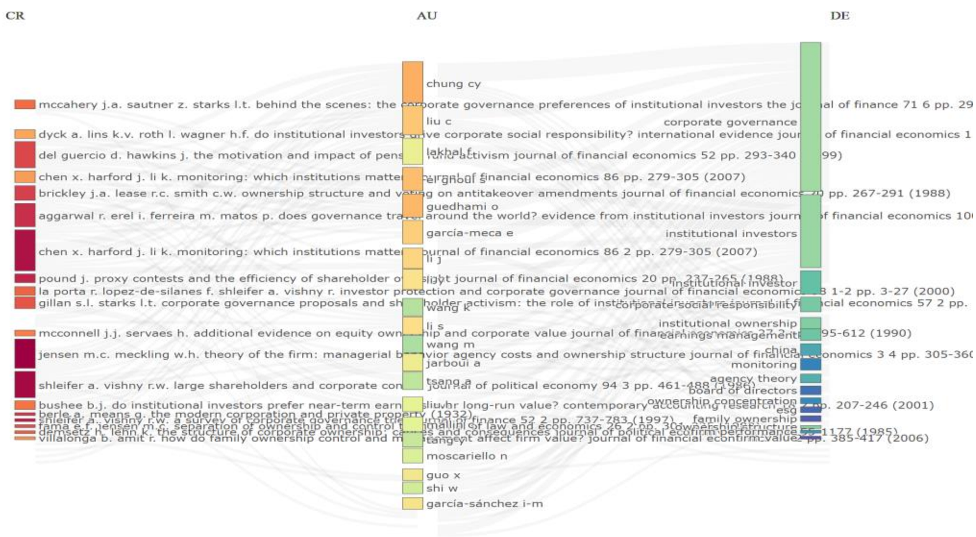

Figure 4: Three fields Plot

3. Core Sources by Bradford's Law

Data indicates a core set of publications highly influential in the field of institutional investors and corporate governance. Corporate Governance: An International Review ranks highest with 47 articles, underscoring its prominence as a key source of research in this area. Other journals in Zone 1, such as Corporate Ownership and Control and Corporate Governance (Bingley), also contribute substantially, though with fewer articles. This concentration in a select few journals highlights the specialized nature of research outlets in corporate governance, suggesting that scholars often turn to these core journals to publish and access relevant studies. This distribution also indicates a clear demarcation, where a few high-impact journals serve as primary sources for foundational and ongoing research. (Table 2 and Figure 5)

Table 2: Core Sources by Bradford's Law

SOURCE	Rank	Freq	cumFreq	Zone
CORPORATE GOVERNANCE: AN INTERNATIONAL REVIEW	1	47	47	Zone 1
CORPORATE OWNERSHIP AND CONTROL	2	15	62	Zone 1
CORPORATE GOVERNANCE (BINGLEY)	3	11	73	Zone 1
INTERNATIONAL REVIEW OF ECONOMICS AND FINANCE	4	8	81	Zone 1
JOURNAL OF CORPORATE FINANCE	5	8	89	Zone 1
PACIFIC BASIN FINANCE JOURNAL	6	8	97	Zone 1
SUSTAINABILITY (SWITZERLAND)	7	8	105	Zone 1
JOURNAL OF FINANCIAL REPORTING AND ACCOUNTING	8	7	112	Zone 1
MANAGERIAL FINANCE	9	7	119	Zone 1
FINANCE RESEARCH LETTERS	10	6	125	Zone 1
JOURNAL OF BUSINESS ETHICS	11	6	131	Zone 1
JOURNAL OF FINANCIAL ECONOMICS	12	6	137	Zone 1
JOURNAL OF MANAGEMENT AND GOVERNANCE	13	6	143	Zone 1
APPLIED ECONOMICS	14	5	148	Zone 1
CRITICAL STUDIES ON CORPORATE RESPONSIBILITY, GOVERNANCE AND SUSTAINABILITY	15	5	153	Zone 1
ACCOUNTING AND FINANCE	16	4	157	Zone 1

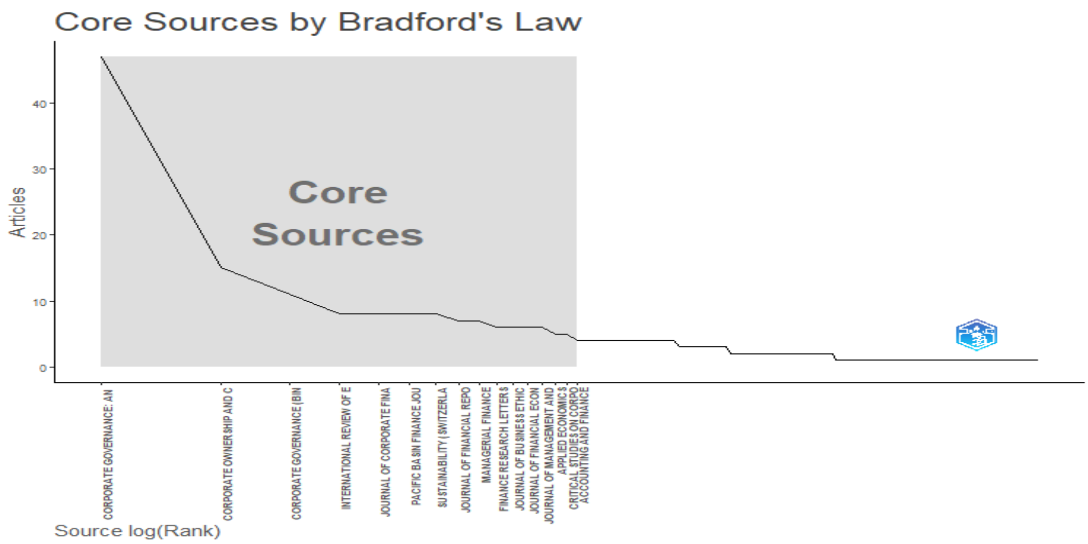

Figure 5: Core Sources by Bradford's Law

4. Sources' Production over Time

This data reveals the publication trends of influential journals on institutional investors and corporate governance from 1996 to 2024. Corporate Governance: An International Review shows a consistent and dominant increase in publications, peaking at 47 in 2024, indicating its critical role in disseminating research in this field. Other journals like Corporate Ownership and Control and Corporate Governance (Bingley) maintain moderate yet stable contributions, while Sustainability (Switzerland) and finance-focused journals such as the Journal of Corporate Finance and Pacific Basin Finance Journal show slower initial growth but notable increases starting around 2020. This shift reflects a broadening of interest that now incorporates sustainability and financial performance perspectives, suggesting an evolving research focus integrating corporate governance with environmental and financial dimensions. (Table 3 and Figure 6)

Table 3: Sources' Production over Time

Year	CORPORATE GOVERNA	CORPORATE OWNER	CORPORATE GOVERN	SUSTAINABILITY	INTERNATIONAL REVIEW	JOURNAL OF CORPO	PACIFIC BASIN

	NCE: AN INTERNATIONAL REVIEW	SHIP AND CONTROL	ANCE (BINGLEY)	(SWITZERLAND)	OF ECONOMICS AND FINANCE	RATE FINANCE	FINANCE JOURNAL
1996	0	0	0	0	0	0	0
1997	0	0	0	0	0	0	0
1998	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0
2001	1	0	0	0	0	0	0
2002	2	0	0	0	0	0	0
2003	4	0	0	0	0	0	0
2004	4	0	0	0	0	0	0
2005	8	2	0	0	0	0	0
2006	9	2	0	0	0	0	0
2007	11	2	0	0	0	0	0
2008	12	4	0	0	0	0	0
2009	13	5	0	0	0	0	0
2010	14	7	0	0	0	0	0
2011	14	8	0	0	0	0	0
2012	16	9	0	0	0	0	0
2013	16	12	1	0	0	0	0
2014	19	13	1	0	0	0	0
2015	20	14	1	0	0	2	0
2016	21	15	3	0	0	2	0
2017	21	15	5	1	0	2	0
2018	22	15	6	1	1	3	0
2019	25	15	7	1	1	3	1
2020	28	15	7	3	1	5	3
2021	29	15	8	3	1	7	5
2022	34	15	10	5	4	7	6
2023	36	15	10	8	5	8	7
2024	47	15	11	9	8	8	8

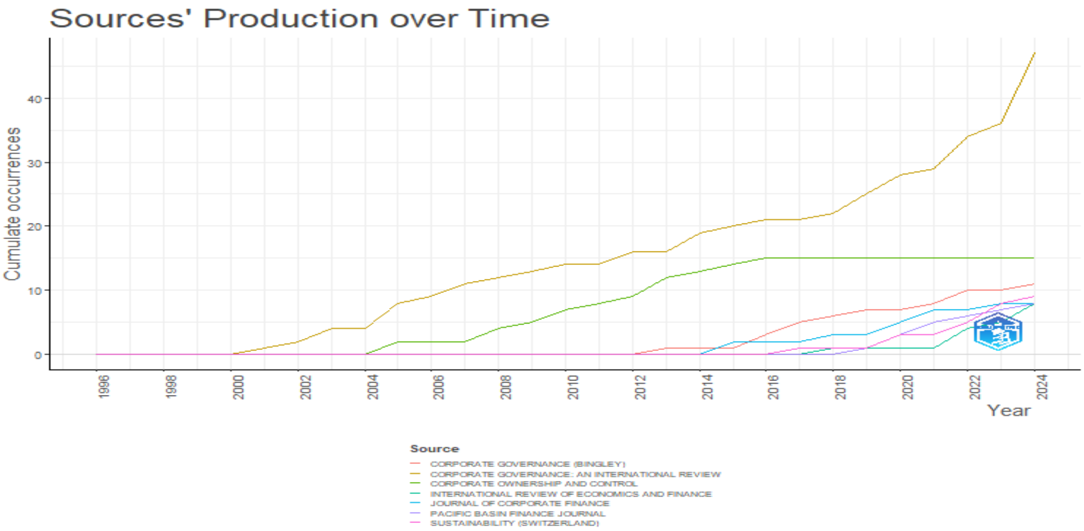

Figure 6: Sources' Production over Time

5. Most Relevant Authors

The data highlights the major authors contributing to research on institutional investors and corporate governance, with Chung CY leading the way with 8 publications and a fractionalised count of 2.75, showing significant authorship in this field. Guedhami O and El Ghoul S follow, with fractionalised contributions indicating frequent collaboration or co-authorship in multi-authored articles. Authors such as Liu C and García-Meca E display great engagement and contribute to research with an international reach. Fractionalised article counts reveal the level of authorship and collaboration, with higher values showing more original contributions and lower values indicating participation in larger author teams. (Figure 7)

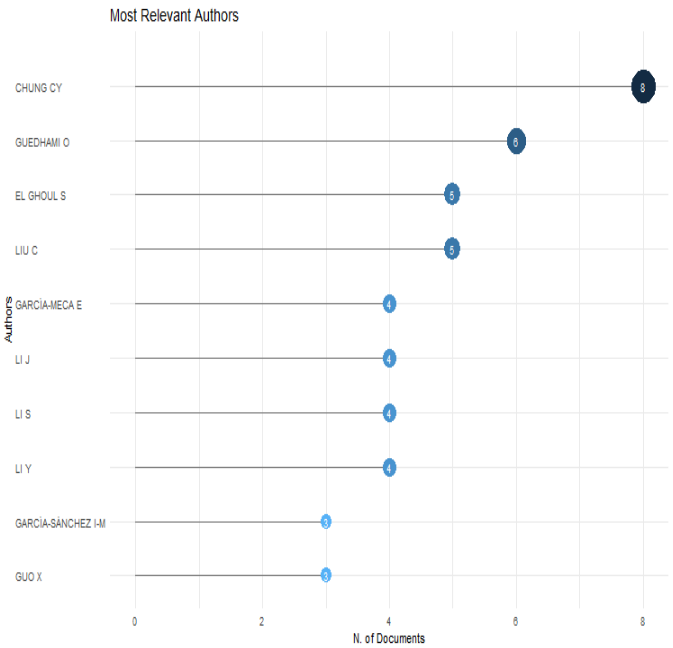

Figure 7: Most Relevant Authors

6. Author Productivity through Lotka's Law

Lotka's Law, which states that a tiny percentage of authors contribute disproportionately to research output while the rest only contribute a few papers, is consistent with the productivity distribution of authors. The dominance of sporadic contributors in this discipline is demonstrated by the fact that 897 authors (almost 90%) have only published one article. Productivity falls rapidly as the number of articles increases, with only a few authors publishing several papers and a single author reaching a maximum of six or eight publications. This trend illustrates the typical concentration of scientific activity, in which a few productive authors drive significant knowledge creation and others contribute less frequently. (Table 4 and Figure 8)

Table 4: Author Productivity through Lotka's Law

N. Articles	N. Authors	
1	897	0.89520958
2	81	0.08083832
3	16	0.01596806
4	4	0.00399202
5	2	0.00199601
6	1	0.000998
8	1	0.000998

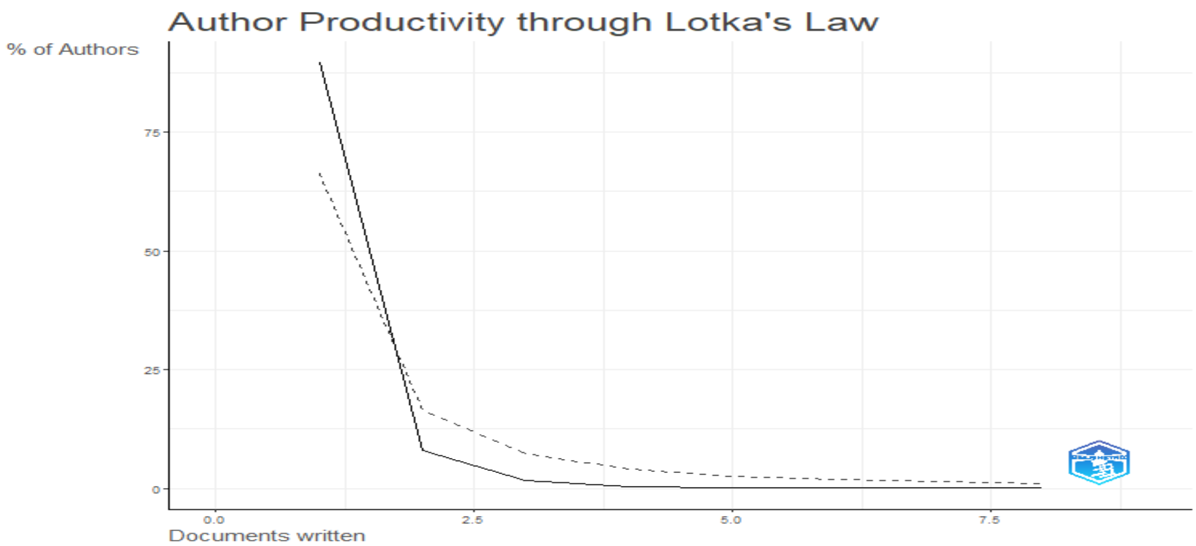

Figure 8: Author Productivity through Lotka's Law

Most Relevant Affiliations

The most significant affiliations show that Asian institutions, particularly those in China, South Korea, Malaysia, and the Middle East, are major contributors to research on institutional investors and corporate governance. Southwestern University of Finance and Economics has the most publications (12), followed by other institutions with eight papers each, including Chung-Ang University and City University of Hong Kong. This distribution indicates a regional concentration of interest and competence in corporate governance research, which could reflect local governance dynamics and institutional investor power in certain areas. These institutions' prominence emphasises their role in shaping and expanding the field's discourse via constant research output. (Figure 9)

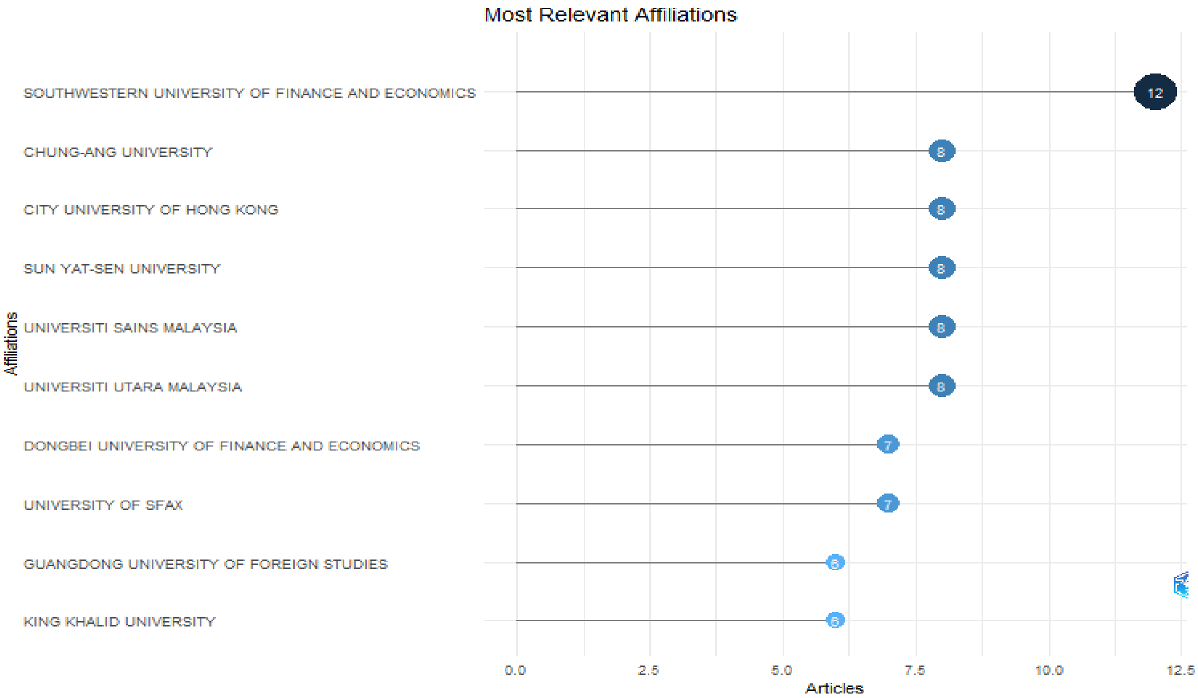

Figure 9: Most Relevant Affiliations

Most Cited Countries

The Data on the most cited countries indicate that the United States is significant in general citations (3028, which emphasizes the central role of China in research on institutional investors and corporate governance) and boasts the highest average citations (89.1). China ranks second in the total number of estimates, but its average value is relatively low (16), which means a wide range of results in publications, but fewer article citations. European countries such as the United Kingdom, Spain and the Netherlands also have a strong influence, and Spain and Canada have higher average estimates (57.5 and 61.2), which show impressive contributions despite fewer general publications. Countries such as Malaysia, Pakistan and India have lower average indicators, but valuable local perspectives. (Table 5 and Figure 10)

Table 5: Most Cited Countries

Country	TC	Average Article Citations
USA	3028	89.1
CHINA	1294	16
UNITED KINGDOM	800	20.5
SPAIN	633	57.5
CANADA	367	61.2
NETHERLANDS	270	67.5
AUSTRALIA	216	21.6
PAKISTAN	200	20
MALAYSIA	180	13.8
INDIA	152	6.6

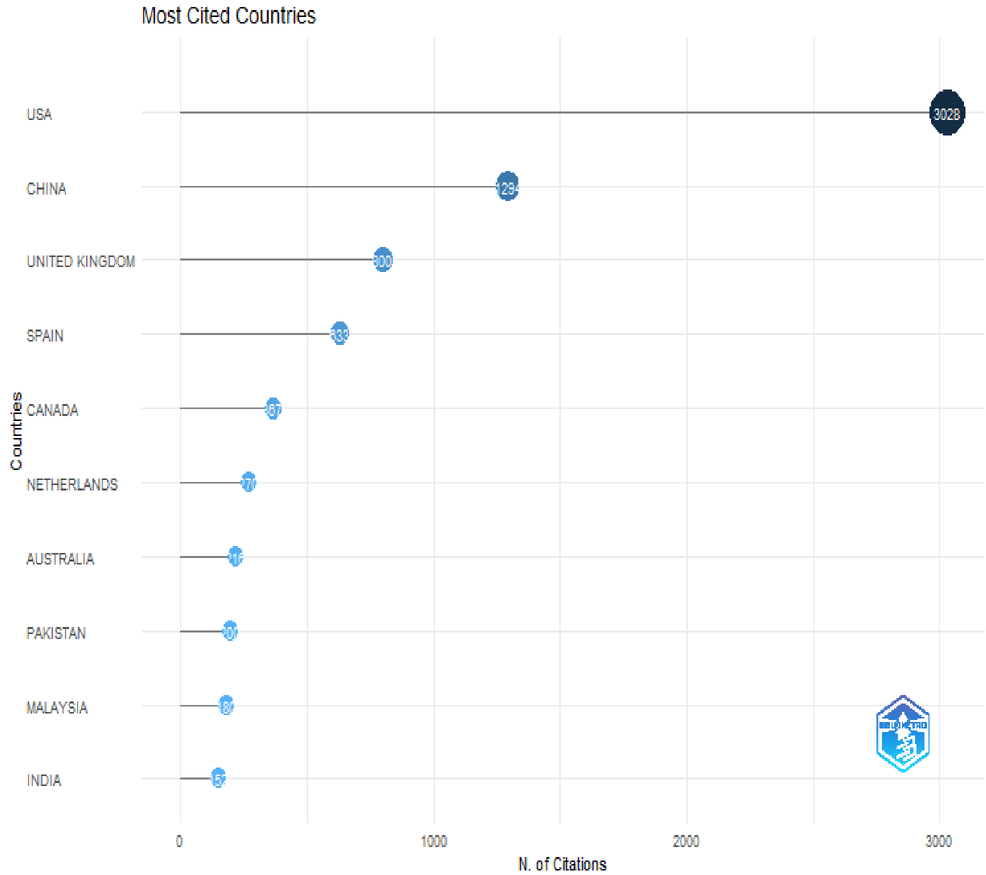

Figure 10: Most Cited Countries

Most GlobaI Cited Documents

The most globally cited documents include influential articles. Aggrawal et al. (2011) is at the forefront of 926 cited, an effective citation of 66.1 per year, which reflects its main impacts. Kim (2014) indicates the highest citations of the year (77). It is also important to note that Gillan (2000) and Aguilera (2006) have provided consistent views of citations over time. Aggrawal (2011) and Kim (2014) are particularly influential, so the total citations (TC) emphasize the relative impacts of each article. This distribution indicates a mix of short- and long-term works that form the modern trajectory of research in corporate governance. (Table 6 and Figure 11)

Table 6: Most GlobaI Cited Documents

		Total Citations	**TC per Year**	**Normalized TC**
AGGARWAL R, 2011, J FINANC ECON	10.1016/j.jfineco.2010.10.018	926	66.1428571	14.4124514
GILLAN SL, 2000, J FINANC ECON	10.1016/S0304-405X(00)00058-1	895	35.8	1.9627193
KIM Y, 2014, J BANK FINANC	10.1016/j.jbankfin.2014.02.013	847	77	11.6685575
AGUILERA RV, 2006, CORP GOV	10.1111/j.1467-8683.2006.00495.x	382	20.1052632	3.80478088
GARCÍA-MECA E, 2015, J BANK FINANC	10.1016/j.jbankfin.2014.12.002	300	30	8.36501901
BOUBAKRI N, 2005, J FINANC ECON	10.1016/j.jfineco.2004.05.003	240	12	4.35643564
SARKAR J, 2008, J ACCOUNT AUDIT FINANC	10.1177/0148558X0802300405	198	11.6470588	4.69708029
DAM L, 2012, CORP GOV	10.1111/j.1467-8683.2011.00907.x	197	15.1538462	3.97979798
AOKI M, 2010, CORP IN EVOL DIVERS: COGN, GOV, AND	10.1093/acprof:oso/9780199218530.001.0001	176	11.7333333	5.60212202

INSTITUTIONAL RULES				
WARD AJ, 2009, CORP GOV	10.1111/j.1467-8683.2009.00766.x	162	10.125	4.30088496

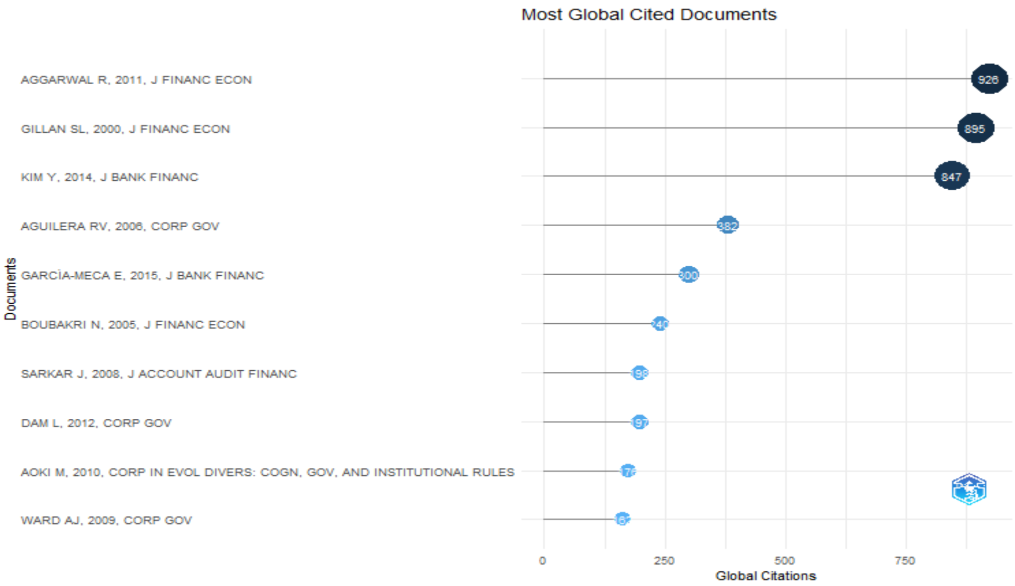

Figure 11: Most Global Cited Documents

Reference Publication Year Spectroscopy

The "Reference Publication Year Spectroscopy" figure depicts the distribution of cited references over time in the fields of institutional investors and corporate governance. The black line shows an increase in significant works beginning in the 1990s and peaking dramatically around 2000, demonstrating the increasing academic concentration on this area. The red line, which deviates from the 5-year median, indicates periods of greater scholarly interest and the appearance of crucial works that shaped the subject. (Figure 12)

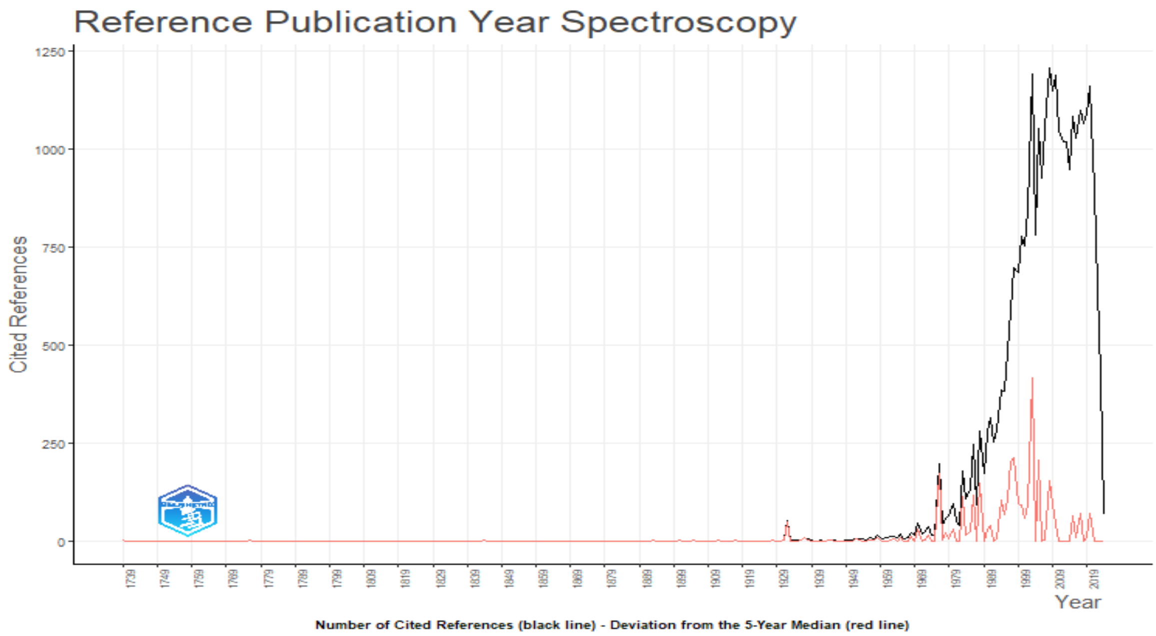

Figure 12: Reference Publication Year Spectroscopy

Most Relevant Words

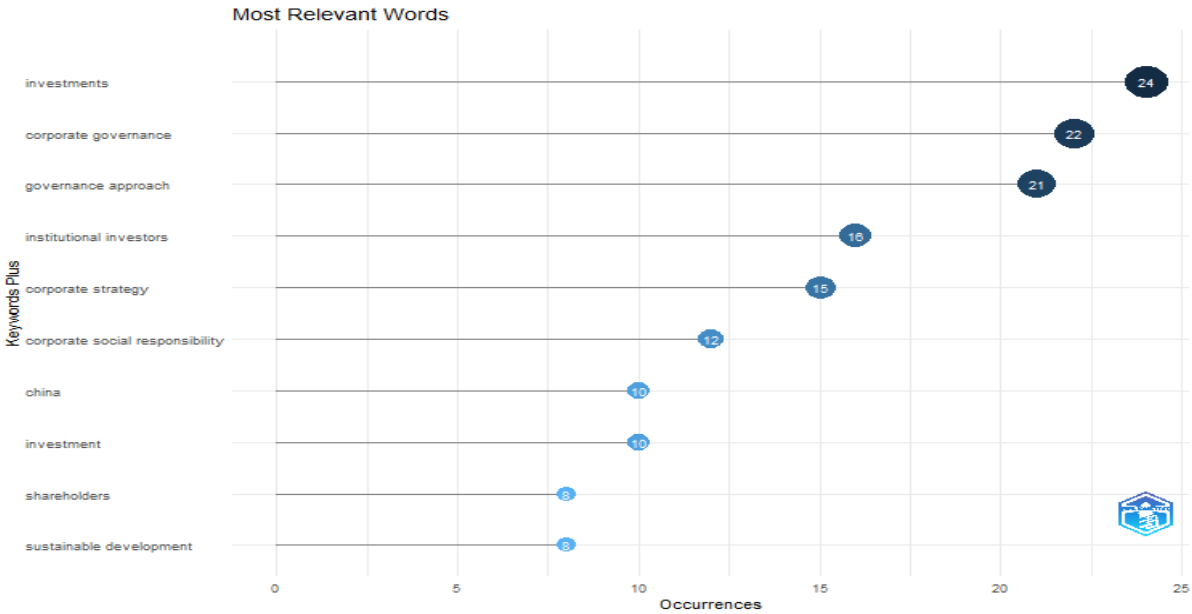

Figure 13: Most Relevant Words

Word Cloud

The word cloud emphasizes the main theme of institutional investors and corporate governance. Keywords such as "investment", "corporate governance", and "institutional investors" reflect the main focus of the field. Related concepts such as "business strategy”, “business strategy", “corporate social responsibility”, and "sustainable development" indicate more attention to ethical and strategic aspects. Geographic references such as "China" and "the United States" suggest a regional focus, and words such as "shareholders" and "stakeholders" emphasize interactions in the governance framework. In general, the data displays a variety of themes. This indicates a full exploration of governance dynamics. (Table 7 and Figure 14 and 15)

Table 7: Word Cloud

Terms	Frequency
Investments	24
corporate governance	22
governance approach	21
institutional investors	16
corporate strategy	15
corporate social responsibility	12
China	10
Investment	10
Shareholders	8
sustainable development	8
industrial management	6
societies and institutions	6
Stakeholder	6
firm size	5
stock market	5
economic and social effects	4
Economics	4
financial markets	4
Innovation	4
institutional framework	4
management science	4
Obesity	4
Ownership	4
united states	4
Australia	3
Banking	3
Commerce	3
empirical analysis	3
empirical results	3

environmental economics	3
financial market	3
firm performance	3
food industry	3
listed companies	3
market conditions	3
Optimization	3
public policy	3
regulatory framework	3
social aspects	3
spatiotemporal analysis	3
Benchmarking	2
Capital	2
Capitalism	2
ceo duality	2
chinese listed companies	2
climate change	2
cost analysis	2
decision making	2
energy use	2
Eurasia	2

Figure 14: Word Cloud

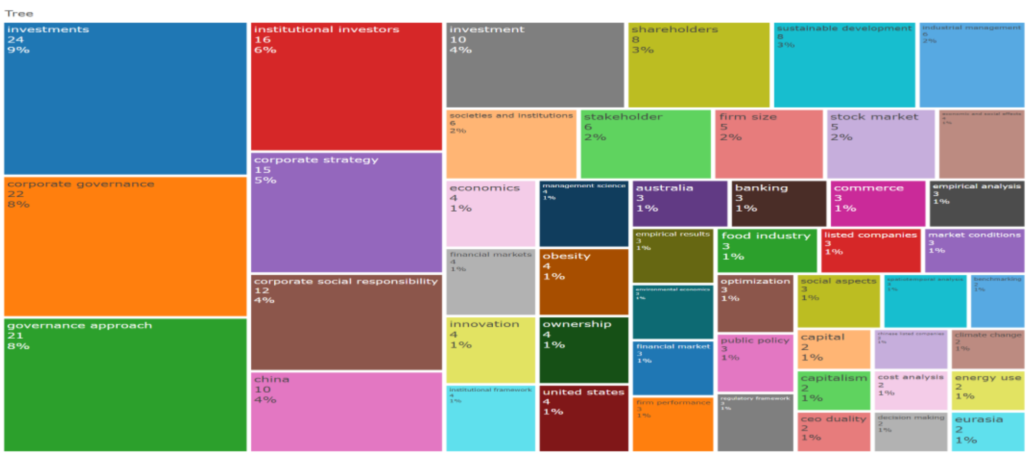

Figure 15:

Thematic Map

This analysis indicates that, while corporate governance and institutional investments are driving themes, China is increasingly focussing on corporate social responsibility and sustainable development as speciality areas. The area continues to focus on core fundamental topics such as governance approaches and corporate strategy, with some declining interest in benchmarking and theoretical research from the UK private sector. (Figure 16)

Figure 16: Thematic Map

Keyword co-occurrences Factorial

This keyword co-occurrence network visualisation shows three distinct clusters of research themes: a dominant blue cluster centred on corporate governance and investments, a green cluster focused on sustainability and corporate social responsibility in China, and a red cluster emphasising governance approaches and corporate strategy. The arrangement of networks exhibits substantial links within each cluster, as well as some bridging connections, indicating that these are related but distinct research topics. The blue cluster has the maximum density of connections, indicating that it is the primary study focus in this discipline. (Figure 17)

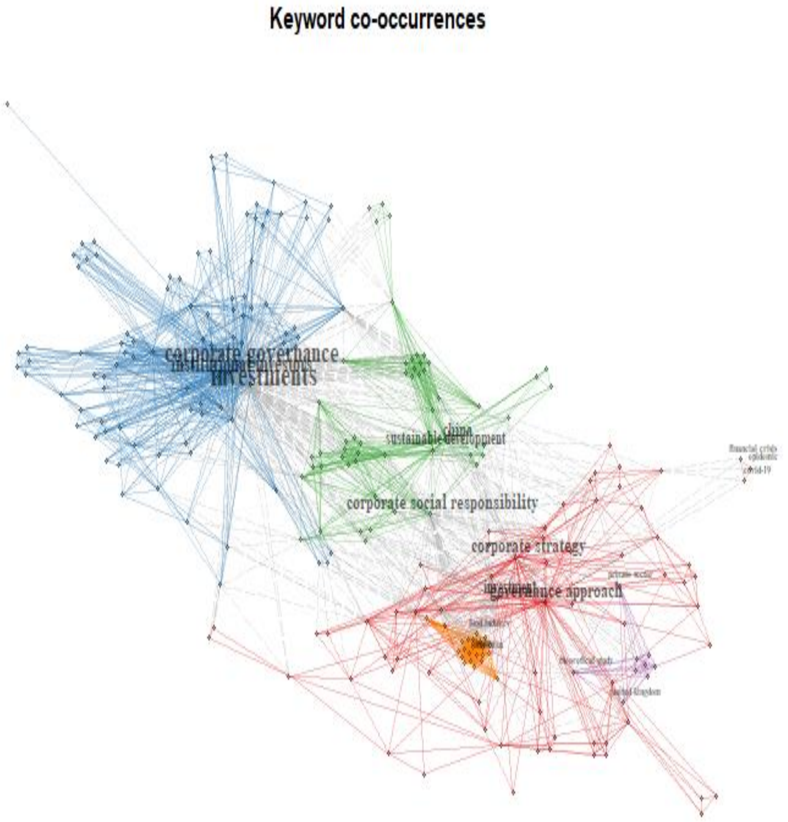

Figure 17: Keyword co-occurrences Factorial

Factorial Analysis

The graph shows a multiple correspondence analysis (MCA) that maps major concepts and themes about institutional investors and their impact on corporate governance procedures. The red-shaded section emphasises clusters of terms that are frequently related with this topic. The terms "positive effects," "corporate governance," "shareholders," and "institutional ownership" are key to discussions concerning governance initiatives. The themes of sustainability, firm performance, and industrial management highlight the broader implications of institutional investors' involvement. The use of terminology such as "empirical results" and "innovation" indicates a strong study emphasis on data-driven governance procedures and evolving company strategy affected by institutional shareholders. This visualisation aids in comprehending the complex relationships between institutional investment, corporate governance, and broader economic and social results. (Figure 18 and 19)

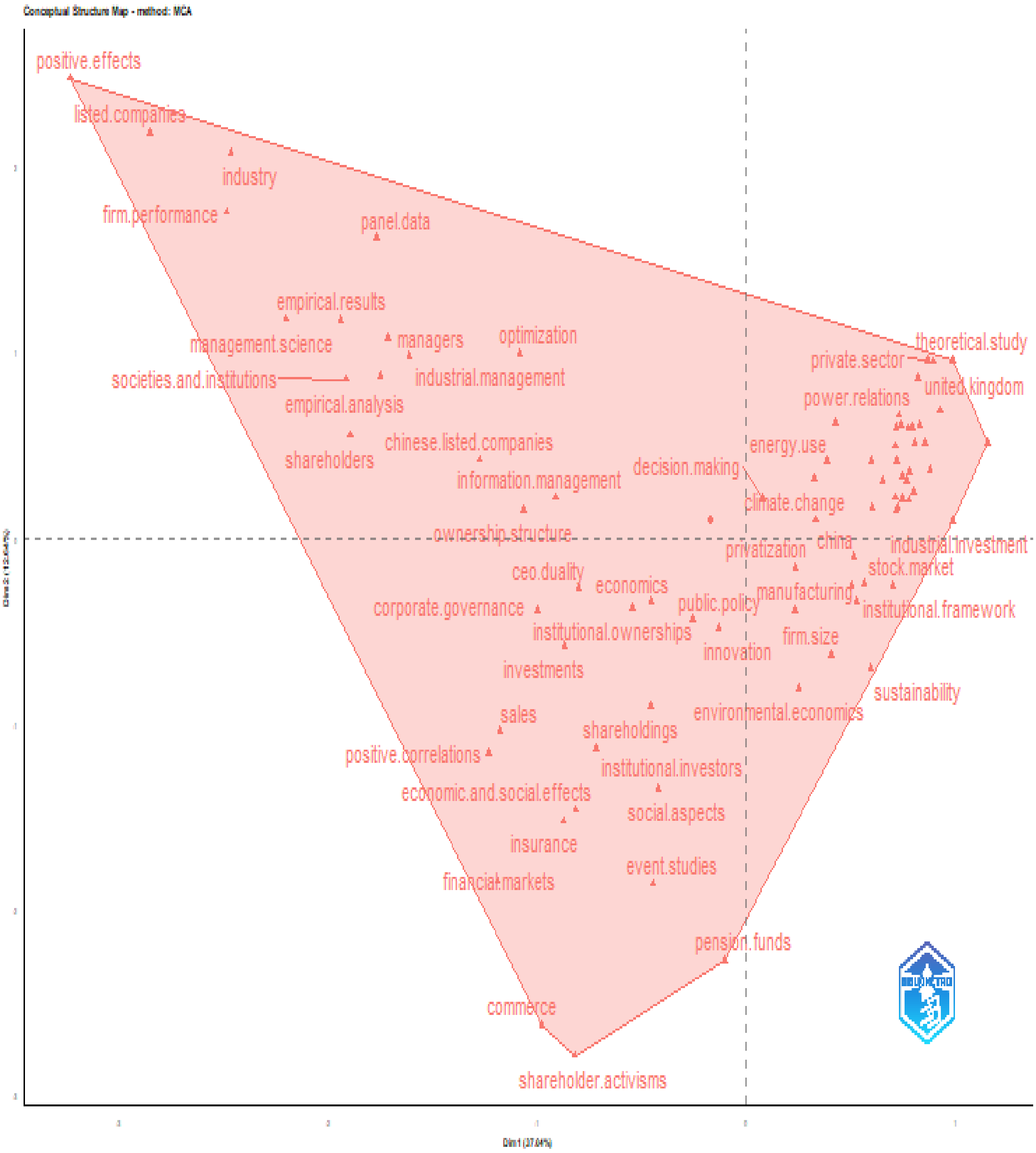

Figure 18: Factorial Analysis

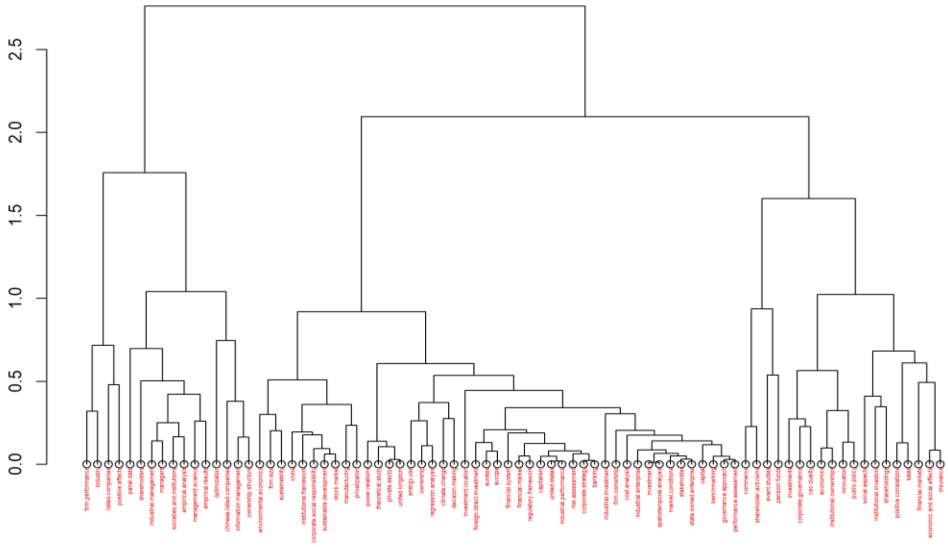

Figure 19:

The dendrogram depicts a hierarchical grouping of keywords linked to corporate governance and institutional investors, demonstrating the relationships between terms based on their co-occurrences. Closely related keywords, such as "corporate governance," "institutional investors," and "sustainable development," cluster together, showing thematic groupings within the data. This visual identifies trends in how these terms are linked in the literature, providing insights into how institutional investors impact governance practices and economic frameworks.

Collaboration World Map

This map depicts patterns of worldwide research collaboration, with the strongest linkages between the United States, China, and Australia. The stronger blue shading in the United States and China indicates that these are key research hubs, whereas lighter blue places throughout South America, Europe, and Asia-Pacific imply broader but less intensive research activity. The connecting lines show a strong research axis between North America and Asia, with Australia serving as a key component in this worldwide research network. (Figure 20)

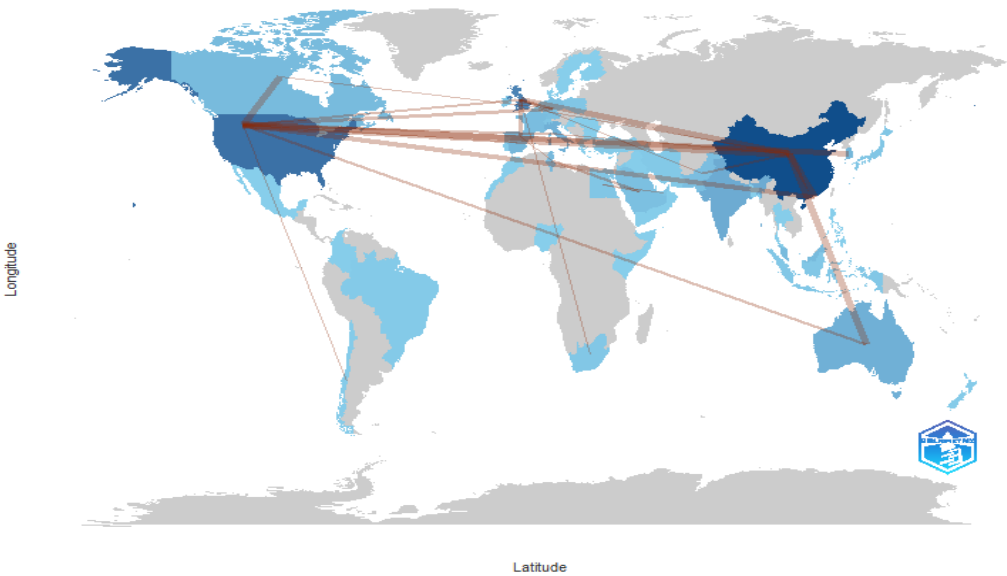

Figure 20: Collaboration World Map

The Role of Institutional Investors in Shaping Corporate Governance

The Influence of Institutional Investors on Board Composition

Institutional investors can play an important role in shaping the board structure of portfolio companies due to their large equity holdings and financial market expertise (Gillon and Starks, 2003 ; McCreery et al., 2016). Several studies have examined the relationship between institutional investor ownership and various aspects of board structure.

1.1. Board Independence

According to research, institutional investors often prefer and support for a higher number of independent directors on boards (Brickley & Zimmerman, 2010; Cornett et al., 2008). This is because independent directors are more likely to provide effective management monitoring and supervision, which is in the best interests of institutional investors as minority shareholders (Gillan & Starks, 2003). Dahya et al. (2008) and Hillman et al. (2007) discovered a positive relationship between institutional ownership and the percentage of independent directors on the board.

1.2. Board Diversity

Institutional investors have also been found to help promote gender and racial diversity on business boards (Nguyen and Faff, 2007; Hillman et al., 2007). Diverse boards are seen to contribute a broader range of perspectives, abilities, and knowledge, potentially improving the board's efficacy in monitoring and advising management (Carter et al., 2003). Several research have found a beneficial association between institutional ownership and board diversity (Hillman et al., 2007; Ntim, 2015).

1.3. Board Expertise

Institutional investors may also impact the selection of directors who have specific skills and experience that are relevant to the firm's strategic needs (Hillman & Dalziel, 2003; Brickley & Zimmerman, 2010). For example, institutional investors can push for the inclusion of directors with financial, industry, or international experience to improve the board's ability to provide important advice to management (Aggarwal et al., 2011; Oba & Fodio, 2013). Overall, the existing literature suggests that institutional investors can have a significant impact on the composition of the board of directors, particularly in terms of independence, diversity, and expertise, potentially improving the board's monitoring and advisory functions (Gillan & Starks, 2003; McCahery et al., 2016).

The Impact of Institutional Investors on Board Oversight and Monitoring

Institutional investors, with their substantial stakes and financial expertise, can play a significant role in enhancing the board's ability to effectively monitor and oversee management (Shleifer & Vishny, 1986; Gillan & Starks, 2003).

2.1. Board Monitoring of Management

Numerous studies have found that the presence of institutional investors is associated with increased board monitoring of management (Cornett et al., 2007; Connelly et al., 2010). Institutional investors often have the resources and incentives to closely scrutinize management's performance and decision-making, and they may use their influence to push for more rigorous oversight by the board (Hartzell & Starks, 2003; Aggarwal et al., 2011).

2.2. Executive Compensation Oversight

Institutional investors have also been shown to play an active role in shaping executive compensation practices (Dong & Ozkan, 2008; Almazan et al., 2005). Institutional investors may advocate for more performance-based compensation structures and increased transparency in executive pay, which can help align the interests of managers with those of shareholders (Hartzell & Starks, 2003; Dong & Ozkan, 2008).

2.3. Risk Management Oversight

Institutional investors may also influence the board's role in overseeing the firm's risk management practices (Erkens et al., 2012; Faccio & Lasfer, 2000). Institutional investors, with their diversified portfolios and risk management expertise, may push for more robust risk management systems and increased board-level attention to risk-related issues (Erkens et al., 2012; Faccio & Lasfer, 2000).

2.4. Audit Committee Oversight

Institutional investors have also been connected to improved scrutiny by the board's audit committee (Brickley & Zimmerman, 2010; Carcello et al., 2011). Institutional investors can push for increased audit committee independence, financial competence, and diligence, which will improve the committee's ability to examine financial reporting and internal controls (Carcello et al., 2011; Krishnan & Visvanathan, 2008). According to the existing literature, institutional investors can play an important role in strengthening the board's monitoring and oversight functions, resulting in improved corporate governance and alignment of managerial interests with those of shareholders (Shleifer & Vishny, 1986; Gillan & Starks, 2003).

The Interplay between Institutional Investors and Board Decision-Making

A growing body of literature has examined the influence of institutional investors on the strategic decision-making processes of the board of directors. This research suggests that institutional investors can play a significant role in shaping the board's approach to key corporate decisions. One body of research has focused on how institutional investors influence the board's strategic orientation. Several studies have demonstrated that stronger institutional ownership is related with boards with a longer-term, strategic emphasis (Bushee, 1998; Brickley et al., 1988; Bushee & Noe, 2000). This is because institutional investors, with their large stakes and long investment horizons, tend to urge boards to make decisions that maximise long-term firm value above short-term gains (Bushee, 1998; Gaspar et al., 2005). Other studies has examined how institutional investors influence specific board actions, such as mergers and acquisitions (M&A) and capital expenditures. For example, Tihanyi et al. (2003) discovered that higher institutional ownership led to more cautious M&A decisions, as institutional investors are risk-averse and choose less risky investment techniques. Similarly, Bushee (1998) and Gaspar et al. (2005) found that stronger institutional ownership correlates with lower capital expenditures, as institutional investors frequently prefer corporations to distribute cash to shareholders rather than investing in growth possibilities. Institutional investors' impact on board decision-making has also been connected to their level of activism and involvement with the company. According to research, more active and involved institutional investors, such as those with longer investment horizons or higher experience, have a stronger influence on the board's strategic decisions. These institutional investors may directly participate in board decision-making processes or use their voting power to influence the board's agenda (Gillan & Starks, 2007; Brav et al., 2008).

Mediating and Moderating Factors

4.1 Contextual factors, such as the legal/regulatory framework, ownership structure, and industry characteristics, can play a significant role in shaping the effectiveness of institutional investors in influencing corporate governance.

4.1.1 Legal and Regulatory Environment

The legal and regulatory environment in which a corporation works can have a significant impact on institutional investors' ability to participate in corporate governance activities. Institutional investors are more likely to have the tools and incentives needed to monitor management and influence business decision-making in nations with stronger investor protection legislation and stricter disclosure requirements (Aggarwal et al., 2011; McCahery et al., 2016). In contrast, in nations with lower legal safeguards for minority shareholders, institutional investors may be less inclined or able to actively participate in corporate governance because they face more difficulties in protecting their rights.

4.1.. Ownership Structure

A company's ownership structure can also serve as a bridge between institutional investors and corporate governance. In organisations with highly concentrated ownership, such as those dominated by family or state ownership, institutional investors may have less influence on corporate decision-making since controlling shareholders have more power over the firm's operations (Faccio & Lang, 2002; Peng & Jiang, 2010). In contrast, in firms with more dispersed ownership, institutional investors may have more opportunities to interact with management and influence corporate governance policies (Edmans & Manso, 2011).

4.1.2 Industry Characteristics

The industry in which a company works can also influence institutional investors' involvement in corporate governance. Certain industries may be subject to more severe rules or have higher levels of information asymmetry, affecting institutional investors' incentives and capacities to monitor and participate with the firm (Bushee, 1998; Parrino et al., 2003). For example, in industries with high degrees of uncertainty or complexities, institutional investors may have greater difficulty examining and influencing corporate decision-making, potentially reducing their impact on corporate governance.

Firm-Level Factors Shaping the Interaction Between Institutional Investors and Corporate Governance

The relationship between institutional investors and corporate governance is complex and can be influenced by various firm-level factors. These factors can act as mediators or moderators, affecting the strength and nature of the relationship between institutional ownership and governance practices. Some key firm-level factors include performance, risk, and growth opportunities.

4.2.1 Firm Performance:Firm performance is an important aspect that helps bridge the gap between institutional investors and corporate governance. Strong financial success may attract institutional investors, who may then advocate for improved governance procedures. In contrast, bad performance may result in increasing institutional investor activism aimed at improving governance (Appel et al., 2016). For example, Aggarwal et al. (2011) discovered that institutional investors are more likely to interfere in poorly performing firms, implying that performance serves as a catalyst for governance-related activism.

4.2.2 ***Risk Profile:*** The risk profile of a company can influence the interaction between institutional investors and corporate governance. High-risk enterprises may attract different sorts of institutional investors than low-risk firms, which influences governance procedures. Bushee et al. (2014) discovered that transitory institutional investors (those with short-term investment perspectives) are more inclined to participate in high-risk enterprises, perhaps leading to a preference for short-term success over long-term governance reforms.

4.2.3 Growth Opportunities: Growth prospects might also mediate the institutional investor-governance relationship. Firms with significant growth potential may attract institutional investors who prioritise long-term value development over urgent governance reforms. However, these investors may continue to press for governance standards that promote long-term growth. Kim et al. (2016) discovered that institutional investors in high-growth companies are more likely to favour governance systems that safeguard minority shareholder rights, implying that growth prospects influence the kind of governance reforms sought by institutional investors.

4.2.4 Ownership Structure: The existing ownership structure of a company might mitigate the impact of institutional investors on corporate governance. In enterprises with concentrated ownership, such as family-owned businesses, institutional investors may have less sway over governance procedures. For example, Crespi and Renneboog (2010) discovered that the participation of institutional investors had a lesser impact on board independence in family-controlled enterprises than in broadly held firms.

4.2.5 Firm Size: Firm size can also affect the link between institutional investors and corporate governance. Larger companies often attract more institutional investors and may have more resources to pursue governance reforms. However, they may face more complex governance issues. According to Aggarwal et al. (2011), institutional ownership has a stronger beneficial influence on governance quality in larger enterprises.

4.2.6 Industry Characteristics: The industry in which a company works might influence the institutional investor-governance relationship. Different industries may face different regulatory regimes and competitive challenges, which can influence institutional investment patterns and governance procedures. For example, Boone and White (2015) discovered that the influence of institutional ownership on corporate transparency varies by industry, with a higher effect in less regulated businesses.

CONCLUSION

In conclusion, this systematic review emphasises the critical role that institutional investors play in driving corporate governance practices in a variety of worldwide contexts, particularly in emerging economies. Institutional investors can improve board composition, supervision, and strategic decision-making by leveraging their significant ownership stakes and expertise, harmonising managerial and shareholder interests. However, institutional investors' effectiveness is influenced by a number of factors, including the legal and regulatory environment, ownership structure, and industry characteristics. Despite the rising corpus of literature, there are still substantial gaps, notably in terms of the impact of various types of institutional investors and their engagement methods.

Gaps in the literature and opportunities for future research on the topic

Despite the extensive literature on institutional investors and corporate governance, significant gaps remain, providing opportunities for future research. First, while much of the existing research focuses on established markets, there is a need for greater research into the role of institutional investors in emerging nations, where institutional and regulatory frameworks differ greatly (Chung and Zhang, 2011). Second, future studies might look into the heterogeneity of institutional investors, specifically how different types of institutional investors (e.g., pension funds, mutual funds, hedge funds) influence corporate governance in unique ways. Third, additional longitudinal research is needed to better understand the long-term effects of institutional investor activism on corporate governance and firm performance (Brav et al., 2008). Fourth, future research might look deeper into the mechanisms by which institutional investors impact corporate governance, including using qualitative approaches to provide more detailed insights into the engagement processes (McCahery et al., 2016). Finally, as environmental, social, and governance (ESG) issues gain traction, future research might look into how institutional investors influence business policies in these areas, which go beyond typical corporate governance concerns. Addressing these gaps would significantly enhance our knowledge of institutional investors' evolving role in corporate governance.

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