

THEORETICAL BASIS OF INCREASING THE EFFICIENCY OF THE CORPORATE MANAGEMENT SYSTEM IN COMMERCIAL BANKS

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The scientific schools and their approaches to improving the effectiveness of the corporate governance system in commercial banks include several main theoretical concepts and models. These schools are aimed at managing banking activities and ensuring financial efficiency, and each has its own theoretical foundations and practical approaches. Monetary Theory focuses on the role of banks as financial intermediaries and involves the effective management of capital allocation in the economy. Competitive Theory analyzes competition between banks and describes how to influence competition in the banking market by increasing efficiency and introducing innovative services. Agency Theory considers the conflict of interests between banks and shareholders, as well as the effective management of relationships between managers and shareholders.

According to the Monetary Theory school of thought, banks play an important role in ensuring the efficient allocation of capital in the economy by acting as financial intermediaries. According to this theory, banks provide liquidity and financial stability primarily by attracting the population to banking services. According to the interpretations of M. Friedman (M. Friedman, 1968) and FS Mishkin (FS Mishkin, 2019), banks influence the strengthening of the economy. The monetary school focuses more on the banking system and liquidity issues, does not cover the wider production and services sectors, and is not widely applied in practice.

The Competitive Theory applied by MEPorter (MEPorter, 1980) has led to increased competition among banks and the development of innovative services. This competition is mandatory for banks to increase efficiency and introduce new technologies. AN Berger, RS Demsetz and PE Strahan (AN Berger, RSDemsetz & PEStrahan, 1999) also applied the Competitive Theory, according to their research, increasing the level of competition increases the efficiency of banks, that is, if competition between banks increases, they are forced to develop effective strategies and innovative services in order to compete with each other.

Agency theory, proposed by MCJensen and WHMeckling (MCJensen & WHMeckling, 1976), explains the conflict of interest between bank managers and shareholders. This to the theory according to corporate governance systems interests contradiction to reduce help gives . This theory of corporate governance improvement and banks efficiency increase in order to , shareholders and managers between relationships to improve directed . Agency theory from this outside internal control in banks and openly report to give mechanisms to the point accent The main drawback of agency theory is that in many cases there is a loss of information or misunderstanding between management and shareholders .

EFFama and MC Jensen (1983) on the effectiveness of corporate governance focuses on the analysis of the effectiveness of corporate governance structures and the decision-making mechanisms of managers. They emphasize the explanation of corporate governance, especially the relationship between managers and shareholders.

In the theory developed by EFFama and MC Jensen, the corporate governance structure is divided into two main components: First, the decision-making mechanism. This discusses the process by which managers make decisions based on the interests of shareholders and other stakeholders. Managers are responsible for making effective decisions in the performance of their duties. However, their decisions can often conflict with the interests of shareholders. Therefore, this mechanism is aimed at increasing the effectiveness of corporate governance. Second, the responsibility of managers. Fama and Jensen also identified the responsibility of managers in making strategic decisions for the corporation. They indicated the specific roles and responsibilities of managers for the effectiveness of corporate governance, determined the manner in which they work and the impact on decision-making. In addition, managers must take into account the economic interests of shareholders and the company in their actions.

H.Alemu and G.Daba (Alemu, H., & Daba, G., 2021) study the impact of corporate governance mechanisms on bank performance dynamics. The article aims to empirically investigate the impact of corporate governance on financial performance in private commercial banks in Ethiopia. In particular, the impact of corporate governance mechanisms, including board size, gender distribution, and capital structure, on banks' financial performance, especially return on equity (ROE), was investigated. According to the results of the study, some corporate governance mechanisms, in particular board size and gender distribution reforms, lead to significant improvements in bank financial performance.

Maryam Hamid Afif (2018) on the impact of corporate governance on financial performance in commercial banks examined the impact of various corporate governance mechanisms, such as board size, board independence, and board meeting frequency (how often board members meet), on bank performance using an empirical study in Kenya. The results presented in the study suggest that a larger board size can improve bank financial performance, but the composition and performance of the board depend on other factors, including economic conditions.

The relationship between corporate governance mechanisms and financial performance in commercial banks in Egypt was examined in a study conducted by HM Hafez (HMHafez, 2015). This study was an important study in the study of corporate governance in the banking sector of financial institutions in Egypt.

The study focuses on two important aspects of corporate governance, namely the role of board members and the concentration of financial ownership. According to the results of the study, there is a correlation between these elements of corporate governance and the financial performance of banks. According to the empirical analysis, the study, conducted on the basis of data on 39 Egyptian banks for the period 2004-2014, did not show the effect of the number of board members

on financial performance, but other aspects of the governance structure, such as the hierarchy of the board of directors and the acquisition of the position of chairman of the board by the CEO candidate, have a direct impact on the financial performance of banks.

CKOwusu and DK Garr (Owusu, CK and Garr, DK, 2024) examined the relationship between corporate governance mechanisms and financial performance in listed commercial banks in Ghana. The objective of the study was to determine the impact of corporate governance on the financial performance of banks, particularly through financial indicators such as Return on Assets (ROA) and Return on Equity (ROE). The study used panel data (2008-2020) and statistical analysis methods, including OLS regression. The results showed that ROA was positively associated with the number of board members, independence indicator, and the effectiveness of outsourcing committees, but ROE was negatively associated with gender distribution.

Another study on the impact of corporate governance on the efficiency of commercial banks was conducted by AM Andries, B. Capraru and S. Mutu (Andrieş, AM, Căpraru, B., and Mutu, S., 2018), which was conducted in 139 banks in Central and Eastern European countries during 2005-2012. According to the results of the study, the use of corporate governance structures often led to higher costs and a decrease in overall efficiency, while it was revealed that the effect of such structures on efficiency varied during the financial crisis. In particular, during the financial crisis (2008-2010), banks with lower corporate governance mechanisms showed an increase in cost and technical efficiency.

A study by P. Singh, P. Rai, P. Ojha, R. Gyawali, and R. Gupta (2017) aimed to examine the relationship between corporate governance and financial performance of banks in Nepal. The financial performance of banks was measured by *Return on Assets (ROA)* and *Return on Equity (ROE)*, and factors such as the number of board members, female board members, CEO duality, independent members, financial institutions, and capital adequacy ratio were considered as corporate governance mechanisms. According to the results of the study, corporate governance mechanisms, including independent members and company size, have a positive effect on improving the financial performance of banks. However, the number of board members and the proportion of women in them, and the compensation of each member have a negative effect on the financial performance of banks. It has been suggested that this may be due to the low level of activity in the council and the limited participation of women in decision-making.

Jane Moragwa Magembe, Charles Ombuki, and Mboya Kiweu (2017) aimed to examine the impact of corporate governance on loan performance in commercial banks in Kenya, examining a number of corporate governance factors, including board structure (BS), audit structure (AS), and CEO duality. The study found that while a larger board structure improves loan performance, a more complete audit structure helps to improve the potential allocation and financial health of not only loans but also banks. CEO duality can also lead to worse outcomes for banks.

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