

REVIEW ARTICLE

Principles of Corporate Governance and Business Profitability in Latin America, 2020–2024

Principios de gobierno corporativo y la rentabilidad en empresas de América Latina, 2020–2024

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Abstract

To locate and examine the main trends in the literature on corporate governance principles and profitability in Latin American companies during the period 2020–2024. Method: The Scopus database was used and a literature review was conducted, selecting 33 original articles related to corporate governance and profitability, according to previously evaluated criteria. Results: Research on companies belonging to the countries of Brazil, Chile, Mexico, Colombia, Ecuador, and Peru was identified. A growing attention was found towards good practices or corporate governance (CG) principles and business profitability, analyzed using different indicators such as ROE, ROA, net profit margin, including liquidity, solvency, and Tobin's Q ratio. Likewise, the findings highlighted topics such as the independence of directors, the active participation of the general shareholders' meeting, the audit committee, and business performance in its dimensions such as financial, social, and environmental performance. Conclusion: Corporate governance (CG) principles and best practices, as well as corporate profitability, continue to be the subject of analysis and are increasingly encompassing, according to research conducted from 2020 to 2024. The importance of having independent board members remains key to ensuring objective decisions and preventing conflicts of interest. Furthermore, the audit committee's role remains an internal oversight mechanism against fraud and errors. In this context, profitability and corporate performance are central to the literature on corporate governance (CG) in Latin America.

Keywords: performance, corporate governance, independence, principles, profitability.

Resumen

El presente estudio, tiene como objetivo localizar y examinar las tendencias principales en la literatura sobre los principios de gobierno corporativo y la rentabilidad en empresas de América Latina durante el periodo 2020–2024, a partir de la base de datos Scopus y se realizó una revisión de la literatura, seleccionando 33 artículos originales relacionados con gobierno corporativo y rentabilidad, conforme a criterios previamente evaluados. Como resultados, se identificaron investigaciones sobre empresas pertenecientes a los países de Brasil, Chile, México, Colombia, Ecuador y Perú. Se halló una creciente atención hacia las buenas prácticas o los principios de gobierno corporativo (GC) y la rentabilidad empresarial, analizada desde distintos indicadores como el ROE, ROA, margen de utilidad neta, incluyendo la liquidez, la solvencia y el coeficiente Q de Tobin. Asimismo, los hallazgos destacaron temas la independencia de los directores, la participación activa de la junta general de accionistas, el comité de auditoría y el desempeño empresarial en sus dimensiones

tales como: desempeño financiero, social y ambiental. En conclusión, los principios y buenas prácticas de gobierno corporativo (GC), así como la rentabilidad en las empresas continúan siendo objeto de análisis y abarcando más términos según las investigaciones halladas del año 2020 hasta el año 2024. Además, persiste la relevancia de contar con miembros independientes en el directorio para garantizar decisiones objetivas y prevenir conflictos de interés, asimismo la actividad del comité de auditoría se mantiene como un mecanismo de supervisión interna frente a fraudes y errores. En este contexto, la rentabilidad y el desempeño empresarial se posicionan como ejes centrales en la literatura sobre gobierno corporativo (GC) en América Latina

Palabras clave: desempeño, gobierno corporativo, independencia, principios, rentabilidad

1. Introduction

1.1 Problem

Latin America has experienced significant economic challenges that have put companies to the test. In this context, over the years, corporate governance (CG) has proven to be a fundamental element in strengthening corporate accountability. Likewise, profitability continues to be an expected outcome of efficient management, and a lack of monitoring can generate serious problems that affect both short-term viability and long-term success. The lack of these CG principles can lead to multiple problems that compromise a company's efficiency, sustainability, and reputation (Berk & Demarzo, 2008). A solid CG system fosters efficient decision-making, transparency, and responsible risk management, all of which are key factors for maximizing profitability. Similarly, CG principles are fundamental, and if not considered, they could progressively lead to a loss of investor confidence, risk of fraud, deterioration of corporate culture, and a negative impact on stakeholders (Gitman & Zutter, 2016).

It should be noted that, in Latin America, the dynamics between good CG practices or principles and profitability levels have stimulated growing business and academic interest (Escobar-Váquiro et al., 2016). However, it is still necessary to identify predominant approaches, which implies understanding the latest trends in the literature and how these topics have developed. These trends allow us to visualize common patterns, similarities, and differences between countries and are essential for understanding progress, possible areas for improvement, and the development of strategies that strengthen companies in a challenging economic context.

In Latin America, CG has had particular characteristics, especially due to the difficulties that arise with the context (Escobar-Váquiro et al., 2016). Adherence to good practices or CG principles also entails establishing systems for monitoring, verifying, controlling, and evaluating performance, as well as the execution of goals and objectives (Rodríguez-Jaraba, 2014). The advancement of environmental, social, and governance criteria and new regulations have modified governance practices, justifying a review of recent literature.

1.2 Main theories on corporate governance

CG is a "system by which enterprises are directed and governed" (Cadbury Committee, 1992). It also "involves a series of relationships among senior management, the board of directors, shareholders, and other stakeholders; it also provides the structure for defining objectives and the means to achieve them and for determining how performance is monitored" (Organization for Economic Cooperation and Development [OECD], 2004). Theories associated with CG seek to explain organizational behavior and have implications for board structure, transparency, accountability, and strategic management.

The agency theory developed by Jensen and Meckling (1976) focuses on the relationship between owners and managers, as well as considering governance mechanisms and how these reduce conflicts of interest. The relevance of agency theory lies in implementing CG mechanisms that align the interests of the agent with those of the principal and is based on the assumption that agents do not always act considering the benefit of the principal; the conflict of interests between principals and agents generates agency costs, which are expenses or economic losses for the company. The principal is usually the shareholder or owner, and the agent is the manager or CEO.

On the other hand, stakeholder theory, explained by Freeman (1984), considers that the company must not only respond to the interests of shareholders, but also to those of all the groups with which the company interacts. It emphasizes that the company must balance the interests of multiple stakeholders and has gained relevance in contexts where social, environmental, and regulatory pressure requires companies to make many more commitments. Regarding the "Transaction Cost" theory, according to Williamson (1985), it explains why companies exist and how they structure their economic relationships to minimize costs related to contract negotiation and compliance monitoring. From the "Institutional Theory" approach developed by DiMaggio y Powell (2021), companies adopt certain practices not for efficiency, but due to institutional pressure. Similarly, it explains the adoption of good governance codes due to pressure from investors, regulators, and multilateral organizations.

The "Resources and Capabilities" theory explained by Barney (1991) maintains that competitive advantages come from valuable, rare, inimitable and properly organized resources and its importance lies when good CG facilitates the development and retention of organizational capabilities that increase profitability. A good governance system allows the development and protection of strategic resources; however, in countries such as those in Latin America, external factors such as informality and institutional barriers can affect more than internal resources. A theory that contrasts the agency theory is the "Stewardship Theory" by Davis et al. (1997), in which they explain that managers act as "stewards" of organizational interests, and also justifies more participatory governance structures with less direct supervision.

1.3 Corporate Governance Principles

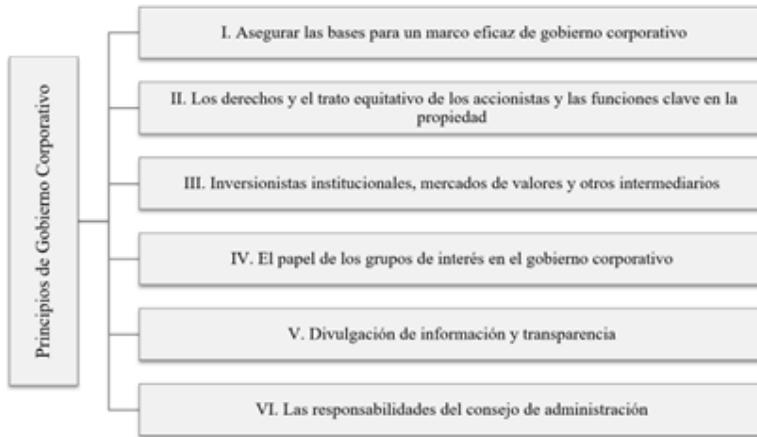
The CG principles constitute universal guidelines for strengthening accountability (Organization for Economic Cooperation and Development [OECD], 2015). Furthermore, they are an international benchmark, serving as a standard comparative framework for evaluating corporate governance in different contexts. They are used by many financial institutions, regulators, and stock exchanges in Latin America as a model of good practices. According to the OECD (2015), the CG principles are a set of standards designed to ensure that companies operate transparently. Along the same lines, these principles promote the protection of shareholder rights and the reduction of conflicts of interest (Berk & Demarzo, 2008). Additionally, compliance with the CG principles plays a crucial role in the transparency of operations, instilling trust and peace of mind among stakeholders (Luca et al., 2024).

The G20 and Organisation for Economic Co-operation and Development (OECD, 2015) Principles of Corporate Governance, as shown in Figure 1, establish an international framework for promoting business practices that foster transparency and sustainability. Their implementation in countries such as Brazil, Chile, Mexico, Colombia, Ecuador, and Peru has had a significant impact on corporate profitability by improving investor confidence and optimizing operational efficiency. The principles increasingly call for consideration of economic, social, and environmental impacts (Arias, 2024). Similarly, these regulations promote transparency and fairness in companies. Furthermore, the initiative to adopt CG principles begins with awareness-raising (Vicente & Konja, 2008). It should be noted that the implementation of the OECD principles varies depending on the country that adopts them. Brazil has made significant progress in board independence, while countries like Peru still face various challenges related to promoting transparency and fairness in corporate governance (Santos et al., 2020). Several studies suggest that the proper application of principles such as board transparency and independence contribute to optimizing financial performance (Claessens & Yurtoglu, 2013).

1.4 Corporate governance and profitability

Profitability is the ability to generate profits in line with sales, assets, or shareholders' equity (Gitman & Zutter, 2016). Profitability also refers to the return a company earns on its investments (Brealey et al., 2015). In Latin America, maintaining this capacity is critical for companies, as it ensures their sustainability, competitiveness, and growth in a region characterized by challenging economic and political conditions (Barradas et al., 2021).

Figure 1. Corporate governance principles according to the Organization for Economic Cooperation and Development (OECD) and the G20



Nota. Principles of Corporate Governance (OCDE, 2015).

Good corporate governance improves profitability and market value in emerging markets (Claessens & Yurtoglu, 2013). Similarly, Chilean firms with better governance practices have better stock market and operational performance, especially in environments with less legal protection (Lefort & Walker, 2000). However, although legal frameworks for CG exist, their implementation is limited in some countries. Some listed companies and multinationals adopt international standards, such as the OECD principles, but many SMEs and family businesses do not apply them.

The main findings regarding CG and profitability in Latin America are shown in the 2020 OECD and CAF reports, which show how companies that meet higher governance standards in Latin America have better financial reputations, lower costs of capital, and access to institutional investors. Similarly, La Porta et al. (2000) find that countries with better investor protection have more profitable companies and access to cheaper financing. Latin American companies have a series of specific characteristics, so strengthening transparency, investor protection, and the independence of governing bodies can lead to sustained improvements in corporate profitability.

According to Correa (2022), the 100 largest companies in the ranking in Latin America published by the magazine *América Economía Intelligence* in 2021, include good CG practices in their strategic plan, but these same companies must also keep all their corresponding information public for interested parties. Similarly, he mentions that greater economic profitability could be generated due to a higher percentage of participation by the majority shareholders.

According to the cases presented by International Finance Corporation & Organisation of Economic Co-operation and Development (2010), the company Buenaventura of Peru emphasizes that it must improve its CG bases and at the same time considers maximizing the profits of its shareholders; on the other hand, the company Cementos Argos, which was founded in Medellín, adopting good information practices generated wealth for its shareholders, facilitated access to investors, and has allowed it to differentiate itself from its competitors in the market.

In Brazil, Companhia de Concessões Rodoviárias (CCR) improved its corporate governance model while generating value for its shareholders. The company developed internal protection mechanisms for performing any service with related third parties and also modified the responsibilities of the Board of Directors, committees, and management. Along the same lines, CPFL Energia do Brasil received the distinction of being the best in Latin America in corporate governance in 2005. Regarding its financial results, the company reported its best-ever net income that same year, highlighting the 4.7% increase in electric power sales and the installation of hydroelectric plants. In another case, Embraer reports that

it has perfected its governance practices, which has allowed it to have positive effects on market value. Likewise, its sales have increased, and it has generated significant assets for its investors (International Finance Corporation & Organisation of Economic Cooperation and Development, 2010).

Ferreiros, for its part, increased its Board committees starting in 2005, adopting CG principles and practices. This led to changes such as reducing information asymmetry and establishing an efficient Board of Directors. Consequently, its sales, net income, and EBITDA increased rapidly. Interconexión Eléctrica S.A. E.S.P. (ISA), a Colombian energy company, recognized the importance of adopting good practices and improved its information disclosure by installing a shareholder service center. According to its financial results, its net income increased in 2006 (International Finance Corporation & Organisation of Economic Cooperation and Development, 2010).

It is important to note that in Latin America there are gaps in the implementation of good corporate governance principles. Although countries have a code, many companies do not comply with international standards for transparency and information disclosure. This makes performance evaluation difficult and increases the risk perceived by investors (Nuñez et al., 2009). For example, Brazil and Mexico adopt a "comply or explain" approach, which implies that companies must comply with recommendations or explain why they do not. Otherwise, in other countries, such as Colombia and Peru, compliance is voluntary, which can impact the effective implementation of these practices (Santos et al., 2020). For companies facing high levels of competition, regulatory changes, and lack of access to financing, profitability is particularly relevant. Having good corporate performance is attractive to investors and provides greater access to financing, as it generates market confidence and value for shareholders (Barradas et al., 2021).

This article reviews studies conducted in Latin American countries, allowing us to examine the most relevant trends regarding the aforementioned topics. Ribeiro and Souza (2023) analyzed the Brazilian Stock Exchange's corporate governance index for Brazilian companies. They also proposed an easy-to-use corporate governance index and mentioned that creating an index to assess the quality of corporate governance in Brazilian companies is key, as the influence of governance on financial decisions is greater in countries with less legal protection for investors.

Other studies concur in highlighting the adoption of good practices or principles. For example, Arenas-Torres et al. (2022) examined the application of CG practices and profitability in Chilean companies. Along the same lines, they considered that the impact of adopting these practices is due to the functioning of the board of directors and evaluation by an independent third party. In Mexico, Polo et al. (2023) reiterate the importance of CG as a tool that builds competitiveness and value in Mexican companies. They also show a relationship between two mechanisms and company results: the board of directors and the audit function.

For their part, Meneses et al. (2021) mention that Colombian companies that properly manage their stakeholders and disclose and reinforce their CG policies reflect superior market performance over time. Similarly, Vicente-Ramos et al. (2020), in their quest to determine the impact of good CG variables on the profitability of equity in the Peruvian banking sector, mention that the greater the integration of the general shareholders' meeting in banking companies, the greater the profitability of equity for shareholders; this also shows that the greater the transparency of information, the greater the profitability of equity for shareholders. The literature also shows a growing tendency to use various financial indicators, such as the study by Freire et al. (2020), who develop and focus not only on profitability but also on financial performance in general and in all its dimensions, such as liquidity, solvency, activity, and profitability. They mention that CG independence influenced financial performance, but this relationship was statistically significant only with the solvency and activity variables.

1.5 Objective

The objective of this study is to locate and examine the main trends in the literature on corporate governance principles and profitability in Latin American companies during the period 2020-2024.

2. Materials and Methods

This article presents a literature review. Literature review articles allow for synthesizing prior knowledge, identifying and updating trends and approaches, and helping to guide new research (Cué et al., 2008). Regarding the collection of relevant documents, the Scopus database was used, which is widely consulted by researchers, has broad coverage, and is constantly updated. The search strategy was based on the main concepts. Regarding the criteria used for selecting the main documents, these were applied considering the research objective (Vera Carrasco, 2009).

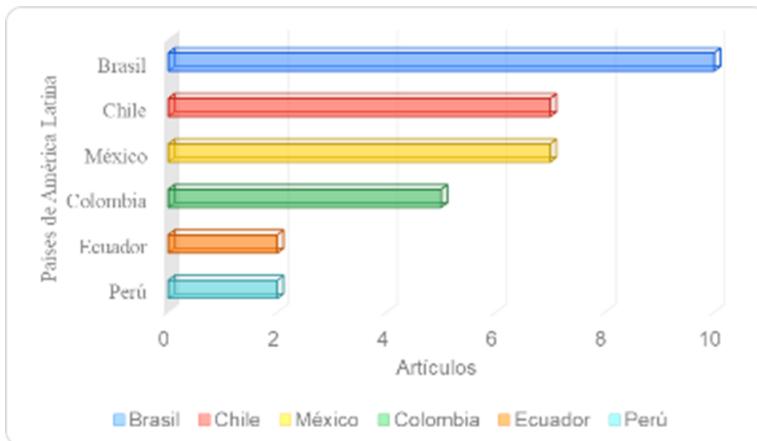
The initial search using Boolean operators in Scopus was up to June 2024. The article title, abstract, and keywords "Corporate Governance" and "Profitability" or "Performance" were searched. A total of 8,967 documents were found. The selection criteria were then applied: 2020–2024 period, English and Spanish languages, final publication stage, original articles, and country or territory in Latin America. Up to this stage, 95 documents were obtained. In addition to the filters provided by the Scopus database and the verification of the availability or open access of each document, the articles were read and inspected to ensure that they focused on a business context and referenced companies from Latin American countries. Thus, 33 articles were selected as a sample.

The extraction of the key terms identified by year was based on the keywords declared by the authors (author keywords) and the abstract, which allowed thematic patterns to be identified. The key terms were compiled, and the following were performed: semicolon (;) separation if grouped, conversion to lowercase to avoid duplicates due to formatting, and deletion of duplicates. In addition to this procedure, the data was processed in VOSviewer to obtain a graph of the closeness between the most frequently used terms.

3. Results

The result of the collection, application of selection criteria, verification, and review were 33 articles. In Figure 2, according to the search in the Scopus database for the period 2020 to 2024 in Latin America, the country with the most documentation and leading the scientific production on GC and profitability is Brazil, which according to the established criteria totals 10 articles; on the other hand, Ecuador and Peru present a lower number of publications, that is, with 2 articles each. Additionally, Table 1 shows the list of authors for each year and of each of the articles, which also indicates the different Latin American countries such as Brazil, Chile, Mexico, Colombia, Ecuador, and Peru.

Figure 2. Number of articles in Latin American countries



Source: Scopus database

Table 2 shows the most notable trends and key terms across the 33 articles reviewed, revealing

Table 1. Authors of selected articles on research in Latin American countries.

Country	Year	Author
Brazil	2024	Moskovics P.; Wanke P.; Tan Y.; Gered A.M.
	2024	Leal P.H.; Anjos L.C.M.D.
	2023	Ribeiro J.E.; de Souza A.A.
	2023	Mendonça F.S.A.; Sonza I.B.
	2023	Black B.; de Carvalho A.G.; Kim W.; Yurtoglu B.B.
	2022	Ferreira D.F.F.; Baggio D.K.; Santos D.F.L.
	2021	Okita N.T.; Coimbra T.A.
	2020	Dias A.; Vieira V.; Figlioli B.
	2020	Lima C.V.; Freire F.S.; Freitas M.R.D.O.
Chile	2023	Escosio B.F.F.; Santos R.C.; Orso L.E.; Sousa A.M.R.
	2023	Oyarce J.N.; Moraga Flores H.; Mardones J.G.
	2023	Navarrete-Oyarce J.; Moraga-Flores H.; Mardones J.A.G.; Araya-Castillo L.; Ganga-Contreras F.
	2021	Arenas-Torres F.; Bustamante-Ubilla M.; Campos-Troncoso R.
	2021	Michael Holmes R., Jr; Hitt M.A.; Berrovo P.L.; Palmer J.C.; Molina-Sieiro G.
	2020	Loyola G.; Portilla Y.
	2020	Salamanca; San Martín L.S.; Flores H.M.
Mexico	2020	Arenas F.; Campos R.; Escalona S.
	2023	Polo Jiménez Demetrio S.; Midheli G.O.B.; Víctor M.G.
	2022	Berrocal González A.M.B.; Ortiz D.L.; Osorio F.J.M.; Fuentes L.R.R.
	2022	Godínez-Reyes N.L.; Gómez-Monge R.; Calderón-Gutiérrez A.; Alfaro-Calderón G.G.
	2022	Polo Jiménez S.D.; Vargas Vega T.J.; Morales Alvarado L.
	2021	Mercader V.; Galván-Vela E.; Ravina-Ripoll R.; Popescu C.R.G.
Colombia	2020	Polo Jiménez D.S.; Hernández Gracia T.J.; Martín Benítez D.
	2020	Gavira-Durón N.; Martínez Peña D.G.; Espitia Moreno I.C.
	2024	Correa-Mejía D.A.; García-Benau M.A.; Correa-García J.A.
	2024	Useche A.J.; Martínez-Ferrero J.; Alayón-Gonzales J.L.
	2023	Vivas-Martín J.G.; Diez-Silva H.M.; López-Sevillano A.M.
Ecuador	2021	Meneses Cerón L.A.; Andrés C.M.J.; Andrés P.P.C.
	2021	Herrera-Echeverri H.; Haar J.; Velasquez-Gaviria D.; Upadhyay S.
	2022	Tulcanaza-Prieto A.B.; Aguilar-Rodríguez I.E.; Lee C.W.
Peru	2020	Freire C.; Carrera F.; Auquilla P.; Hurtado G.
	2022	Ochoa E.T.; Quiñónez Y.A.
	2020	Vicente-Ramos W.; Reymundo K.G.C.; Pari L.J.E.; Rudas N.M.N.; Venegas-Rodríguez P.B.

Note. The table shows the authors for each selected article. Adapted from the Scopus database.

that CG; director independence; active engagement of the general shareholders' meeting; the audit committee; and financial, social, and environmental performance were all addressed from 2020 to 2024. It also reflects a thematic evolution in CG research, moving from a focus on financial performance and the role of the board to a broader, more complex approach that incorporates sustainability, customer perception, institutional practices, and investment dynamics in emerging markets, reflecting a maturing field.

Figure 3 is a co-occurrence map of key terms generated with VOSviewer; the text size and the circle indicate the frequency of appearance of the term. "Corporate governance" is the central term, confirming that it was the dominant focus in the analyzed literature; the lines or links represent the co-occurrence between terms. The node color represents the average year of appearance of the terms. It can be seen that "Sustainable development goals," "sustainability," and "ESG" are more recent, between 2023 and 2024. The spatially clustered terms reflect related topics or areas of research. On the left: "Brazil" and "ESG" appear, related to sustainability studies and regional context. In the center: "executive compensation," "board of directors," and "factorial analysis" are linked to internal structure studies and quantitative analysis. On the right: terms such as "audit," "accounting," "performance," and

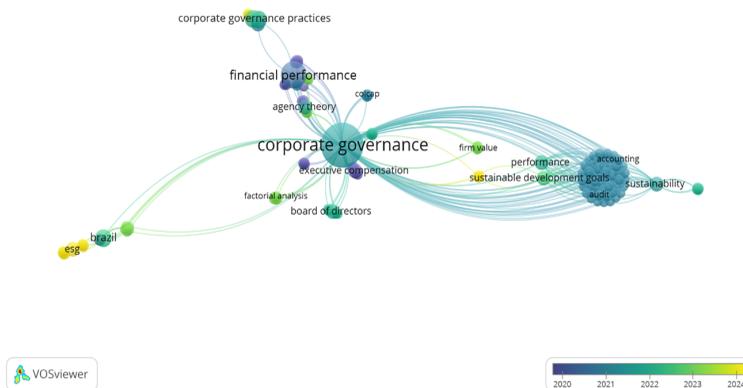
Table 2. Main terms of the literature of the 33 selected articles

Year	Most frequently mentioned key terms	Other key terms	
2020	Corporate governance Financial profitability Sustainability Executive compensation	Agency theory Board compliance Corporate sustainability Environmental performance Firm performance	Earnings management Risk Return on capital Transparency of information Value creation
2021	Corporate governance Economic growth Effective communication Financial profitability Sustainability	Audit Board of Directors Composition Corporate Performance COVID-19 Pandemic	Environmental protection Financial leverage Human capital Intangible assets Results management
2022	Corporate governance Board of directors Financial profitability Sustainability	Board of Directors Corporate Governance Practices	Customer perception Independence of directors
2023	Corporate governance Financial profitability Adherence to good practices	Adherence to good practices Agency theory Board of directors Results management	Value of the firm Corporate Social Responsibility Q Tobin's
2024	Corporate governance Sustainability Environment, society and government Financial profitability	Corporate efficiency Corporate governance practices Emerging economies	Sustainable Development Goals Investment Decisions Corporate Efficiency

Note. This table shows the main trends or terms during the period 2020 to 2024.

"sustainability" are part of the most recent approach to sustainable performance.

Figure 3. Keyword co-occurrence map.



Note. The map shows the relationships between the most commonly used terms in KM studies and profitability in Latin America (2020–2024).

4. Discussion

The review shows a marked focus on CG principles and profitability in Latin America, particularly in Brazil, Chile, and Mexico. These studies identify a relationship between adherence to good governance practices or principles and performance measured through indicators such as ROE, ROA, net profit

margin, liquidity, solvency, and Tobin's Q. In the study by Berrocal et al. (2021), a higher percentage of independent directors is positively associated with ROA, ROE, and profit margin. Governance indices such as "Compensation, Independence, Audit, Shareholder Rights, Board Diversity, Entrenchment, and Overboarding" are associated with profitability. Similarly, the quality of CG is associated with company value, as measured by Tobin's Q (Meneses et al., 2021).

Additionally, the research by Tulcanaza-Prieto et al. (2022) emphasizes financial efficiency and liquidity. Their findings reinforce the need for customer-focused strategies as a mechanism for sustainable competitive advantage in an Ecuadorian banking product environment. They also add that customer perception also influences financial performance, influenced by empathy, trust, and service assurance. On the other hand, Freire et al. (2020) indicate that CG independence, specifically that of the board of directors, influences financial performance in Ecuador; however, it only affects solvency and activity variables, not liquidity and profitability.

In Chile, the adoption of CG practices regarding the functioning of the board of directors and evaluation by an independent third party impacts results measured by ROE and ROA; the impact is significant in larger companies with greater exposure to the international market (Arenas-Torres et al., 2022). In this regard, the degree of adherence to good CG practices index is significantly associated with the financial performance of Chilean organizations in the context of emerging economies (Oyarce et al., 2023). In another study in Chile, the traded stock prices of companies with superior CG performance performed better than those with low adoption of CG, which accentuates the closeness between CG and financial metrics. Furthermore, while governance can influence some debt metrics, its effect on accounting profitability is less clear (Salamunic & Moraga, 2022). Likewise, the level of adherence to CG practices that refer to board composition, information transparency, and audit committees in Chilean listed companies is low or incipient (Arenas et al., 2020).

In Mexico, financial performance, specifically financial profitability, has a positive relationship with CG practices, particularly the audit function and the active role of the shareholders' meeting (Polo et al., 2020; Polo et al., 2022; Polo et al., 2023). In Brazil, the link between corporate governance and market performance is significant, demonstrating the market confidence associated with the quality of corporate governance (Ribeiro and De Souza, 2023). Also in Brazil, and with reference to corporate governance ratings, disclosure is the aspect of corporate governance at the firm level that most predicts company results (Black et al., 2023). The performance of Brazilian companies is positively related to variable incentives in executive compensation, especially the long-term incentive (Dias et al., 2020).

Governance practices that reduce CEO power can be effective in achieving fairer compensation for overpayments (Leal & Anjos, 2023). On the other hand, the CG environment in Brazil has not reduced the total value of Related Party Transactions in pyramid companies (Mendonça Flores & Bernard Souza, 2023). The number of independent board members and the cooperation of the supervisory board influence market performance in Brazil (Escossio et al., 2021). Board responsibility for the integrated reporting process is seen as a tool to structure the business model, strategy, CG, and operational performance in Chile (Navarrete-Oyarce et al., 2023).

Unlike other sectors, the financial sector is one of the most implicated when it comes to CG. Thus, good CG influences bank profitability, specifically the general shareholders' meeting (GSM) impacts equity profitability. Greater integration of the general shareholders' meeting and transparency of information lead to greater equity returns for shareholders (Vicente-Ramos et al., 2020). Furthermore, Tabra and Aguilar (2022) in their study of Peruvian credit companies suggest that, to strengthen sustainability and competitiveness, governance guidelines should be adapted to consider size and complexity. In Brazil, agricultural cooperatives with better governance practices, referring to reliability and transparency, are associated with better performance, i.e., financial control, profitability, and sustainability (Ferreira et al., 2022).

Other reviewed studies highlight that corporate governance can optimize the business productivity of Colombian companies and their commitment to the SDGs (Correa-Mejía et al., 2024). Similarly, companies with better environmental practices can become more efficient (Moskovics et al., 2024).

Regarding the determinants of corporate sustainability performance, Brazilian companies operating in industries with environmental risk tend to be leaders in corporate sustainability performance, as these companies are more committed to environmental issues (Lima et al., 2019). Additionally, CG affects environmental practices, social practices, and, most importantly, the generation of sustainable value; Corporate Social Responsibility can contribute to sustainable efficiency (Godínez-Reyes et al., 2021).

Regarding the financial determinants of corporate sustainability, there is a relationship between the sustainability index, the environmental index, the social responsibility index, and corporate governance (Gavira-Durón et al., 2020). It is important to address issues such as environmental and social impact and corporate governance, which could assist business leaders in their decision-making (Okita & Coimbra, 2021). Likewise, it is necessary to consider the functioning of investment portfolios developed under CG, environmental, and social criteria, as well as the value of following responsible investment criteria (Useche et al., 2024).

From a perspective of the personality of senior executives, human resources leadership, ethical leadership, strategic leadership, and corporate performance stand out (Michael et al., 2021). In a business environment, teamwork, effective communication, and productivity also stand out (Mercader et al., 2021; Vivas-Martín et al., 2023). High-level incentive contracts, such as performance bonuses, are an optimal mechanism for aligning managers with shareholders in an efficient investment policy (Loyola & Portilla, 2020). The independence and experience of the board of directors, and the activity of the board's audit committee, enhance the company's long-term orientation. This long-term orientation is beneficial for transparency, disclosure, and for reducing the risk of companies failing (Herrera-Echeverry et al., 2020).

5. Conclusions

This article aimed to identify and examine the main trends in the literature on corporate governance principles and profitability in Latin American companies during the period 2020–2024. The analysis identified research on companies from Brazil, Chile, Mexico, Colombia, Ecuador, and Peru. This research demonstrates a growing attention and the link between good practices or CG principles and profitability, viewed through various indicators such as ROE, ROA, net profit margin, liquidity, solvency, and Tobin's Q.

In Latin America, the most prominent CG theories are primarily Agency Theory and Institutional Theory, followed by Stakeholder Theory. Similarly, regarding institutional theory, in many Latin American countries, CG reforms have been driven by external pressures. Stakeholder theory is growing due to the increase in socio-environmental conflicts and is considered to be focused on environmental governance and sustainability. Likewise, the studies also addressed the business sector from different perspectives, such as financial, environmental, social, and corporate governance.

The findings highlighted topics such as director independence; active participation in the general shareholders' meeting; the audit committee; and financial, social, and environmental performance. In Latin America, the country with the greatest participation in corporate governance and the most recognition is Brazil. As the Brazilian Securities and Exchange Commission (CVM) issues regulations requiring disclosure of governance practices and promoting accountability and minority investor protection, many companies listed on the Brazilian Stock Exchange are increasing their revenues.

Board independence is frequently mentioned, highlighting the importance of having independent board members to ensure objective decisions and prevent conflicts of interest. The active role of the board and its evaluation by third parties as a mechanism for control and continuous improvement are also highlighted. Regarding the active participation of the general shareholders' meeting, shareholder involvement and oversight, specifically in the case of banking companies, is linked to improved return on equity. Finally, the role of the audit committee is recognized as an internal oversight mechanism to prevent fraud and errors.

Author Contributions

Betsy J. Cotrina Salvatierra: Conceptualization, research, methodology, formal analysis and writing, original draft

Juan C. Orellano Antúnez: Methodology, supervision, validation, visualization and writing, review and editing

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The authors declare no conflict of interest.

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