

Evolution of Corporate Legal Functions and Their Impact on Banking Sector Financial Performance

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ABSTRACT

The evolution of the corporate legal function has shifted its role from traditional compliance toward a strategic enabler of governance and value creation in banking, amid complex regulatory and digital landscapes. This study aims to analyze how the evolution of corporate legal functions influences banking sector financial performance through a systematic literature review. This systematic literature review analyzes 26 peer-reviewed studies from 2015 to 2025 using thematic synthesis aligned with PRISMA guidelines. Four dimensions emerge: expansion from compliance to value creation; legal environments' influence on bank profitability and efficiency; integration of corporate legal governance with strategic financial management; and legal risk management's role in fostering compliance culture and sustainable finance. Findings indicate Legal Officers act as crucial mediators balancing regulatory adherence, risk mitigation, and strategic financial objectives, enhancing operational resilience, investor confidence, and sustainable outcomes. The study underscores legal harmonization and ethical governance's rising importance in digital banking, contributing a Legal-Performance Integration Framework (LPIF) to advance theory and practice in banking legal governance.

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INTRODUCTION

In the highly regulated banking industry, the Legal Officer (LO) plays a strategic role in ensuring that all business activities comply with applicable laws and regulations. The LO oversees legal compliance from policy planning to implementation, helping prevent violations that could lead to administrative or criminal sanctions and supporting the long-term sustainability of the bank (Gangai et al. 2024). One of the LO's core functions is providing proactive legal advice by reviewing regulations issued by the Financial Services Authority (*Otoritas Jasa Keuangan*/OJK), Bank Indonesia, and other financial laws. Through this role, the LO ensures that policies and contracts are not only legally valid but also protect the company's long-term interests (Faqera et al., 2025; Weno, 2025).

In addition to providing legal advice, the LO plays an important role in mitigating legal risks arising from banking transactions, such as errors in credit contracts, collateral administration, or non-compliant clauses (Naura, 2024). The LO also enhances legal literacy within the organization, helping maintain integrity, which is essential for preserving public trust in financial institutions. Furthermore, the LO supports the effective implementation of Good Corporate Governance (GCG) by ensuring that managerial decisions, transactions, and contracts comply with legal standards and governance principles, including transparency, accountability, and fairness (Abdel et al., 2024). Through these functions, the LO also contributes to maintaining and strengthening customer trust (Saba, 2025). However, anomalies often arise from an integrity perspective. Although the LO serves as a compliance custodian, practices in the field do not always

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align with legal regulations or internal codes of ethics. For example, there is negligence in policy implementation or non-compliance by certain employees with applicable procedures. This phenomenon demonstrates that the LO's role in maintaining organizational integrity still faces challenges, particularly in instilling legal awareness across all levels of staff (Pang, 2021).

Sihombing's (2023) research explains that BRI credit grants consider the eligibility of prospective borrowers, including those with a steady income or viable business, residing within the bank's operational area, and sufficient collateral. Saba's (2025) research explains that the legal consequences of criminalizing the legal profession in providing legal advice include a ruling declaring the action a crime because it meets the elements of the indicted article. Suarmagita and Mahendrawati's (2021) research explains that the legal officer's position in a company is directly under the board of directors, referring to the legal officer's function in managing company documents. Widodo's (2019) research explains that legal officers are needed to encourage improved company performance and value, as cooperative success is a measure of achievement in carrying out business activities.

The LO job description in the banking industry encompasses a range of strategic tasks that focus not only on resolving legal disputes but also include providing proactive legal advice, assisting with every business transaction, drafting and reviewing contracts, managing legal documents and permits, mitigating legal risks, and facilitating legal literacy for all bank employees (Yang et al., 2019). Therefore, there is a significant gap between the ideal and the reality of the LO's role in the banking business. Ideally, the LO plays a full role in maintaining integrity, upholding good governance, and building customer trust. However, in reality, implementation obstacles remain that prevent this role from being optimal. This gap requires a more active optimization of the LO's role, both through strengthening the supervisory system, increasing employee legal literacy, and empowering the LO in the managerial decision-making process, so that integrity, governance, and trust are consistently maintained.

Therefore, this study aims to analyze how the evolution of corporate legal functions influences banking sector financial performance through a systematic literature review. Using Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) based screening, the study identifies thematic patterns and conceptual developments related to legal governance, compliance, and financial outcomes. The problem addressed lies in the gap between the ideal strategic role of LO and the challenges in real implementation within banking institutions. This article contributes by proposing a Legal-Performance Integration Framework (LPIF) that outlines the relevance of legal governance to value creation and sustainable financial performance. Through this approach, the study is expected to enrich academic discussions and provide practical insights for strengthening legal governance in modern banking.

LITERATURE REVIEW

Performance

Performance refers to the level of achievement resulting from organizational activities, managerial processes, or overall institutional operations, which can be assessed through measurable and comparable indicators against predetermined standards. In the banking sector, performance is commonly used to evaluate how effectively institutions utilize financial, human, and organizational resources to achieve strategic objectives and maintain competitiveness (Mufti et al., 2016; Suryanto et al., 2022). Measuring performance allows organizations to identify strengths that need to be sustained as well as weaknesses that require corrective action, thereby serving as a key instrument for monitoring progress or decline over time (Valentina, 2022). In this context, performance is not only an outcome but also a reflection of managerial quality, governance practices, and institutional effectiveness (Alam et al., 2021).

From a broader perspective, banking performance is influenced by multiple internal and external factors, including corporate governance mechanisms, regulatory

environments, and institutional structures. Strong governance and a supportive legal environment enhance transparency, accountability, and risk management, which in turn improve financial and operational performance (Arias et al., 2020; Benvenuto et al., 2021; Kashi et al., 2024; Jungo & Canguende, 2025). Empirical evidence also shows that effective governance practices contribute to revenue stability, efficiency, and long-term sustainability in banking institutions (Suhartini et al., 2024; Alemu & Worku, 2025). Therefore, performance assessment plays a strategic role not only in evaluating current outcomes but also in guiding policy formulation, governance improvement, and sustainable growth within the banking industry.

Legal Officer

A legal officer is an integral part of a company's organizational structure, entrusted with managing a wide range of administrative and legal matters arising from the company's operational activities. This role is not merely supportive but strategic, as the legal officer ensures that the company's actions comply with applicable laws and regulations while safeguarding its legal interests. Within the corporate environment, the legal officer or legal department is actively involved in addressing administrative requirements, processing licenses and permits, and overseeing contractual relationships with third parties. Through these responsibilities, the legal officer contributes to minimizing legal risks and facilitating smooth business operations, as emphasized by Tahiri and El Arif (2024).

The scope and intensity of a legal officer's responsibilities may vary depending on the company's internal policies, business scale, and specific operational needs. In practice, these duties encompass the preparation, management, and archiving of legal documents, as well as ensuring the validity and compliance of permits and corporate licenses. In addition, legal officers are often required to handle legal disputes, both civil and criminal, whether through preventive legal measures, litigation support, or coordination with external legal counsel. Such responsibilities highlight the adaptive nature of the legal officer's role, which must align with the company's unique context and evolving legal challenges, as noted by Suarmagita (2021).

Legal Advice

Legal advice refers to a legal opinion or recommendation provided by a legal expert, particularly a Legal Officer, to assist an organization in resolving legal issues or making strategic decisions in compliance with applicable laws and regulations. In the banking sector, which operates under strict regulatory supervision and high legal risk, legal advice plays a preventive and strategic role rather than merely a reactive one (Hoque & Liu, 2023). Legal advice is delivered to management and relevant work units to ensure that every policy formulation, contractual agreement, and business transaction aligns with prevailing laws and regulatory provisions, including those issued by financial authorities.

According to Kastubi (2024), the provision of legal advice enables companies to avoid potential legal disputes and ensures that organizational decisions are supported by a strong legal foundation. This view is reinforced by scholars such as Tahiri and El Arif (2024), who emphasize that the compliance function, similar to the role of a Legal Officer, plays a central role in managing legal and regulatory compliance in banking institutions, ensuring that operations adhere to laws and internal policies and mitigating the risk of sanctions. Furthermore, Basri and Hamsir (2020) highlight that proactive legal advice contributes to business sustainability by safeguarding the organization's long-term interests. Through comprehensive legal analysis and regulatory review, legal advice not only enhances legal certainty but also supports prudent decision-making, strengthens governance practices, and maintains public trust in banking institutions (Weno, 2025).

Good Corporate Governance

Good Corporate Governance (GCG) is the system of rules, practices, and processes by which a company is directed and controlled, ensuring accountability, fairness, and

transparency in conducting the activities related to its relationship with all stakeholders. This will involve balancing the interests of the shareholders, management, customers, suppliers, financiers, government, and community. GCG would help improve corporate performance and integrity by continuously encouraging ethical conduct and good management. Ultimately, efficient GCG nurtures investor confidence, enhances operational efficiency, and sustains business over a long period of time (Tjahjadi et al., 2021; Aslam & Haron, 2020).

In the banking sector, the application of GCG is particularly important due to the high level of public trust and regulatory oversight involved. Effective governance mechanisms, such as board independence, transparency in reporting, and strong internal controls, have been proven to positively influence banking performance and reduce operational and financial risks (Benvenuto et al., 2021; El-Chaarani et al., 2022). Furthermore, strong GCG practices support compliance with laws and regulations, mitigate agency conflicts, and enhance organizational sustainability, thereby ensuring that banks operate responsibly while maintaining long-term stability and competitiveness (Zulfikar et al., 2020; Bui & Krajcsák, 2024).

RESEARCH METHODS

This study adopts a Systematic Literature Review (SLR) method to synthesize scholarly evidence in a structured, transparent, and replicable manner. Guided by PRISMA standards, the SLR is suitable for identifying theoretical patterns, conceptual developments, and empirical gaps concerning the evolution of corporate legal functions and their relationship with banking and financial performance. The rigorous multi-stage screening process ensures clear inclusion criteria, systematic documentation, and reliance on validated academic sources. Consequently, this approach enhances the reliability and replicability of the findings, enabling future researchers to reproduce and extend the review.

The sampling targeted peer-reviewed studies on corporate legal functions, governance, and financial performance in banks and financial institutions published in English between 2015 and 2025. Searches were conducted in Scopus, PubMed, and Emerald using keywords related to legal functions, governance, compliance, and financial performance. Inclusion criteria required relevance to banking, legal governance, and full-text availability, while duplicates, non-scholarly works, studies outside banking, and those lacking legal governance variables were excluded. After title, abstract, and full-text screening, 10 studies were selected for analysis.

Data collection followed a structured multistage process based on PRISMA guidelines, including title/abstract screening, full-text assessment, and removal of duplicates or irrelevant studies. Selected articles were coded using a standardized extraction protocol covering author, year, region, methodology, legal governance variables, financial performance indicators, and key findings. Coding reliability was ensured through cross-checking by multiple reviewers and resolving discrepancies by consensus. The measurement process applied thematic coding, using both inductive and deductive approaches to synthesize theoretical and empirical insights on legal governance and banking performance, while preserving the substantive meaning of each study.

The analysis focuses on several core dimensions. The legal function role captures the scope and development of corporate legal activities, including compliance oversight, strategic legal advisory, and legal risk control. Governance structure reflects governance mechanisms linked to legal performance, such as board independence, audit committees, and ownership structure. The regulatory environment addresses the strength of legal systems, including enforcement quality, legal certainty, and regulatory reforms. Financial performance indicators assess outcomes using measures such as ROA, ROE, profitability, and efficiency ratios. In addition, risk and compliance integration examines the alignment of legal risk management with compliance culture through internal controls and compliance systems, while sustainability and ESG linkages highlight the integration of legal governance with ethical banking, ESG reporting, and sustainable finance initiatives.

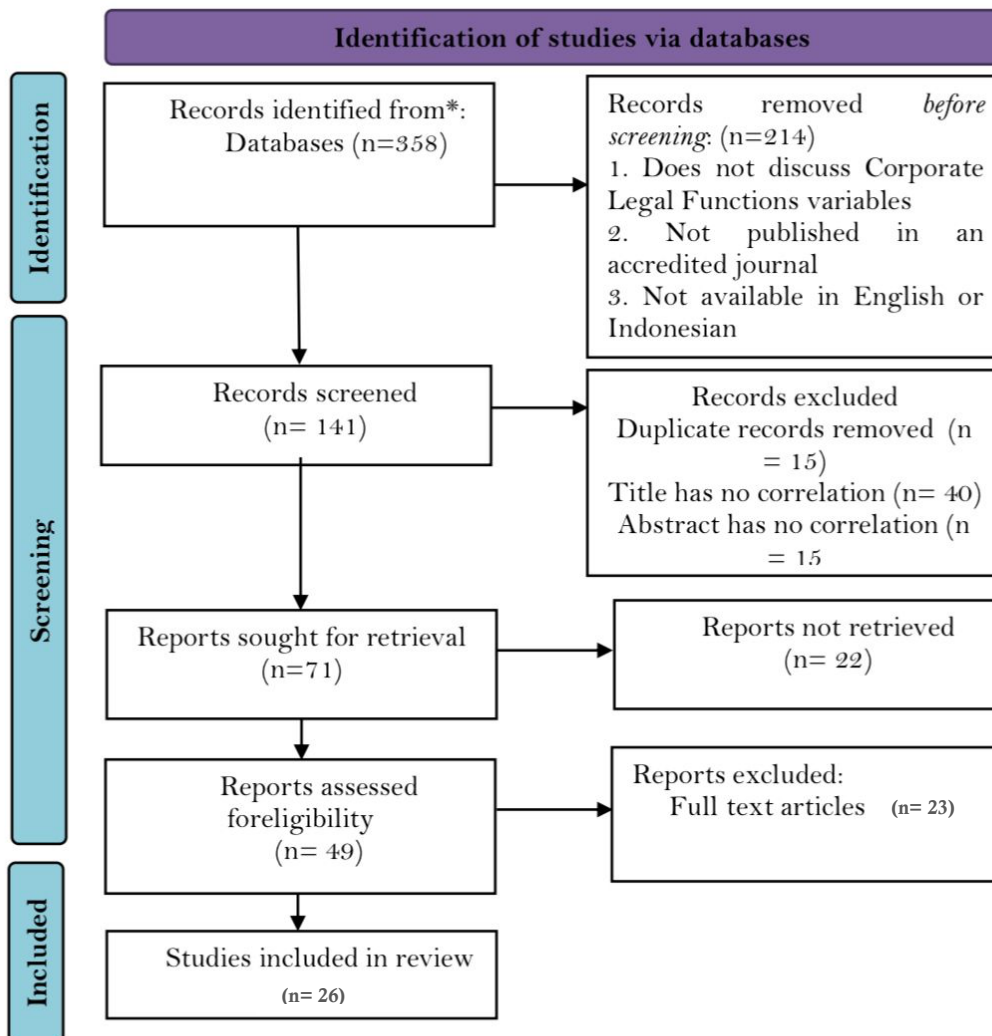


Figure 1. Literature Screening Results

Based on Figure 1, these coding dimensions guided the thematic synthesis process and enabled the identification of four core analytical themes: (1) the evolution of legal functions from compliance to value creation, (2) the influence of regulatory environments on financial performance, (3) the integration of legal governance with strategic financial management, and (4) the role of legal risk management in supporting sustainable finance. This structured analytical approach ensures consistency, transparency, and conceptual clarity throughout the evidence synthesis.

RESULTS

This section presents the findings from a systematic review of 26 peer-reviewed studies (2015-2025) on corporate legal functions in the banking sector. Using descriptive statistics and thematic analysis, it demonstrates a clear evolution: legal governance is increasingly integrated with strategic financial management. The trend shifts from a traditional compliance focus toward actively driving value creation and sustainability. Table 1 provides a structured summary of the reviewed studies, detailing their objectives, methods, key findings, and implications for governance and financial performance.

Table 1. Summary of Reviewed Studies

Author & Year	Region	Purpose / Objective	Methodology	Key Findings	Implications for the Banking Sector
Esteban-Sanchez et al. (2017)	Spain	Examine CSR and governance impact on bank performance	Panel regression	Strong governance and CSR improve ROA and ROE	Ethical governance enhances profitability and stakeholder trust
El-Chaarani et al. (2022)	MENA	Assess corporate governance impact during COVID-19	Fixed Effects & 2SLS	Independent boards and legal protection improve resilience	Governance mechanisms stabilize banks during crises
Srairi (2020)	GCC	Analyze the board structure and ownership on performance	GMM estimator	Larger boards and institutional ownership improve efficiency	Balanced governance supports risk management
Hassan and Zeb (2021)	Pakistan	Investigate board diversity and legal enforcement	Panel data (OLS)	Legal enforcement moderates the governance-performance link	Strong legal systems enhance governance outcomes
Gerged (2021)	UK	Explore corporate governance and environmental disclosure	Regression-based analysis	Disclosure transparency linked to financial stability	Integrating legal and sustainability governance builds investor confidence
Khan and Badjie (2022)	Gulf Countries	Study governance and risk management alignment	Structural Equation Modeling (SEM)	Integrated legal-risk governance improves capital efficiency	Legal governance synergy enhances financial sustainability
Mazreku et al. (2021)	Western Balkans	Examine risk management and compliance culture	Correlation analysis	Legal compliance correlates with performance and reputation	Promotes sustainable financial practices
Duarte et al. (2023)	Portugal	Explore the evolving role of legal officers in corporate governance	Qualitative interviews	Legal officers act as strategic partners, not just compliance enforcers	Legal function becomes key driver of value creation
Bahl et al. (2024)	India	Investigate ESG and governance integration	Regression analysis	ESG-oriented governance improves profitability and reduces risk	Legal oversight of ESG enhances investor appeal
Alkhan and Hassan (2020)	Bahrain	Evaluate Sharia compliance and governance	Panel regression	Sharia audit committees strengthen the governance performance link	Legal-religious alignment supports compliance credibility
Shubita and Shubita (2019)	Jordan	Assess ownership structure and governance performance	Multiple regression	Family ownership weakens	Regulatory enforcement is needed for

Author & Year	Region	Purpose / Objective	Methodology	Key Findings	Implications for the Banking Sector
Saeed et al. (2019)	Pakistan	Test governance indices' impact on bank efficiency	Panel regression	governance quality Governance index significantly predicts efficiency	transparent governance Governance reforms improve operational outcomes
Wekesa (2019)	Kenya	Analyze governance mechanisms and profitability	Descriptive and correlation	Legal compliance positively moderates the governance-performance link	Legal adherence promotes accountability and efficiency
Abbas. (2020)	Middle East	Examine corporate governance and bank stability	Dynamic panel data	Legal and institutional quality mediate performance	Strengthened governance frameworks improve resilience
Mollah and Zaman (2015)	Bangladesh	Study Islamic bank governance and performance	GMM regression	Board independence boosts performance	Legal oversight ensures compliance in dual banking systems
Tran et al. (2021)	Vietnam	Explore governance reforms and bank competitiveness	Quantitative regression	Governance transparency increases profitability	Regulatory modernization drives competitiveness
Olayiwola (2018)	Nigeria	Assess governance effectiveness under weak legal systems	Survey and regression	Weak enforcement reduces governance impact	Strengthening legal institutions improves banking governance
Ahmed et al. (2023)	GCC	Evaluate governance, digitalization, and compliance	Mixed-method	Digital compliance enhances transparency and reduces risk	Legal tech improves governance efficiency
Xin and Senin (2022)	China	Study the legal reforms' impact on bank innovation	Panel regression	Stronger legal frameworks drive financial innovation	Legal certainty encourages sustainable innovation
Yang and Guo (2025)	China	Assess governance, ESG, and performance	Quantitative modeling	Legal governance mediates the ESG-performance link	Aligning ESG and legal compliance enhances sustainable growth
Khan et al. (2020)	South Asia	Explore ownership concentration and governance	Panel regression	Dispersed ownership and independent boards improve performance	Governance diversity enhances strategic decision-making
Wandeda (2021)	Sub-Saharan Africa	Examine legal and governance frameworks efficiency	Qualitative review	Weak legal systems constrain governance impact	Institutional reforms essential for stability
Hassaan et al. (2023)	Egypt	Evaluate audit and committees	SEM	Legal oversight improves	Internal audit and legal control boost governance quality

Author & Year	Region	Purpose / Objective	Methodology	Key Findings	Implications for the Banking Sector
		compliance quality		audit effectiveness and profitability	
Kumaran (2018)	Malaysia	Assess the governance index and bank performance	Panel regression	Governance index positively affects profitability	Governance scorecards enhance investor confidence
Camfferman (2020)	Pakistan	Explore governance disclosure and financial outcomes	Regression analysis	Disclosure transparency moderates performance	Legal reporting standards foster accountability
Alshareef (2022)	Saudi Arabia	Examine legal governance and risk performance	Correlation and regression	Legal governance mitigates risk exposure	Regulatory compliance enhances stability

A descriptive analysis was conducted to provide an overview of the characteristics of the 26 reviewed studies. Articles were categorized by publication year, research region, and methodological approach. These descriptive statistics help illustrate scholarly trends and contextual patterns in the development of legal governance research within the banking sector.

Table 2. Distribution of Articles by Publication Year

Publication Year	Number of Studies	Percentage
2015–2017	2	7.7%
2018–2020	10	38.5%
2021–2023	12	46.1%
2024–2025	2	7.7%

Table 2 shows the distribution of reviewed articles by publication year. The majority of studies were published between 2021 and 2023, representing 46.1% of the sample, highlighting increased research activity in this period. Publications from 2018–2020 account for 38.5%, while both the earliest (2015–2017) and most recent (2024–2025) periods contribute only 7.7% each. These patterns suggest that scholarly attention to corporate legal functions and governance in banking has grown substantially since 2018, likely influenced by global regulatory changes, digital transformation, and an increased emphasis on governance practices in financial institutions.

Table 3. Distribution of Articles by Research Region

Region	Number of Studies	Percentage
Asia	10	38.5%
Europe	4	15.4%
Middle East & GCC	7	26.9%
Africa	5	19.2%

Table 3 displays the regional distribution of the reviewed studies. The majority were conducted in Asia (38.5%), indicating a strong research emphasis on legal governance and banking performance in this region. Studies from the Middle East and GCC countries account for 26.9%, reflecting growing attention to regulatory and governance matters in these financial markets. Africa represents 19.2% of the articles, suggesting emerging research interest, while Europe contributes 15.4%, showing sustained but comparatively lower scholarly focus. These findings indicate that Asia and the Middle East are leading regions in investigating legal governance reforms aimed at enhancing financial stability and transparency.

Table 4. Distribution of Articles by Methodology

Methodological Approach	Number of Studies	Percentage
Quantitative	21	80.8%
Qualitative	2	7.7%
Mixed Methods	3	11.5%

The distribution of the reviewed papers by methodological approach is shown in Table 4. With 80.8% of the research in the literature using quantitative approaches, there is a clear emphasis on statistical analysis and empirical testing when analyzing legal governance and banking performance. 7.7% of research is qualitative, offering deep insights into environmental and institutional factors. 11.5% of methodologies are mixed-methods, which reflects attempts to combine interpretive analysis with numerical data.

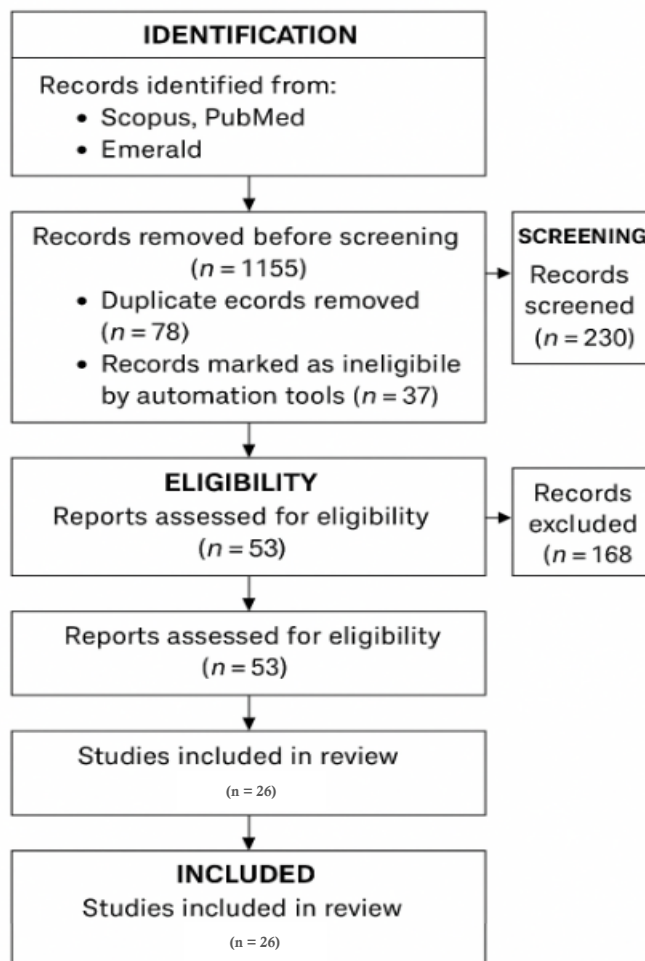


Figure 2. PRISMA Flow Diagram of Literature Screening

The PRISMA flow diagram for the study selection procedure is shown in Figure 2. 1,155 records were first found in the Emerald, PubMed, and Scopus databases. 230 records were screened using titles and abstracts after duplicates (78) and ineligible entries identified by automation methods (37) were eliminated. After 53 papers underwent full-text evaluation, 26 studies were found to match the final inclusion criteria. This illustration demonstrates the methodical and open process that guarantees careful selection for the literature study.

Table 5. Thematic Synthesis of Reviewed Literature

Thematic Dimension	Description	Key Insights from Literature	Implications for the Banking Sector
1. Evolution from Compliance to Value Creation	The corporate legal function is moving from a reactive, compliance role to a proactive, strategic partner in decision-making.	Legal departments now engage in risk forecasting, strategic advisory, and ethical leadership-e.g., Esteban-Sanchez et al. (2017); Duarte et al. (2023).	Enhancing organizational agility, stakeholder trust, and long-term value creation by way of strategic governance.
2. Legal and Regulatory Environments' Influence on Bank Profitability and Efficiency	Cost structures, capital adequacy, and efficiency are directly influenced by regulatory frameworks and legal reforms.	Strong legal environments represent higher financial stability and investor confidence, for example, Srairi (2022); Iqbal & Usman (2021).	Effective legal compliance reduces penalties, optimizes operational costs, and strengthens market credibility.
3. Integration of Corporate Legal Governance with Strategic Financial Management	The legal officers are increasingly working with the finance and risk units to align governance with financial objectives.	Studies prove that cross-functional integration bolsters transparency, reporting, and strategic investment, for example, Gerged et al. (2021); Hassan et al. (2022).	Nurtures holistic governance models that balance regulatory adherence with profitability and sustainability.
4. Legal Risk Management and Sustainable Finance	Legal risk management supports ethical banking, ESG performance, and compliance culture.	Emerging literature links legal oversight with sustainable finance and responsible innovation, for example Mazreku et al, (2021); Yang & Guo, (2025).	Strengthens institutional resilience and positions banks as trusted actors in sustainable economic transitions.

Table 5 summarizes the thematic synthesis of the reviewed literature and highlights four dominant dimensions shaping the role of corporate legal functions in the banking sector. The findings indicate a clear shift from a compliance-oriented legal role toward value creation, where legal units increasingly act as strategic partners that enhance agility, ethical leadership, and long-term organizational value. The literature also emphasizes that strong legal and regulatory environments significantly influence bank profitability and efficiency by improving financial stability, reducing penalties, and strengthening investor confidence (Karem & Azzahra, 2024). Furthermore, closer integration between corporate legal governance and financial management is shown to improve transparency, reporting quality, and strategic decision-making. Finally, effective legal risk management is closely linked to sustainable finance and ESG performance, reinforcing banks' resilience and positioning them as credible actors in sustainable economic development.

The descriptive and thematic analyses reveal key insights that corporate legal functions are transforming from compliance units into strategic assets that enhance financial performance (Hasan et al., 2022; Nasution, 2023), with their effectiveness heavily dependent on the strength of the regulatory environment. While strong legal frameworks boost indicators like ROA and ROE, weak enforcement leads to inconsistent outcomes. Furthermore, integrating legal, financial, and risk management functions improves disclosure and resilience, and legal risk management supports ESG alignment and long-term sustainability. However, divergent findings exist, noting that excessive regulation can raise costs and reduce efficiency (Morikawa, 2023), and outcomes vary by region due to institutional differences, underscoring the context-dependent nature of legal governance.

DISCUSSION

The findings of this review reinforce the view that the corporate legal function within banking institutions is undergoing a fundamental transformation. Rather than operating solely as a compliance mechanism, the legal department increasingly acts as a strategic component of governance that contributes directly to financial performance and long-

term organizational stability. This demonstrates a convergence with existing scholarship indicating that governance frameworks grounded in strong legal oversight tend to yield better financial outcomes, particularly in highly regulated industries such as banking. Several implications emerge from the synthesis of the reviewed literature. First, the consistent pattern across different jurisdictions suggests that legal governance plays an essential role in shaping a bank's strategic direction. Studies that highlight the advisory, anticipatory, and risk-oriented functions of legal officers indicate that their involvement goes beyond ensuring regulatory compliance. This supports findings from Esteban-Sanchez et al. (2017) and Duarte et al. (2023), who argue that legal departments increasingly contribute to value creation by strengthening decision-making quality and enhancing risk resilience.

Second, the analysis reveals that the effectiveness of legal governance is heavily influenced by the institutional quality of regulatory environments. Research conducted in regions with robust legal enforcement demonstrates positive associations between legal governance and financial performance (Nawaz & Ohlrogge, 2023). Conversely, studies from jurisdictions with weak enforcement echo Olayiwola's (2018) findings, where the expected governance benefits are diluted. These contrasting outcomes highlight that legal governance cannot be assessed independently of the broader institutional context and aligns with institutional theory, which emphasizes the link between governance effectiveness and environmental conditions. Third, the integration of legal governance with financial management emerges as a critical driver of organizational performance. Collaborative relationships between legal, risk, and finance units enhance transparency, reduce information asymmetry, and support more prudent financial strategies (Efunniyi et al., 2024). This observation corresponds with empirical findings that emphasize the complementarity between governance structures and operational outcomes. The growing alignment of legal roles with sustainability and ESG objectives further underscores the expanding scope of legal oversight in ensuring ethical and responsible financial practices.

The review identifies legal risk management as an increasingly influential mechanism in driving resilience and sustainable finance (Azzada et al., 2024). The proactive identification and mitigation of legal risks not only prevent potential regulatory sanctions but also reinforce public trust and institutional credibility. This development is captured in the Legal-Performance Integration Framework (LPIF), which conceptualizes legal governance as a structural element that binds regulatory compliance, ethical conduct, and long-term financial value. The framework provides a theoretical contribution by positioning legal mechanisms as integral components of the governance performance nexus. The discussion underscores that the evolution of legal governance reflects a broader shift within contemporary banking institutions. The legal function now operates at the intersection of compliance, risk management, strategic planning, and sustainability. These insights enrich existing scholarship and highlight the importance of strengthening legal frameworks as part of comprehensive governance reforms.

CONCLUSION

This study concludes that the corporate legal function in the banking sector has evolved into a strategic governance mechanism that directly influences financial performance, institutional resilience, and long-term sustainability. The evidence synthesized from the reviewed literature demonstrates that legal governance, when supported by robust regulatory frameworks, effective enforcement, and close integration with financial and risk management, enhances profitability, operational discipline, and stakeholder confidence. The proposed Legal-Performance Integration Framework (LPIF) encapsulates this relationship by illustrating how legal oversight contributes to financial value creation and sustainable corporate conduct.

The findings confirm the expansion of legal governance beyond traditional compliance by positioning the legal function as a determinant of financial outcomes within strategic management and organizational performance frameworks. For banking institutions, the results highlight the need to strengthen internal legal capacity, integrate legal risk

assessment into strategic decision-making, and enhance coordination among legal, finance, and risk functions through digital compliance systems and continuous legal training. For regulators and policymakers, the study underscores the importance of consistent, predictable, and effectively enforced legal environments in supporting sound governance practices across the banking sector.

This study has several limitations. The reliance on secondary literature limits causal inference and may introduce publication bias, while the focus on English-language studies from 2015–2025 may reduce representativeness across diverse legal and regulatory contexts. In addition, methodological and institutional heterogeneity among the reviewed studies may affect comparability and generalizability of the findings. Future research should empirically test the LPIF framework using longitudinal or multi-country data to validate the proposed relationships. Further studies may also examine the impact of digital transformation, such as artificial intelligence, automated compliance, and legal analytics, on legal governance, as well as conduct comparative analyses across different institutional qualities, regulatory environments, and ownership structures to deepen theoretical insights.

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