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RESEARCH ARTICLE

Mapping research on corporate misconduct in banking: Lessons from literature on preventive and punitive actions

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Abstract

Advanced societies are increasingly concerned about corporate misconduct. Citizens are more willing to penalize it, and regulators are punishing companies more significantly than ever before. In particular, while reputation is a key asset for any business, corporate conduct has proven to be especially relevant in the banking industry. The present paper explores the main research efforts carried out on this topic, aiming to learn lessons from a comparison of studies focused on preventive and punitive actions. To accomplish this, we selected relevant corporate misconduct papers from the Web of Science, conducted a comprehensive bibliometric analysis to understand the role of banking industry-oriented research, and finally, performed a systematic review to distinguish between articles addressing impact measurement and those focusing on prevention. The results allowed us to respond to the unanswered questions regarding the particularities of the banking industry that make it require further and independent analysis and to the debate about whether the current regulation led to certain unwanted effects. Among those many lessons, one is strikingly important as most studies coincide in the conclusion that, instead of the current actions, more effort should be put into efficient prevention methods, such as education for more ethical corporate and individual behavior.

1 | INTRODUCTION

Corporate misconduct is a broad term that has been defined in a great variety of ways (Baucus & Baucus, 1997; Vaughan, 1999). It refers to all those activities and actions carried out by organizational members to deceive their key stakeholders to achieve corporate goals. This encompasses many different acts, such as accounting fraud, regulatory violations, or anti-competitive actions (Neville et al., 2018). In recent decades, advanced societies have been especially concerned about corporate misconduct and citizens have been more willing than ever to penalize certain behaviors. Furthermore, public institutions and regulators have reacted to corporate misconduct with an "enforcement approach" and are punishing companies to regulate these behaviors in a more significant way than ever before (Skinner, 2016).

In view of this, professionals and scientific researchers are more interested than ever in the study of the causes and consequences of corporate misconduct. However, it is still complex to identify and quantify them in a broad sense as they are influenced by different country- and firm-specific factors. Several studies have identified factors that may enhance or reduce misconduct, such as the social and cultural context (Guiso et al., 2015; Xiaoding, 2016) or even the media coverage of a company (Dong et al., 2018). Similarly, existing studies on its consequences recognize the complexity caused by: (I) the fact that these consequences are not limited to legal sanctions but do have many reputational implications, as demonstrated many years ago

(Karpoff & Lott Jr., 1993) (II) the high cross-country differences in investor reactions to misconduct and sanctions, which still have to be studied (Carberry et al., 2018).

In this regard, reputation has proven to be especially relevant for banking. Its activity is based on trust and the risk of misconduct damaging the reputation of banks is very high. Society is especially concerned with the misconduct of banks as the financial crisis revealed the failures in the governance of banking institutions, which started the decline of these institutions' reputation due to what later proved to be professional and ethical misconduct (Nguyen et al., 2016). Furthermore, the peculiarities of banking, with its financial intermediation and asset transformation functions, make the sector systemically relevant to the economy. Thus, the European Systemic Risk Board (2015) placed considerable emphasis on the impact of banks' behavior and highlighted different types of misconduct taking place in banking. Regulators have reacted with an "enforcement approach" consisting of the persistent prosecution of violators (Skinner, 2016) in such a way that the enforcement actions against banks are at their peak efficacy. Consequently, the behavior of banks and their governance models should be a matter of relevant interest for the scientific community, not only because of their fundamental differences with nonfinancial firms but also due to the special role banks play in the world economy (Haan & Vlahu, 2016).

Therefore, we pose two main questions that could be answered through the analysis of the research carried out so far: what are the particularities of the banking industry that make it require further and independent analysis from other industries? Has the regulation led to undesired effects?

The main objective of this paper was to review the existing research on this topic to respond to those questions. To this end, we first collected a selection of papers studying sanctions related to corporate misconduct, from the Web of Science database. Then, we conducted a bibliometric analysis of the current research on the subject as a whole, by combining evaluative and relational techniques, with the aim of analyzing the role of banking industry-oriented studies within the overall research. Lastly, in order to respond to the aforementioned questions, we conducted a classical systematic review of those articles that were classified in the banking cluster.

The primary contribution of this review study lies in its comprehensive analysis of unresolved issues pertaining to corporate misconduct within the banking industry. Upon identification, we have categorized banking industry-oriented studies into two distinct groups: one focusing on the prevention of misconduct, and the other aimed at measuring its impact. This thorough examination has enabled us to draw specific conclusions regarding the unique characteristics of the banking industry, the effectiveness of existing regulations on corporate misconduct, and even concerns regarding potential unintended consequences of such regulations. The research findings from this study offer valuable insights that will benefit researchers seeking a deeper understanding of the challenges associated with future research on the repercussions of corporate misconduct in the banking sector. Furthermore, these findings may also prove beneficial to governments and policymakers in formulating more effective regulatory frameworks.

Policy Implications

- Although corporate misconduct has received increasing attention from professionals and researchers aiming to understand its causes and consequences, uncertainties persist in these areas, affecting the formulation of effective policies and regulations.
- Regulators should realize that the problem of misconduct in the banking industry, as well as its possible causes and consequences, should be considered in a differentiated way.
- Policymakers should consider the undesired effects of the current regulation about misconduct in banking. The misuse of the system of penalties for other purposes (such as political ones), or the difficulties posed by the large number of regulations and legal requirements, are some of those effects.
- Research on this topic leads readers to believe more in prevention than in punishment and to conclude that a more efficient regulation to prevent misconduct is necessary.
- Regulators should consider that preventive measures might offer more effective alternatives to sanctions in deterring misconduct.
- Furthermore, some studies confirm the existence of undesired effects, pointing out to the major doubts about the effectiveness of the sanctions. This issue is particularly problematic, even more so if one keeps in mind the large number of regulatory requirements related to it.

2 | MATERIALS AND METHODS

2.1 | Data collection

The initial step of a review is to define the search query to obtain a representative set of data. To do so, we followed the recommendations of the well-known PRISMA (Moher et al., 2010).

In this regard, we first accessed the ISI Web of Knowledge, in particular the Web of Science Core Collection database, with the objective of collecting all existing publications up to 2022 that study the consequences of corporate misconduct. To this end, we initially limited the search process to the documents including the term "misconduct" in any field. Then, as that search query returned too many (more than 8000) diverse items, we added the requirement that the results also needed to include a reference to sanctions, either with the words "sanction," "penalty," or "fine."

In addition, as we wanted to focus the analysis on "corporate misconduct," we applied an additional filter with regard to the "Web of Science categories," selecting those publications belonging to at least one of the following: Business, Business Finance, Law, Economics, or Management. This process led us to a sample of 240 documents, which was designed to be representative of the research on reinforcement actions related to corporate misconduct.

Lastly, it should be noted that, as our primary objective is to examine publications centered on the banking industry, we utilize clustering techniques in the latter part of this study to identify and isolate them based on their title and abstract text, resulting in a set of 23 publications addressing corporate misconduct in the banking sector.

2.2 | Mapping and review process

Once we collect a representative set of documents, we, in brief, utilize bibliometric techniques to analyze the whole set and transform it into a subset that allows conducting a traditional review.

2.2.1 | Bibliometric analysis

Review and bibliometric techniques have been considerably enhanced by new data analysis and artificial intelligence techniques and, as such, they have been increasingly used by researchers as they provide a complete vision of relevant papers, as well as the assumed paradigms or currents of thought (Baraibar-Diez et al., 2020; Mingers & Leydesdorff, 2015).

In the present work, we used Python to efficiently carry out an intelligent descriptive analysis that was based on evaluative and relational techniques. In addition, we complemented the relational analysis with the VOSviewer software 1.6.15 to facilitate the main tasks of bibliometric mapping (Van Eck & Waltman, 2010). In particular, as already explained, we initially applied evaluative techniques, which allow researchers to identify activity indicators, addressing the representativeness of the concepts analyzed and the development in the field (De Bakker et al., 2005). With respect to relational techniques, we analyzed the intellectual and social structures of the research on the consequences of corporate misconduct by identifying the main groups (clusters) that constitute the field. To do this, we applied a text mining technique in Python called non-negative matrix factorization (NMF), which captures the base topics of a set of documents and assigns each of them to the topic with which they have the largest projection value (Xu et al., 2003). It has already been shown to be a successful approach for modeling the generation of immediately observable information from hidden variables, as well as for the semantic analysis of text materials in particular (Lee & Seung, 1999). We then tested the results of this methodology by using the VOSviewer software to obtain a co-word analysis, which follows the same objective but considers the words that appear most frequently in the selected publications and makes connections between them in order to find lexicon-based clusters.

2.2.2 | In-depth review

Lastly, although traditional literature reviews are complex and time-consuming, they can provide a better understanding of the topic and the research hypotheses. Therefore, we consider that, when the aim is to perform a detailed analysis and answer specific research questions, such as those posed in the present study, it is highly recommended to complement the previous analysis with an in-depth review.

To this end, the analyses described above are also very useful as they allow researchers to find smaller groups of specific studies. Thus, we carried out a detailed analysis of the articles referring to the banking industry in an attempt to provide new and useful information for our research questions. This new group is composed of 23 publications.

3 | RESULTS

This section presents the results of the various analyses conducted on the sample of articles chosen to represent the topic under study, as explained in the previous section.

3.1 | Summary of the bibliometric data under study

While the Web of Science database records studies from decades prior, as shown in Figure 1, research on this topic increased in the 1990s and exploded in popularity from 2007 onward. This may be explained by the world economic crisis, which brought the misconduct and governance failures of many organizations to light.

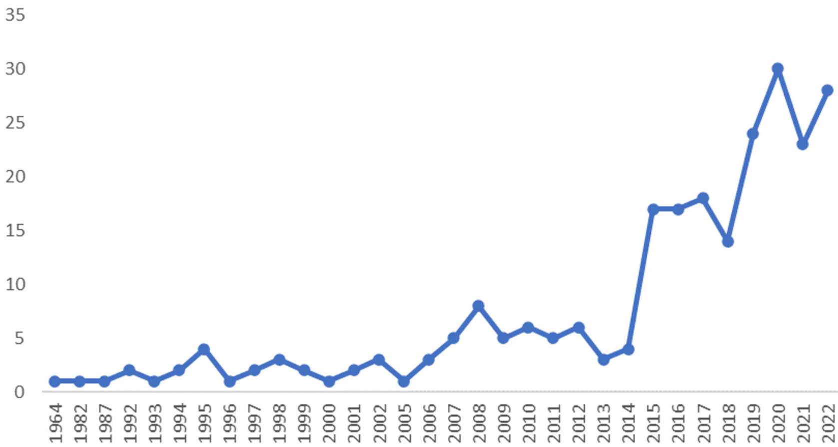

FIGURE 1 Evolution of the number of publications on this topic.

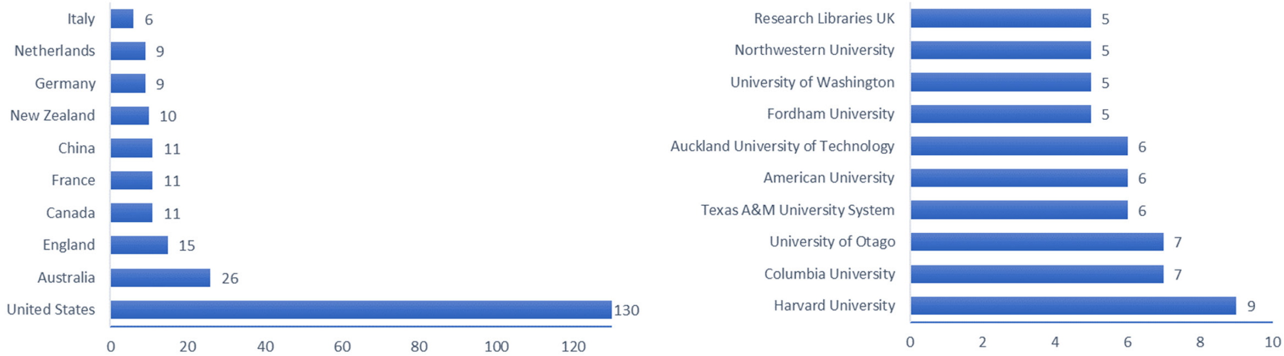

FIGURE 2 Ten countries and affiliations with higher productivity.

Citation flow is irregular along the period considered, with an average of around 120 citations in the last three decades.

With regard to the country of origin, most papers were written by authors from the United States, followed by Australia, Canada, and the United Kingdom. The United States is, precisely, the country with the highest productivity in terms of affiliations, among which we can highlight Harvard University, Columbia University, and Texas A&M University System (Figure 2).

The most prolific journals—that is, those with the highest number of publications—are the *Journal of Business Ethics* (10 publications) and the *New York University Law Review* (7 publications), followed by a large number of journals with three or four publications, such as Fordham Law Review and Law and Human Behavior. However, among those journals with more citations are the *Journal of Financial and Quantitative Analysis*, the *Harvard Business Review*, the *Journal of Financial Economics*, the *New York University Law Review*, and the *Journal of Business Ethics* (Table 1). As stated above, this can be explained by the impact of a few exceptional articles.

Regarding the most influential authors, we selected the authors with the most citations among those with more than one article. Table 2 shows that Professor Karpoff stands out for his contribution to this topic and is followed by groups of two researchers working together; Professors Martin and Lee, and Professors Shrieves and Tibbs.

This way, we also observed that the three most influential publications based on the number of times cited are Karpoff et al. (2008a), Paine (1994), and Karpoff et al. (2008b), which are way ahead of the others in terms of the number of times they have been cited. This will be addressed in the following section.

3.2 | The role of banking industry-oriented studies within the overall research topic

In this section, we analyze the role of research focused on the banking industry among the existing research on corporate misconduct-related enforcement actions. To do so, we take advantage of the combination of relational techniques and text analysis methods in order to develop a qualitative analysis and identify and map the similarities in the literature on this topic.

First, we analyzed the most used keywords in order to identify the most commonly addressed issues

TABLE 1 Rank order of the most influential journals by number of citations.

Journal	Publications	Citations
Journal of Financial and Quantitative Analysis	3	646
Harvard Business Review	2	374
Journal of Financial Economics	1	326
New York University Law Review	7	318
Journal of Business Ethics	10	281
Contemporary Accounting Research	1	116
Columbia Law Review	3	111
Administrative Science Quarterly	2	105
Business Ethics Quarterly	2	86
Cornell Law Review	3	82

TABLE 2 Most cited (>70) authors with at least two publications.

Author	University affiliation	Publications	Citations
Karpoff, Jonathan M.	Univ Washington	3	891
Martin, Gerald S.	American Univ	2	832
Lee, D. Scott	Texas A&M Univ	2	832
Shrieves, Ronald E.	Univ Tennessee	2	112
Tibbs, Samuel L.	Zayed/E Carolina Univ	2	112
Krieger, Joshua L.	Harvard Sch Business	2	73
Azoulay, Pierre	MIT	2	73

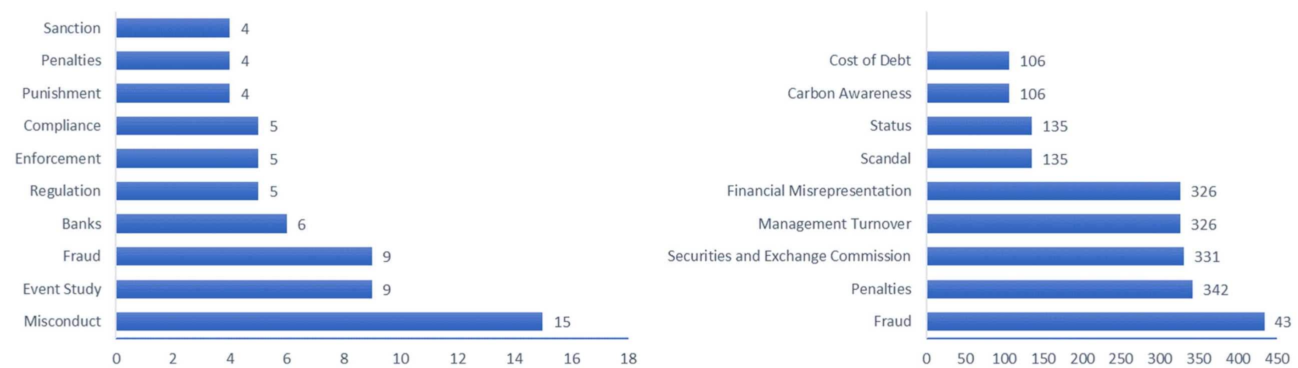

FIGURE 3 Most used and cited keywords.

(Figure 3). As can be seen, the most repeated keywords refer to the analysis of the consequences from a legislative and enforcement point of view, and also refer to the use of a specific methodology (event studies) that is especially useful to try to quantify these consequences. Furthermore, in this analysis, banking stands out as the only sector that appears individually among the most used keywords. With regard to the keywords with the highest number of citations, which are mainly those used in the most influential articles, we can observe that they focus on the types of behaviors that are understood as misconduct rather than on specific sectors or analyses.

Once the above analyses place banking as an important focus for researchers in this area. We set as an objective to check whether banking is studied jointly with other industries or, on the contrary, banking-oriented articles are an independent group.

To this end, we analyzed the abstract of each publication using both the non-negative matrix factorization (NMF) technique in Python and the co-occurrence map provided by VOSviewer. Those techniques analyze the vocabulary employed in the selected articles, forming distinct clusters based on word similarities and differences. Subsequently, we examine these clusters to identify their thematic representations and determine if these groups accurately reflect the landscape of research on this topic. As already explained, these techniques have already proven their ability to capture the base topics and identify the main research areas by which the analyzed papers are divided.

In the present case, both processes led us to analogous results, as you can see in Table 3 and Figure 4. Thus, it is possible to conclude that there are three main topics or research areas: (I) one large cluster that we named "regulation and enforcement," which groups all those papers addressing the legal consequences of corporate misconduct; (II) a second cluster linking all those papers analyzing the management of corporate misconduct and its consequences, called "corporate misconduct"; and (III) lastly, a smaller third cluster that is specifically focused on the banking industry from both of the aforementioned points of view.

This analysis based on the key terms within each cluster is further supported by examining a selection of studies from each cluster. Due to space limitations, we provide a sample of studies within each cluster, arranged by their importance.

As can be seen in Table 4, the first cluster, which we called "Regulation and Enforcement," is made up of articles belonging mostly to law journals and deals with legal issues of misconduct. These include publications dealing with specific control methods, policies, punishments, etc.

The second cluster, which we called "corporate misconduct," consists of all those papers analyzing the management of corporate misconduct and its consequences. These articles are most often found in business and management journals and deal with specific aspects such as the quantification of consequences, the impact on markets, and the reputational risk associated with misconduct (Table 5).

Finally, the third cluster, whose papers are no longer closely related to the areas of research or the analyses carried out, but rather to the specific sector they analyze, banking, confirms one of the research questions posed in this paper: whether banking is receiving a differentiated analysis. As expected, we found articles published in finance journals, however, we also found others published in other law or management journals, depending on the analysis of the banking industry (Table 6).

Answering the questions posed above requires an in-depth analysis of the articles that constitute this cluster. To this end, we carried out a traditional review, which will be independently addressed in the following section.

3.3 | In-depth review of studies focused on corporate misconduct and enforcement actions in the banking industry

The results of the in-depth review of the main articles that constitute the banking cluster are presented below. This analysis of literature on misconduct in banking allowed us to clearly distinguish between two types of studies based on their objectives, studies focused on the effects of misconduct and studies investigating the prevention of misconduct.

3.3.1 | Effects of misconduct in the banking industry

In general, the relationship between misconduct and the loss of market value is not clear. Nevertheless, the evidence seems to suggest that the origin of the loss of value is attributable to a greater extent to the effect of misconduct on reputation than to the reduction in expectations regarding future cash flows or to an increase in the cost of capital due to imposed sanctions. Despite its importance, the number of studies dealing with reputational risks in the financial industry is still limited. Recently, Armour et al. (2017) and Mariuzzo et al. (2020) addressed the issue of reputational responsibility associated with the criminalization of anticompetitive behavior and they found a negative impact on the market price of penalized banks. They concluded that reputational losses are nearly nine times the size of fines and are associated with misconduct harming customers or investors, but not third parties.

Fiordelisi et al. (2011) analyzed how market value and reputation are affected by operational losses. They provided evidence that fraud is the event type that

TABLE 3 Co-words obtained in each cluster by NMF.

Clusters	Number	Co-words
Regulation and Enforcement	132	Law, Sanction, Misconduct, Article, Enforcement, Liability, Compliance, Court, Case, Prosecutor, Regime, Conduct, Penalty, Employee, Punishment
Corporate Management	83	Firm, Penalty, Market, Stock, Loss, Misconduct, Effect, Fraud, Investor, Reputation, Performance, Enforcement, Price, Cost, Result
Banking-Focused	25	Bank, Risk, Regulator, Loss, Banking, Board, Misconduct, Reputation, Penalty, Paper, Enforcement, Article, Approach, Fine, Result

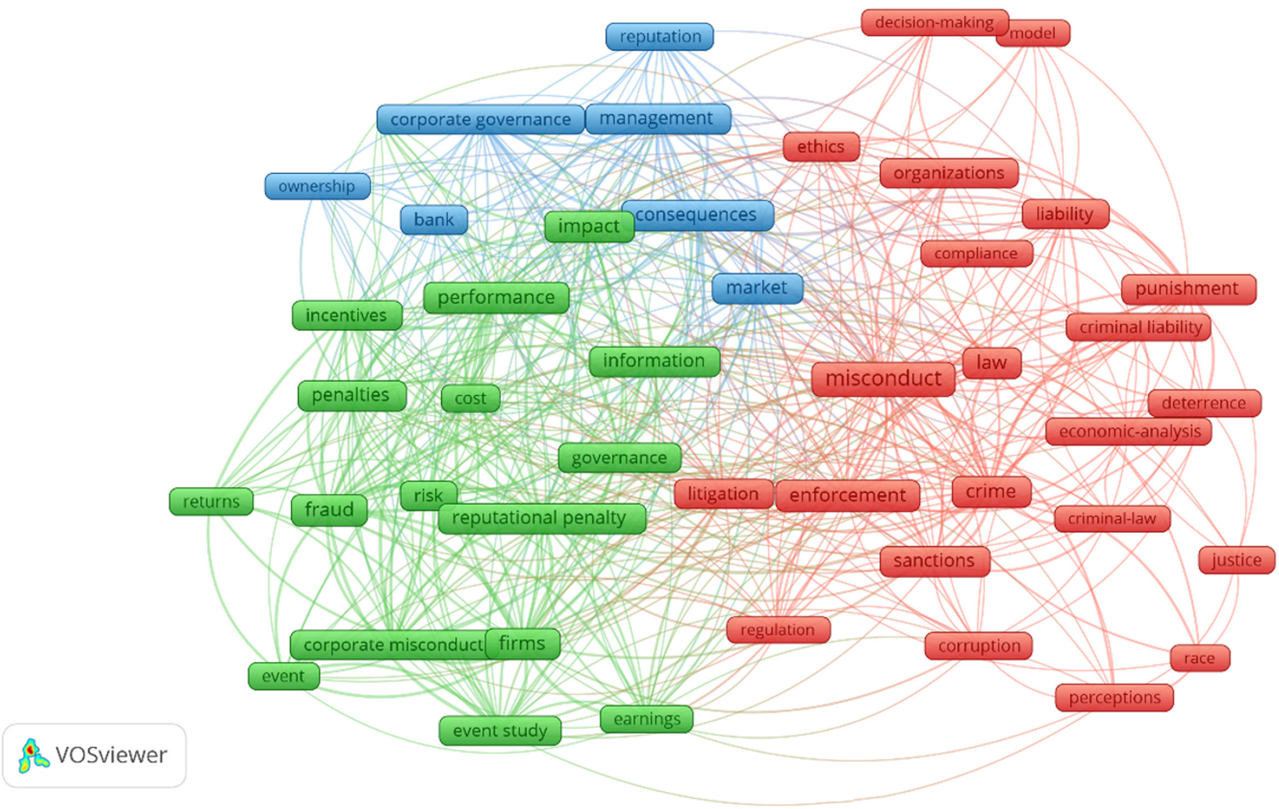

FIGURE 4 Most relevant words used in publications on the consequences of corporate misconduct, with a minimum number of occurrences of a term of 5.

TABLE 4 Reference publications cluster 1—Regulation and enforcement (sorted in descending order of normalized citation impact).

	Author(s)	Title	Journal
1	Bonner et al. (2016)	My boss is morally disengaged: The role of ethical leadership in….	*Journal of Business Ethics*
2	Arlen and Kraakman (1997)	Controlling corporate misconduct: An analysis of corporate liability regimes	*New York University Law Review*
3	Schwartz (2016)	How governments pay: Lawsuits, budgets, and police reform	*UCLA Law Review*
4	Craig Smith et al. (2007)	Why managers fail to do the right thing: An empirical study of unethical and illegal conduct	*Business Ethics Quarterly*
5	Murphy et al. (2009)	Understanding the penalties associated with corporate misconduct: An empirical examination …	*Journal of Financial and Quantitative Analysis*
6	Hamdani (2002)	Who's liable for cyberwrongs?	*Cornell Law Review*
7	Paine (1994)	Managing for organizational integrity	*Harvard Business Review*

generates the greatest reputational damage. Pereira et al. (2019) conclude that markets react negatively following the announcement of enforcement actions for US banks.

Köster and Pelster (2017) came to contrary conclusions when they investigated the impact of financial penalties on the profitability and stock performance of banks. The empirical analysis showed a positive correlation between financial penalties and buy-and-hold returns, indicating that the banks successfully managed the consequences of misconduct, and that the financial penalties imposed were smaller than the accrued economic gains from the banks' misconduct.

Other studies (Köster & Pelster, 2018) have associated the implementation of measures by regulators against misconduct in the banking industry with the level of risk taken on by these entities and have concluded that there is an increase in systemic risk. Altunbas et al. (2020) tested for a relationship between bank risk and the enforcements issued by US regulators against banks for money laundering (ML). ML-related enforcements are associated with increased

TABLE 5 Reference publications cluster 2—Corporate misconduct (sorted in descending order of normalized citation impact).

	Author(s)	Title	Journal
1	Jung et al. (2018)	Carbon risk, carbon risk awareness, and the cost of debt financing	*Journal of Business Ethics*
2	Wu et al. (2021)	Generous charity to preserve green image? Exploring linkage between strategic donations …	*Journal of Business Research*
3	Karpoff et al. (2008a)	The cost to firms of cooking the books	*Journal of Financial and Quantitative Analysis*
4	Walsh and Pyrich (1995)	Corporate compliance programs as a defense to criminal liability—can a corporation save its soul	*Rutgers Law Review*
5	Karpoff et al. (2008b)	The consequences to managers for financial misrepresentation	*Journal of Financial Economics*
6	Gallemore et al. (2014)	The reputational costs of tax avoidance	*Contemporary Accounting Research*
7	Armour et al. (2017)	Regulatory sanctions and reputational damage in financial markets	*Journal of Financial and Quantitative Analysis*

TABLE 6 Reference publications cluster 3—Banking (sorted in descending order of normalized citation impact).

	Author(s)	Title	Journal
1	Fiordelisi et al. (2011)	Reputational losses and operational risk in banking	*European Journal of Finance*
2	Bamberger (2010)	Technologies of compliance: risk and regulation in a digital age	*Texas Law Review*
3	Köster and Pelster (2017)	Financial penalties and bank performance	*Journal of Banking and Finance*
4	Arnaboldi et al. (2021)	Gender diversity and bank misconduct	*Journal of Corporate Finance*
5	Ghandi et al. (2019)	Financial market misconduct and public enforcement: The case of Libor manipulation	*Management Science*
6	Nguyen et al. (2016)	Can bank boards prevent misconduct?	*Review of Finance*
7	Altunbas et al. (2018)	CEO tenure and corporate misconduct: Evidence from US banks	*Finance Research Letters*
8	Skinner (2016)	Misconduct risk	*Fordham Law Review*
9	Ghosh (2020)	Financial misconduct in Indian banks: what matters and what does not?	*Journal of Risk Finance*
10	Mcconnell (2017)	Behavioral risks at the systemic level	*Journal of Operational Risk*

bank risk on several measures of risk with the result being robust to a variety of estimation methodologies.

It is also worth noting another group of studies that researched the effect of disciplinary sanctions on the traditional activity of banks—that is, on deposits and loans—that have significant macroeconomic effects. Despite these works being related to the topic of our search but not strictly fitting the terms of our search, we consider it relevant to mention them.

The paper by Delis et al. (2019) and Pereira et al. (2019) concluded that demand depositors exhibited some level of disciplining mechanism following enforcement actions against banks. In terms of loans, Bertsch et al. (2020) associated the misconduct of banks with the withdrawal of borrowers from traditional banking and the consequent increase in demand for online lending platforms.

More recent papers, such as Fabrizi et al. (2021), Agarwal and Muckley (2022) investigated the indirect effect of regulatory sanctions, not only on penalized institutions but also on other comparable institutions that have not engaged in misconduct. In addition, they have found a possible indiscriminate contagion that could affect the stability of the financial system.

In summary, the main publications analyzed in this group have identified several effects of misconduct on banking activity. The most investigated relationship is the one observed between misconduct and the market value of stocks, however, the direction of this relationship is not clear. Most studies find a loss of value because of misconduct penalties that is attributed both to the amount of the fine and to a loss of reputation. However, some papers conclude the opposite relationship, pointing out that, on occasions, the gains from misconduct exceed the fines imposed by the regulator. Lastly, another set of papers concludes that misconduct increases the systemic risk of the banks in question and, in addition, may affect the stability of the banking sector. There are also macroeconomic consequences, as misconduct can reduce the demand for deposits and loans.

3.3.2 | Prevention of misconduct in the banking industry

Mainly after de financial crisis, it has been questioned the integrity of financial markets and has been opened a discussion about the role of regulation and enforcement (Ghandi et al., 2019). The prevention of misconduct in the banking industry has become a priority for those regulators who, in recent years, have pushed through multiple regulatory reforms to this end.

Due to this situation, there has been a surge in the literature on the prevention of misconduct. Cumming et al. (2015) noted three types of studies: (i) studies that analyze the circumstances that provide the opportunity to benefit from misconduct (e.g., under the cover of accounting scandals and M&A announcements); (ii) studies about the external factors that reduce incentives for misconduct (regulations, audits); and (iii) studies about internal corporate governance factors that may worsen or mitigate the ease of engaging in misconduct (financial incentives, board of directors).

Our study classifies studies about the factors and variables that affect misconduct in the banking industry into two groups:

a. Effectiveness of regulations in the prevention of misconduct

The paper from Skinner (2016) created a framework for understanding misconduct as a distinct category of risk to the global markets; risk of misconduct. This article explored three features of the banking industry that, in combination, may lead to the risk of misconduct: deficient accountability systems, performance-based compensation, and a fluid and transient labor market. Specifically, this study urged bank supervisors to design regulatory tools that proactively target these contagion mechanisms to combat misconduct.

Zaring (2021) made use of a hand-collected dataset to show how enforcement actions against big banks worked in the United States after the passing of the Dodd-Frank Wall Street Reform Act. American regulators have tended to hunt the big banks in packs, with multiple regulators pursuing fines against financial institutions for the same misconduct. The paper concluded that US enforcement actions do not appear to protect domestic banks and discriminate against foreign ones. It also highlighted that criminal prosecutors should consult with safety and soundness regulators before unveiling indictments and settlements against banks.

Similarly, McConnell (2017) discussed the high misconduct penalties that were imposed on a group of systemically important banks (SIBs) in the United States, highlighting the need for better operational risk management at the level of the entire banking system.

The study by Ghandi et al. (2019) analyzed the dissuasive effect of sanctions imposed as a result of the Libor manipulation cases for banks between 2001 and 2012. The evidence of manipulation was stronger for the banks that were eventually sanctioned by regulators and disappeared for all banks in the aftermath of the Libor investigations that began in 2010. The findings of the study suggest that the threat of large penalties and the loss of reputation that accompany public enforcement actions can be effective in deterring misconduct in the financial market.

Macartney and Calcagno (2019) highlight that the Anglo-American banking sector has been hit by revelation after revelation of mis-selling, fraud, and collusion since the onset of the global financial crisis. The paper argues that the penalties were part of a populist strategy and they showed the questionable economic impact of the fines issued to the banks. Moreover, the authors show how state managers used the fines to respond to a legitimacy crisis. They literally state "and that populist strategy was an attempt to avoid more fundamental structural reforms. In doing so the political classes simply abdicated responsibility for dealing with the real causes of popular discontent, positioning the political classes as defenders of the general public against profligate financers."

Bamberger (2010) noted the role of technology in the measuring, prediction, and regulation of conduct risk in the banking industry. Along the same lines, Killins et al. (2019) explore the impact of financial regulation policy uncertainty on bank behavior.

In summary, we can conclude that most of the works in this field highlight the urgency of designing better regulation to reduce the risk of misconduct. The concentration of the different regulations affecting banking, the imposition of more appropriate sanctions, and the use of new technologies are some of the solutions offered for the measurement, regulation, and prevention of misconduct in the sector.

b. Effectiveness of corporate governance in the prevention of misconduct

Governance and internal controls are of key importance in the prevention of misconduct. A strong governance framework is essential to determine the allocation of authority and responsibility in a company, especially at the level of a company's board and its senior management, which monitor performance and ensure that employees in all parts of the institution conduct business in a legal and ethical manner (Financial Stability Board, 2015).

The effective regulation of misconduct should be accompanied by changes in corporate governance. In this regard, a number of papers have researched the relationship between enforcement actions and implemented changes in the corporate governance structure of institutions with the goal of drawing conclusions about their role in preventing, detecting, and addressing misconduct. Most of these studies highlight the relevance of the board of directors in the careful and prudent management of banks. Some studies have highlighted that the increased presence of women on boards prevents misconduct (Arnaboldi et al., 2021) while others have focused on the incentives of the CEO to use sanctions to deter misconduct or use compensation schemes to instigate it (Altunbas et al., 2018).

Nguyen et al. (2016) studied the regulatory enforcement actions issued against US banks to show that both board monitoring and advising are effective in preventing misconduct by banks. While better monitoring by boards prevents all categories of misconduct, better advising prevents misconduct of a technical nature. Board monitoring increases the likelihood that misconduct is detected, increases the penalties imposed on the CEO, and alleviates shareholder wealth losses following the detection of misconduct by regulators. The article offers novel insights on how to structure boards in the banking industry to prevent misconduct.

Cotugno et al. (2020) investigated whether supervisory enforcement actions affect changes at the board level using a sample of sanctions imposed on Italian banks. Moreover, they examined whether changes at the board level after a sanction were effective in reducing the probability of further sanctions in the future. The findings revealed that sanctioned banks changed their board composition after a supervisory sanction and, under certain conditions, these changes sometimes reduced the probability that the board was sanctioned again.

4 | DISCUSSION

The work carried out to classify the articles oriented to the banking industry on the basis of their objectives has allowed us to discuss the research questions raised by comparing the results of the group of studies focused on the prevention of misconduct and those that seek to measure its impact.

4.1 | What are the particularities of the banking industry that make it require further and independent analysis from other industries?

The present study shows that, among the research on the consequences of corporate misconduct, the banking industry stands out and seems to receive individualized attention.

Regarding the reasons for the individual treatment of banks, first, it has been shown that the economic crisis brought the existing failures in the governance of banks to light and began a trend of these entities losing their reputation, mainly due to what was later shown to be professional and ethical misconduct (Nguyen et al., 2016). The complexity of the banking industry, the conflicts of interest between shareholders and creditors, which are caused by the high degree of indebtedness, the extensive regulations, and the lack of transparency are some of the reasons for which good corporate governance practices for banking should be very different from those used in the nonfinancial sector (John et al., 2016).

Since the financial crisis, the banking industry has been under increasing scrutiny by regulators, with financial and systemic risk becoming two of the most critical issues for financial regulation. The attempt to control the risk, and avoid a systemic effect, has inspired the development of many changes at the international level culminated with a new regulatory framework. This increase in regulatory pressure is due to the following reasons (Altunbas et al., 2018):

- Financial intermediation needs savers and investors to trust the integrity of the financial system. If this trust is broken, the consequences could affect the real economy.
- Misconduct weakens banks, especially if they are large, and this could have implications for the stability of the banking system with possible effects at the international level.
- Misconduct may lead to significant losses in market value and performance, reduce expectations and increase the cost of capital.

At the same time, in many cases, regulators have reacted with an "enforcement approach" that consists of imposing sanctions and prosecuting violators (Skinner, 2016) for misconduct. Some authors (McConnell, 2017) highlight the steep fines that banks, especially large ones, have had to pay, often to multiple regulators and sometimes for the same misconduct: "Regulators frequently enforce in a 'viral' manner: once they sanction one bank for a type of misconduct, the chances that they will sanction another bank for the same sort of misconduct increases" (Zaring, 2021).

Therefore, the problem of misconduct in the banking industry, as well as its possible causes and consequences, should be considered in a differentiated way. The risk of misconduct in the banking industry is not only an isolated or idiosyncratic risk that can be addressed from an enforcement approach, but it can also be a significant risk for the financial system and, by extension, for the economy as a whole. The negative externalities of misconduct are not limited exclusively to individual institutions but rather there is a high risk of the externalities being felt by others, not only in the financial sector but in the real economy. This could disrupt the necessary balance that should govern both goods and services markets and labor markets and which could become a safety issue and could mean solvency that international regulations would need to address (Skinner, 2016).

4.2 | Has the current regulation led to undesired effects?

With regard to this issue, we have found that most of the studies analyzed address, either more directly or less directly, one of the following aspects: the major doubts about the effectiveness of the current sanctions, the misuse of the system of penalties for other purposes (such as political ones) or the difficulties posed by the large number of regulations and legal requirements. In our view, this can be considered as undesired effects of the current regulation.

With respect to the effectiveness of the sanctions, it has been found that it is in general very difficult to analyze it and there is still debate over it. However, the legal penalties turn out to be only a small part of the total losses experienced by the banks. Negative stock market price feedback is one of the most researched indirect costs of misbehavior, although the results are inconclusive (Armour et al., 2017; Pereira et al., 2019). This effect is usually accompanied by a second indirect cost, very relevant in the case of the banking sector, the loss of reputation. The loss of reputation would manifest itself as a reduction in stock price since it reflects the expectation of investors regarding a reduction in future profits due to the corrective measures of bad behavior (Armour et al., 2017; Fiordelisi et al., 2011; Karpoff et al., 2008a). Furthermore, some empirical work suggests that, although there is a loss in firms' valuation, the high degree of recidivism suggests that this is not enough to sufficiently deter firms from re-offending. Companies relapse into bad behavior mainly for two reasons: a) because experience tells them that the sanctioning period is very long and, in many cases, the sanction never gets paid; and b) because the sanction imposed is compensated for, since sometimes it is less than the benefit obtained by breaking the law (De Batz, 2020; Köster & Pelster, 2017).

Regarding the second aspect, several studies have highlighted the large number of regulatory requirements. Zaring (2021) points out to the problem of having multiple regulators pursuing fines against financial institutions for the same misconduct. In addition, it shows that enforcement actions can result in enormously expensive settlements compared to the level of enforcement by regulatory agencies for primary banking. Similarly, KPMG (2018) highlights the regulatory tsunami suffered by the banking industry when identifying more than 100 regulations to be implemented between 2018 and 2022, and 120 initiatives to be approved in that period.

Lastly, it is clear that the establishment of a, more or less, punitive regulation usually responds to other types of reasons, such as political, economic, social, or cultural. Some papers, such as Macartney and Calcagno (2019), argue that the penalties were sometimes part of a populist strategy and they showed the questionable economic impact of the fines issued to the banks. Moreover, the authors show how state managers used the fines to respond to a legitimacy crisis, deflecting criticism away from the financialization of Anglo-America economy.

As a point for discussion, we raise the need to broaden the approach to misconduct regulation. The economic and rational approach based solely on sanctioning is not appropriate; from this point of view, preventive regulation has been directed toward increasing costs that reverse the NPV of illicit behavior and thus deter misbehavior. The limited effectiveness of this type of measure suggests the need to introduce other criteria. Some authors (Klimczak et al., 2022) propose a psychological approach, according to which the effort should be directed toward intrinsic and altruistic motivation of behavior. Sufficiently motivated financial actors are less likely to engage in misbehavior. A similar view is emphasized by the Financial Stability Board (2015) which states that a robust risk culture and a strong ethical culture are crucial to preventing misconduct in institutions. In this sense, it is worth highlighting the importance of governance and internal controls at banks in preventing misconduct.

5 | CONCLUSIONS

Corporate misconduct is a growing concern, particularly in industries like banking, and it has garnered increased attention from professionals and researchers aiming to understand its causes and consequences. Yet, uncertainties persist in these areas, impacting the formulation of effective policies and regulations.

This study aims to contribute to the field by analyzing the literature on corporate misconduct, with a specific focus on papers related to the banking industry, in order to address unresolved questions regarding the unique aspects of the banking sector and the impacts of current regulations.

From our results, it is possible to conclude that the banking industry is receiving singularly differentiated attention from academia, mainly after the financial crisis. This can be explained by the fact that people are more aware and concerned by misconduct issues in this industry and because they may have the potential to create systemic risks. Furthermore, some studies confirm the existence of undesired effects, pointing out to the major doubts about the effectiveness of the sanctions. This issue is particularly problematic, even more so if one keeps in mind the large number of regulatory requirements related to this issue.

All these aspects may have implications for both the scientific community and regulators or policymakers. First, there is a clear need for more research on corporate misconduct, especially within the banking industry. Second, the analysis of all these studies quickly leads readers to believe more in prevention than in punishment and to conclude that a more efficient regulation to prevent misconduct is necessary. The economic and rational approach based solely on sanctioning seems to be not sufficient or even inadequate. This is in line with the conclusions reached in other studies, such as Köster and Pelster (2017) or De Batz (2023), that expand on the fact that preventive measures may offer more effective alternatives to sanctions in deterring such behavior.

Additionally, with respect to future lines of research, it also seems necessary that the analysis of the implications of misconduct in financial firms should not focus solely on banks but consider the increasing number of firms providing financial services.

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CONFLICT OF INTEREST STATEMENT

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon reasonable request.

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