EDITORIAL: Risk governance and risk control — Essential tools for corporations to achieve their goals

Dear readers!

In a dynamic financial landscape marked by regulatory reforms, technological advancements, and global uncertainties, scholarly research serves as a beacon, illuminating the intricacies and implications of key phenomena. The papers presented in the first issue of 2024 examine a variety of topics ranging from the impact of regulatory changes to the dynamics of risk governance, corporate innovation, and the response of scholars to unprecedented challenges such as the COVID-19 pandemic.

Specifically, the papers by Raef Gouiaa and Run Huang, Dario Aversa, Cornelius Rante Langi, Sugeng Raharjo, Swadia Gandhi Mahardika, Adi Tri Pramono, Rizky Yudaruddin, and Yanzil Azizil Yudaruddin, as well as Irwansyah, Muhammad Iqbal Pribadi, Ahmad Roy, Dharma Yanti, Yanzil Azizil Yudaruddin, and Rizky Yudaruddin address increasingly relevant topics in recent years such as the effects of COVID-19, the use of artificial intelligence (AI), and corporate sustainability disclosure.

In the rapidly evolving landscape of corporate governance, where the fusion of technology and innovation reshapes traditional business paradigms, the interaction with AI heralds a new era of possibilities (Hilb, 2020). In this issue, Raef Gouiaa and Run Huang examine the relationships among corporate governance attributes, AI, and corporate innovation. The results suggest that specific aspects of boards, such as board size, board diversity, and ownership concentration show significant correlations with firm AI development and innovation for overall industries. However, the levels of association also vary depending on different innovation measurements and samples considered in specific industries.

Some studies suggested that climate change may hit financial actors even if there are few studies related to the role of banks' sustainability disclosure and central banks' mandates (Eccles & Krzus, 2019; Siderius, 2023). Dario Aversa with his research has demonstrated that despite a significant improvement, over half of the banks included in the analysis (66%) provide incomplete information leading to incomparability and reduced transparency in environmental, social, and governance (ESG) disclosures. Moreover, concerning alignment to the pillars and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the author underlines that only 4 sustainability reports followed these criteria (banks provided ESG information without prioritizing climate change risks).

The outbreak of the COVID-19 pandemic that emerged at the end of 2019 greatly affected human existence on different levels and had a devastating effect on the global economy (Chung et al., 2022; De Vito & Gómez, 2020). In this issue both Cornelius Rante Langi, Sugeng Raharjo, Swadia Gandhi Mahardika, Adi Tri Pramono, Rizky Yudaruddin, and Yanzil Azizil Yudaruddin, and Irwansyah, Muhammad Iqbal Pribadi, Ahmad Roy, Dharma Yanti, Yanzil Azizil Yudaruddin, and Rizky Yudaruddin explore the impact of the COVID-19 pandemic respectively on bank lending in Indonesia from 2016 to 2022 and on cash holdings in consumer goods companies across the initial three years of the pandemic. According to Cornelius Rante Langi, Sugeng Raharjo, Swadia Gandhi Mahardika, Adi Tri Pramono, Rizky Yudaruddin, and Yanzil Azizil Yudaruddin, the COVID-19 pandemic did not have a significant impact on overall bank lending. However, they have observed a positive impact on bank lending deriving from both P2P lending and the pandemic. Instead, Irwansyah, Muhammad Iqbal Pribadi, Ahmad Roy, Dharma Yanti, Yanzil Azizil Yudaruddin, and Rizky Yudaruddin demonstrate a substantial and positive correlation between the COVID-19 pandemic and cash holdings within the consumer goods sector.

Studies conducted by Eric McAlley, Muddassar Malik, Tien Cao Minh, Mo Nguyen Thi, Linh Vu Thuy, Hue Hoang Van, Hung Pham Huy, Anh Thi Lan Tran, Nhung Le Thi, and Hai Tran Van
as well as Wei Siying have yielded particularly relevant results. In response to the 2008–2009 financial crisis, the over-the-counter derivatives markets were reformed by Title VII of 2010 commonly known as “Dodd-Frank”. Eric McAlley has explored how the determinants of interest rate swap spreads have changed since the implementation of the Dodd-Frank Act. His research offers valuable insights into the impact of central clearing and trading on swap execution facilities and swap spreads. Instead, Tien Cao Minh, Mo Nguyen Thi, Linh Vu Thuy, Hue Hoang Van, Hung Pham Huy, Anh Thi Lan Tran, Nhungle Le Thi, and Hai Tran Van have investigated the impact of financial capability on the sustainable growth of securities companies. By using linear regression methods (OLS, FEM, REM, GLS regression models), the article has identified seven factors affecting the sustainable development of securities companies. With the experimental results obtained, the authors propose a number of solutions aimed at sustainable development for securities companies such as increasing equity capital, promoting debt capital mobilization, restructuring capital sources, and providing strengthened risk management capacity. Muddassar Malik provides an in-depth examination of the role of risk governance in managing bank risk within public commercial banks within the OECD. The multivariate regression analysis and principal component analysis reveal a positive correlation between risk governance and the Tier 1 capital ratio, indicating that effective governance leads to reduced bank risk and increased financial stability.

Government debt has become a topic of growing concern around the world over the past few decades. In this issue, Wei Siying shows that government debt has caused a negative effect on the economic growth of economies countries as Brazil, Malaysia, Thailand and Turkey. Furthermore, the study also accounts for the impact of fiscal policies on the debt management structure of the above mentioned countries.

Finally, the papers by Ira Meiyenti, Rully Novie Wurarah, Astika Ummy Athahirah, Iwan Harsono, Elvira Mulya Nalien, Ika Agustina, and Teresa Irmina Nangameka as well as Suzan Abed and Debra Robinson-Foster focus on different fiscal aspects, specifically fiscal stimulus and the satisfaction level of Volunteer Income Tax Assistance (VITA) taxpayers. The study by Ira Meiyenti, Rully Novie Wurarah, Astika Ummy Athahirah, Iwan Harsono, Elvira Mulya Nalien, Ika Agustina, and Teresa Irmina Nangameka is very useful for scholars as it suggests future research topics related to fiscal stimulus such as climate change, multiplier, lockdown and H30 (fiscal policy and behavior of general economic actors), and the liquidity trap. Suzan Abed and Debra Robinson-Foster reveal that the dimensions of comfortability and experience had a positive and significant impact on taxpayers’ satisfaction with the VITA tax site, whereas the results indicated that the technical and logistic support dimension is not related to the level of satisfaction.

In the broader context of finance, technology, and regulation, the papers presented in this issue collectively deepen our understanding of risk governance, risk management, and their evolving dynamics. However, they also highlight the need for further research to address unanswered questions and explore emerging trends such as the potential impact of AI on governance characteristics (Asensio-López et al., 2019, Bahoo et al., 2023).

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REFERENCES