EDITORIAL: Current issues on corporate governance, regulation, innovation, digital transformation, financial technology, corporate finance, and behavioral finance

Dear readers!

We are pleased to announce that the first issue (special issue) of the *Journal of Governance and Regulation* has been released for 2024! This issue is comprised of 22 high-quality papers. Below we share the way papers in this issue contribute to the existing literature in the field. We hope it will enable the readers to outline the new and most challenging issues of research in corporate governance and related topics.

Innovation management: Since it was first defined by Schumpeter (1942) as a true definition of innovation, "creative destruction" still has a dramatic role in the acceleration of the growth of economies. Whether in the hands of a small and medium-sized enterprise (SME), a Chaebol, or a community enterprise, innovation ignites the potential of both human capital and physical capital in a sustainable manner. In the digital age, the more enterprises embrace innovation and the more they manage to embed it into their procedures successfully, the more they benefit from it, especially while they try to realize catch-up growth.

Financial technology: As a combined term of the financial sector and technology, fintech has a leading role in the expansion of the financial services ecosystem. It smooths the processes that consumers face during financial transactions. Financial inclusion, mobile payment, and fast payment features made it a time-saving technology in the eyes of consumers. It should be noted that financial literacy and fintech literacy together will determine the degree of utilization of these services by the consumers.

Digital transformation: Macroeconomics should have sound micro fundamentals. This means that while we address growth for the prosperity of an economy we should recall that this will be realized through the high performance of enterprises on a micro level. However, in the digital age, high performance will require digital transformation to eliminate ineffective processes and to fasten workflows. It will also address leadership, technology literacy, and organizational culture. On the macro level, government involvement may ease the processes to attain these objectives. Under the orchestration of government, economies can realize digital transformation deliberately.

Effect of corruption: Growth and stability are indispensable for prosperity. However, there are also erosive factors that keep the economy away from reaching this goal, such as corruption. Although the effects of corruption will vary between economies, we believe it is an output of extractive economic institutions. These kinds of institutions are shaped by those who control the power to keep resources away from the rest of society. It distorts the smooth functioning of market mechanisms and law and erodes trust, physical investment, financial investment, and growth.

Fraud and audit: To detect fraud in accounting; the quality, capability, and independence of an audit team are essential factors. In the digital era, auditors should also have financial technology literacy covering the notions of fintech, blockchain, and crypto assets.

Capital structure: Modigliani and Miller (1958) theorem is one of the most important theorems in corporate finance that provides the relationship between a firm's capital structure, value, and cost of capital under certain assumptions. The optimal capital structure is a top priority for non-financial listed firms, especially in emerging economies where access to finance is relatively limited compared to the peers in developed economies.

Foreign direct investment (FDI): As a solid way to access finance, FDI inflows are a crucial source for the economic development of emerging economies. The increased financial capability may be used to make loans. The question is how the exposure to credit risk is managed in the banking sector. What is the impact of FDI inflows on the non-performing loan ratios? The role of financial intermediaries, the role of regulators, governance, and regulation aspects of the topic are analyzed by the researchers.

Behavioral finance and overconfidence bias: As a cognitive bias, overconfidence may lead the person to overestimate his/her skills and knowledge individually. It creates an illusion that he/she can consistently beat the market. Likewise, from the perspective of a firm, overconfident investors may affect the firm valuation through lower risk premiums and higher security prices that may pave the way for overvaluation. Factors including stock market mispricing, investment costs, capital allocation, and market effectiveness are analyzed in this issue.

Potential threats: The COVID-19 pandemic affected the world economies enormously. Jurisdictions provided several receipts within the limits of their monetary and fiscal capabilities. Researchers keep analyzing the impact of the COVID-19 pandemic on stock market returns. Although authorities did their best to overcome the negative effects of the pandemic, it seems that the next threat is yet to come, so economies should develop proactive measures to minimize the disruptive effects of risks on economies.

IFRS 9: IFRS 9 sets out requirements for providing more accurate and timely information about financial assets and financial liabilities. It aims to enhance risk management practices and tries to align accounting standards across borders. Researchers conduct empirical studies as it is crucial to see the interaction between risk management, financial performance, and the effect on capital adequacy ratios in the banking sector.

Corporate governance: Good corporate governance creates transparent rules, reduces risks, guides leadership, eases access to finance, aligns the interests of stakeholders, and helps to create trust. While the number of studies in this field is numerous, more research is still needed to enhance the standards for better results.

We would like to thank all the authors for their valuable contributions to this issue. The rigorous research and challenging ideas have made this issue a valuable resource for scholars, policymakers, practitioners, and alike. We would also like to thank the reviewers for their constructive feedback. As a valuable venue to share and exchange ideas, we hope this new special issue of the journal will inspire and stimulate new ideas and studies.

We are glad to share new influencing ideas with all readers. Enjoy the reading! We are grateful to our authors, readers, reviewers, the editorial team, and the support team of Virtus Interpress.

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