

EDITORIAL: Risk management, financial stability, and economic growth

Dear readers!

We are very pleased to present this special issue for 2025 of the journal *Risk Governance and Control: Financial Markets & Institutions*. The issue comprises a collection of distinguished papers that analyze recent trends and upcoming challenges in corporate governance, risk management, and compliance within financial institutions, emphasizing their role in fostering financial stability and economic growth.

The current issue focuses on predicting the risk of financial failure in financial companies. It features a bibliometric analysis of risk governance and economic stability in Islamic banks. Additionally, it explores governance, risk management, and compliance in rural banks, highlighting the roles of bank size, liquidity management, and dividend policy in emerging markets. Financial inclusion and financial technology (FinTech) integration are also analyzed in the context of managing the financial sector.

The topics of risk governance and financial stability are compelling and frequently featured in reputable journals, especially within banking, management, and finance. These themes are extensively examined in countries such as the United Kingdom, Indonesia, Saudi Arabia, and Malaysia, which lead in publication output (Ajizah & Widarjono, 2023; Almustafa et al., 2023). In a volatile financial environment, early detection of bankruptcy risk is essential for maintaining economic stability, particularly in the financial sector (Agarwal & Patni, 2019; Kumar & Ravi, 2007). Researchers assess the financial health of Indian banking companies using Altman's Z-score model, a proven tool for predicting corporate bankruptcy (Elewa, 2022; Elia et al., 2021; Altman et al., 2017). Several studies aim to evaluate the Altman model's accuracy in predicting financial failure (Dolinšek & Kovač, 2024; Cindik & Armutlulu, 2021; Altman, 1983). However, its accuracy declines as the analysis year moves further from the year of failure. The studies suggest incorporating additional predictive models alongside Altman's to enhance decision-making. Other research presents a novel analysis of the complex relationships between Porter's (1980) business strategy — cost leadership and differentiation — and two types of earnings management, specifically accrual-based and real, and how these relate to bankruptcy risk within publicly traded Indonesian companies. These findings support Porter's (1980) framework of competitive advantage and empirical results, emphasizing the importance of aligning earnings management practices with strategic goals to sustain financial stability (Xu et al., 2021; Zang, 2012).

Public sector banks have shown improved financial stability in recent years due to reforms and better risk management. In contrast, private sector banks have exhibited more fluctuations in their economic performance and health. Recent studies underline the importance of sector-specific and regionally tailored models for risk assessment (Agarwal & Patni, 2019; Kumar & Ravi, 2007). Additionally, these analyses enhance the broader discussion on business failure by including insights from recent literature on legal and organizational factors in emerging markets (Arzou & Kobiyh, 2025). The roles of the board of commissioners, risk monitoring, and compliance significantly contribute to the stability of credit banks. However, internal audits have a minimal impact on bank stability. This aligns with empirical evidence revealing various weaknesses in supervising internal audit functions within credit banks (Jallali & Zoghلامي, 2022). Moreover, liquidity management is an essential function for banks, especially in emerging market economies, where financial markets tend to be less developed and more volatile (Tan & Tuluca, 2024; Umar et al., 2023). Risk aversion and prudence are critical factors influencing liquidity strategies across bank sizes. Accounting conservatism is widely practiced, highlighting its benefits in reducing financial constraints and better explaining companies' dividend policies (Kim et al., 2023; Abdel Tawab, 2022).

The relationship between bank credit and economic growth has been extensively studied through empirical research (Koutima-Banzouzi et al., 2024; Tchouassi & Tomo, 2022), focusing on unemployment, urbanization, and the Human Development Index (HDI). Financial inclusion is essential for inclusive growth, but significant access gaps still exist in developing countries. Recent research shows that unemployment and urbanization are the next most important and statistically significant predictors of financial inclusion after HDI. These studies highlight the critical role of urban financial infrastructure and investments in human capital in enhancing financial access and contribute to the literature by providing macro-level, cross-country data to inform inclusive financial policies. These findings are vital for developing inclusive financial strategies (Sapre, 2025) during the post-pandemic recovery and for reaching the Sustainable

Development Goals. Furthermore, recent evidence highlights advancements and trends in information and communication technology, including mobile-phone services, electronic money systems, and digital payment platforms, which have significantly impacted the inclusion of the financial sector (Qatawneh & Makhoul, 2025; Rahi et al., 2017).

The rapid development of FinTech has affected various parts of the economy. In the banking and finance sector, FinTech is transforming the industry by reducing costs and offering better, more diverse financial products and services (Thakor, 2020). FinTech refers to integrating technology into the delivery of financial services, revolutionizing how individuals and businesses operate. FinTech is seen as a solution to challenges such as lack of transparency, inefficiency, and time-consuming processes. The findings highlight the integration of FinTech into areas like collection, revenue management, disbursement, record-keeping, and financial reporting. The studies also point out mosques as key institutions for promoting community engagement and advancing financial literacy, emphasizing the importance of incorporating FinTech into traditional practices (Imeraj et al., 2025; Ahmad & Yahaya, 2023). Several studies have examined the financial performance of FinTech companies (Al-Matari et al., 2023; Siddiqui & Rivera, 2024). However, a research gap remains in understanding the leadership role responsible for governance in FinTech (AlBaker, 2024), a vital factor influencing performance (Al-Matari et al., 2023). Applying proper corporate governance practices in FinTechs is crucial for effective risk management. The board and ownership structure are key mechanisms of corporate governance that greatly influence the risk profile of FinTech firms. Scholars stress the importance of adopting advanced risk management frameworks and sector-specific strategies to address market inefficiencies and improve investment outcomes (Ibrahim et al., 2023). Major recommendations include regulatory reforms, prioritizing sectors in high-growth areas like FinTech, and using technology-driven solutions to enhance transparency and operational efficiency.

These research areas are highly engaging both theoretically and empirically, providing valuable insights for scholars, investors, professionals, and regulators.

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