

EDITORIAL: Getting into risk management and financial sustainability issues

Dear readers!

The forth issue of the journal provides contributions to the exploration of subjects related to different research areas: public and private sectors, merger and acquisition, insurance activity and sustainability. In particular, the issues dealt with concern: economic risk, operational risk, performance administration satisfaction, efficacy public sector organizations, mergers, financial statements, reinsurance, insurers, solvency, profitability, taxes, financial sustainability and microfinance.

In particular, *Iordanis Eleftheriadis and Vasilios Vyttas* study issues regarding risk management in the public sector making use of a multi-factor model. The purpose of this research is to evaluate the efficiency of the selected model in relation to the potential risks that Greek public organizations are called upon to take and also regarding their performance. Descriptive analysis shows, inter alia, a positive correlation between the scale of self-efficacy and satisfaction.

Michail Pazarskis, Andreas Koutoupis, Georgia Pazarzi and Panagiotis Kyriakogkonas examine the relationship between performance and mergers in Greece. Their study examines all the mergers accomplished during the years from 2011 to 2015. The Authors conclude that the post-merger performance of the acquiring companies have no significant changes. They also find that mergers paid by exchange of shares have better results on dividend yield ratio than mergers paid by cash.

Silvia Bressan deals with the effect of reinsurance on solvency, profitability, and taxes of primary insurers. She examines a sample of 17,868 issuers from United States for the years from 2009 to 2017. The results attained show that the primary insurers increasing in the use of reinsurance exhibit lower capital ratios. Additional results demonstrate a significant relationship between demand and supply of reinsurance at the firm level.

Ajab Khan Burki, Aamir Sadiq and Hanif Ullah Burki test the impact of certain determinants (financing charges/costs, the breadth of outreach, age of the firms, size of the firms and proportion of female borrowers) on financial sustainability of 25 Micro Finance Institutions working in Pakistan for the years from 2008 to 2015.

J. Vaz Ferreira investigates the effects of the presence of the external auditor on corporate governance in Portugal, in the way listed companies are managed, based on the verification of compliance with the corporate governance regulations of the Securities Market Commission, as well as the transparency of information and the reduction of agency problems, fraud and economic crimes.

Some of the aspects of the topics studied in the mentioned paper were previously explored in the academic literature.

For example, there are many studies, which underline the importance of identifying the different kinds of risk in the organizations and developing suitable models for their assessment and management. Many researchers apply a research model focused on the economic functioning of market rules (Bangia et al., 2001; Jorion, 2007; Silva, et al., 2018). This kind of approach could be inadequate for the evaluation of the public organization where there are other dimensions to take into account (Adams, et al., 2014; Durant, 2017; Genest-Grégoire, et al., 2018). *Iordanis Eleftheriadis and Vasilios Vyttas* adopt a multi-factor model in order to capture more relevant information concerning the performance of the Greek public organizations. This is a useful approach to develop in order to find appropriate models to measure the different kinds of risk and performance of public organizations.

The topic concerning the effect of mergers on the performance of companies is controversial (Stunda, 2014; Tao et al., 2017). Some studies conclude for the existence of a positive or negative effect (Sharma and Ho, 2002; Pazarskis et al., 2018; Sarmientoa et al., 2018; Harada, 2018) whilst others find no relationship (Bhabra & Huang, 2013; Rodionov & Mikhailchuk, 2016; Mager & Meyer-Fackler, 2018; Pantelidis et al., 2018). *Michail Pazarskis, Andreas Koutoupis, Georgia Pazarzi and Panagiotis Kyriakogkonas* contribute to this debate analyzing the Greek contest. Their results support the view that there is no significant improvement or worsening of performance as an effect of the merger.

There is a wide range of literature that analyzes the impact of reinsurance for insurance companies. The majority of these studies examine company's solvency, profitability and taxes separately and they are often limited to single segments of insurance (Powel & Sommer, 2007; Lee & Lee, 2012; Garven, et al., 2014; Altuntas, et al., 2016; Cummins, et al., 2017). For example, *Kader, Adams and Mouratidis* (2010) find that underwriting and solvency risks and expected taxes, are important determinants of the level of reinsurance purchased by U.K. life insurance firms. *Bressan* contributes to the research on this topic carrying out a cross-sectional research, where solvency, profitability and taxes are jointly examined. Her results show that the impact of reinsurance is more important for solvency than profitability and taxes.

Another important issue is microloans and finance sustainability. This is a wide topic analysed in different aspects (see, for example: *Rubana, 2010; Addo & Twum, 2013; Hudson, 2014; Adams & Vogel, 2016; Chen, et al., 2018; Grove & Clouse, 2018*). *Ajab Khan Burki, Aamir Sadiq and Hanif Ullah Burki* examine the specific case of the financial sustainability of Microfinance Institutions working in Pakistan. According to the study published on this issue, the proportion of female borrowers, financing changes and the size of debts are the main determinants that explain the achievement of higher financial sustainability of the Microfinance Institutions analyzed. This study provides useful insights regarding a specific aspect of financial sustainability in a local area. It would be useful if other researches applied the same model in other countries in order to analyze the cross-country results.

The issues of external audit and its influence on corporate governance has been previously extensively explored in literature (see *Al-Mamun et al., 2018; Bekiaris et al., 2013; Hutchinson & Zain, 2009; Zhang, et al., 2013; Kostyuk & Barros, 2018; Kostyuk, 2003*).

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