

## EDITORIAL

*Dear readers!*

We are pleased to present the latest 2019 issue of *Risk Governance and Control: Financial Markets and Institutions*. The Journal's aim is to publish high quality, rigorous and original research papers concerning broad areas of risk governance. Its areas of interest include but are not limited to financial markets and institutions, risk management, economics, econometrics and finance economics, econometrics finance, market risk, credit risk, investment risk, liquidity risk, equity risk, etc.

As deregulation and crises rule the stock markets and the financial world; the last few years witnessed a global recession and the rise of more Risk and uncertainty in the financial markets. Reasons behind why in his book *The Black Swan*, Taleb (2007) accused everyone that we are guilty of accrediting too much predictability to the unpredictable; attributing the financial markets and institutions failures to poor risk management and to poor corporate governance arrangements. However, despite the fact that crises are hard to predict, we, in Virtus Interpress still believe that the analysis of the contexts, of the actions undertaken during the management and of the behaviors, can be of support both to the academicians and to the practitioners in the improvement of the conditions as well as it can furnish cues of reflection in order to undertake actions coherent with those that will be the changes that will occur in the future and that will allow to maintain, and sometimes regain, the profitability to the operators of the economic system. For, while the risks are ramping, there is still a good chance to drag out the fight against them, by controlling them.

It is well known that beginning 2007, and following the financial crisis, the risk governance framework was addressed and underlined as extremely important by the OECD Committee's report on the corporate governance lessons from the financial crisis (Kirkpatrick, 2009). Taking into consideration how to follow sound risk governance practices, scholars so far have been reviewing the risk governance standards for listed companies while focusing on internal control and audit functions including financial risk and risk governance. Less attention was paid though on examining the ways to identifying and comprehending how to control these types of risk. In our journal, we sought for change by following the corporate governance lessons. And our peer-reviewed papers exploited the corporate governance index data and the stock returns for publicly traded firms for two main objectives: the first is to help to identify and to comprehend the corporate governance practices in different financial markets; the second is to control the risks while maximizing the returns.

For the question to ask was as follows: In a weak, integrated, complex, volatile, uncertain and risky economy, what should investors and corporate governance bodies do to maximize financial returns, control risk and increase the investment performance? In this context, Alanazi and Alhoqail explored the challenges related to risk and examined the relationship between corporate governance and the firms' performance (stock returns). Todorova investigated the empirical relationship between network centrality and firm returns for more than 5,000 US-based publicly traded firms.

Shifting attention to risks, and on how corporate governance characteristics can influence them, Lingnan, analyzed the impact of the borrowers characteristics on the default risk in a Chinese peer-to-peer lending market. His findings revealed that in such a context, there is no significant gender effect on the default probability. Riabichenko, Oehmichen, Mozghovi and Horsch, instead, explored the influence of the ownership structure on the risk profile of banks in the traditional banking sector in emerging (banking) markets, such as Ukraine; and called for a change of the regulatory paradigm. Based on surveys, Feghali and Hallak showed that audit quality components, information technology and accounting and finance have a favorable correlation with international standards. Their findings suggest that such standards are expected to enhance internal audit practice. Inspired by the signaling hypothesis (Bhattacharya, 1979), Kamran, Chakir Lamrani and Khalid analyzed the impact of the dividend policy on financial performance in the Pakistani context. The results of their paper showed that the dividend policy, the capital structure long term and the firm size influence the performance of the firm (ROE).

These studies contributed to the previous researchers conducted by scholars such as Rogers et al. (2008), Zeitun (2009), Gupta et al. (2009), Kostyuk and Barros (2018). They shed light on the characteristics of the developed and the developing markets and on the diversification and performance of the firms in each context. The findings under the current unstable and dynamic situation highlighted the considerable diversity, differences and similarities between the markets and showed how corporate governance is different in each context. The studies were able to prove that good corporate governance leads to better firms' performance but that special attention should be

given to the firms in the emerging markets context. This attention is justified by the awareness of the inadequate corporate governance mechanisms that could increase the cost of the equity capital which can lead to a negative butterfly effect on the equity investors (Bekaert & Harvey, 2002). But also to the fact that they are mostly controlled by either the government or families (Seifzadeh, 2015); as observed by Alanazi and Alqohail. Corporate governance in this specific context is hence a need rather than a choice.

We hope that the articles in this issue will help to build bridges between academics and practitioners. No need to say that they can both benefit from exploring and implementing many lines of enquiry concerning the current financial markets situation, whether in the developing or in the developed countries. These lines can help them discover not only how institutions can strengthen their business models and corporate governance arrangements but also how they can safeguard themselves against excessive risk-taking.

*Mireille Chidiac El Hajj,*

Professor at the Lebanese University, Faculty of Economics and  
Business Administration, Lebanon;  
Associate Member and Researcher at CRIISEA, Amiens, France.

*Giorgia Mattei,*

Assistant Professor at the Department of Business Studies,  
University of Roma Tre, Italy.

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