EDITORIAL: COVID-19 and its effect on world economy

Dear readers!

The editorial team is very happy to present the fourth issue of the journal "*Risk Governance and Control: Financial Markets & Institutions*" in 2021. The journal "*Risk Governance and Control: Financial Markets & Institutions*" is publishing this issue in a time when our life and our economy are hanging in the balance because of the COVID-19 pandemic. From January 2020 till December 2021 people's life and economy change dramatically because of COVID-19, people lost their lives and jobs, and some of the small economies collapsed and the GDP of some of the developed economy was slow down sharply (Hasan & Shahbaz, 2021). But it was very interesting that the first year of the pandemic had a less negative effect on the developing market compared to the developed economy (Hasan & Shahbaz, 2021).

However, it looks like people and the economy are getting used to this pandemic and learning how to live with it. Though still a long way to go because it looks like this pandemic is not going to end very soon, and we can see new types of variants are immerging every few months. If we observe very carefully then we can see that in the period between Delta variant and Omicron variant, all the developed stock markets had gained some momentum and the GDP growth was increased, but after the Omicron variant immerges the drowth rate is decreasing very sharply. Businesses are struggling to cope with this situation, especially entertainment businesses and the tourism industry. Though governments are trying to provide some financial help to those companies who are struggling to cope with this situation and unable to continue running their businesses. On the other hand, the government also facing lots of financial problems because of the slow down of GDP growth.

In general, it should be noted that, in this context of emergency and uncertainty, companies are required to re-evaluate, inter alia, their need for liquidity as well as the methods for fulfilling their contractual and regulatory obligations considering the specific level of business disruption and the new risks associated with the spread of COVID-19. The risk context and the associated interventions by the authorities will hopefully open new research streams by the scholars, of which the previous points are just some suggestions. We hope that the journal could receive and accept in the future many contributions in the new fields suggested by the pandemic.

We are very pleased because, we have managed to publish our fourth and final issue for the year 2021, even though we are passing a very difficult time. I like to congratulate all the authors for their hard work and for their research papers.

In this issue, we can see that the authors have done research in different areas of finance. All the topics coved in this issue are very interesting, practical and very timely. This fourth issue covered topics including, firms' characteristics relation with accounting metrics, future financial crisis, women position in the insurance company, financial liberalisation policies and cryptocurrency.

The first paper by *Mfon Akpan*, *Guneet Dhillon*, and *Kim Trottier*, investigates the relationship between firms' characteristics (share price) and accounting metrics using cluster analysis. From the previous literature we can know that the revenue number seems more relevant for high tech firms (Xu, Cai, & Leung, 2007), and cash flow figures are more informative for internet companies (Romanova, Helms, & Takeda, 2012). The authors used 629 accounting metrics for 3,365 firms in the U.S. and estimate their correlation with the firms' share price. After analysing the correlations, they find that many firms exhibit a low correlation between share price and earnings. Other accounting numbers are important for these firms, including book value of net assets, retained earnings, stock options, gain or loss items, special or non-recurring items, and dividend rates. Further, they examine the composition of each cluster and find that capital structure, dividend patterns, the persistence of operations, age, and industry can influence which accounting number is correlated with firm value.

The second contribution, by *Andrey Afanasiev* and *Olga Kandinskaia*, documented that monitoring of digital transformation of finance plays a key role in terms of policy making to prevent future financial crisis. In this paper, the authors build their research upon the multidisciplinary research agenda on digital transformation by Verhoef et al. (2021). Achieving a bright digital future requires knowing and managing the adverse effects of digitalisation (Clim, 2019; Dickson, 2019; Gimpel & Schmied, 2019). The authors wanted to examine the existing system of risks monitoring, to analyse changes in risks due to the digital transformation in finance, and to provide policymakers with insights regarding the related evolution of risks. This paper is a policy analysis type of research containing a systematic overview of risk assessment reports at the global and the EU levels.

In the third paper, *Karen M. Hogan* and *Deborah Vesneski* wanted to analyse trends to see if women have made any significant gains in board leadership, C-suite, and insider positions in the insurance industry. The authors used 83 insurance companies as of 2021 and compared the gains from those made previously. The authors found a clear trend of improvement in gender representation in the board of directors and insider positions for firms in the insurance industry. However, the gains stop there, and unfortunately, no significant advancement for the percentage of women in the C-suite positions is evident in our dataset at this time. A meagre 10% of all CEO and CFO positions in this sample of the insurance industry are held by females.

Another very interesting research is the paper by *Gladys Gamariel*, where the author tried to review the financial liberalisation policies in developing countries from 1986 to 2016. The author's main aim is to address the limitations these countries have (such as available measures are limited in scope and time coverage) by constructing a new set of indicators that tracks the magnitude, pace, and timing of reform aspects in 26 countries between 1986 and 2016. The paper uses questions and coding rules from a framework developed by Detragiache, Abiad, and Tressel (2008) to collect and analyse data on seven liberalization policies: credit controls, interest rate controls, entry barriers, state ownership of banks, capital account restrictions, prudential regulation and supervision, and securities market policy. Results indicate that interest rate liberalization is the most advanced dimension, followed by the abolition of entry restrictions. The least advanced dimension is bank supervision and prudential regulation. An aggregate liberalization index constructed using principal component analysis confirms advancements in financial liberalization over time. This study is significant as it provides indicators critical for policy formulation in developing economies whose performance hinges on sufficiently developed and stable financial sectors. The study recommends implementing further reforms to update and modernise prudential regulation and supervision of banks in line with good governance.

The final paper in this issue is written by *Richard Fast*. This paper is a literature review that covers hyperinflation in Venezuela, from the 1980s to the present. Particular emphasis is placed on the role of cryptocurrency in the country and how the Venezuelan government has been using crypto, specifically the Petro, as a means to avoid further blunders with hyperinflation. From Hugo Chávez and "Socialism of the 21st Century" to the current regime of Nicolás Maduro, Chávez' successor, the printing of money in Venezuela has sky-rocketed to the point of the government needing cryptocurrency, such as Bitcoin, as a means of circumventing inflation to fund the government's ambitious social projects. This paper examines this issue from several diverse points of view: specifically, the Austrian School (Echarte Fernández, Hernández, & Zambrano, 2018), the neo-Keynesian school (Pagliacci & Barráez, 2010), and public policy and institutional perspective (Corrales, 1999). The use of cryptocurrencies by governments, in particular socialist governments, is a new occurrence and merits much attention for the future of public and monetary policy in those countries.

I think these research fields appear extremely interesting and provide important indications for scholars, investors, professionals, and regulators. We think that they will be very relevant for 2022 and beyond. Happy reading and stay safe!

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