

**RISK GOVERNANCE & CONTROL:
FINANCIAL MARKETS & INSTITUTIONS**

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*Risk governance & control:
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EDITORIAL

Dear readers!

The recent issue of the journal is devoted to several risk governance issues.

Zelege Worku identifies and quantifies risk factors for underperformance and bankruptcy in the tourism sector of Gauteng Province in South Africa. The study is based on data collected from a stratified random sample of size 311 tourism enterprises that operate in Gauteng Province, South Africa. Results shows that the long-term survival and viability of African entrepreneurs in the tourism industry of Gauteng Province was significantly and adversely affected by the degree of competition from rival operators, poor networking ability, lack of entrepreneurial skills, low capital, and geographical location.

Sivave Mashingaidze examines credit risk in banks and how fables/folktales can provide with life lessons to implement risk management systems that should act as a stop-gate measure. Banking institutions need to show how proactively managing risk becomes a cornerstone to explore opportunities, rather than simply avoiding dynamites. Risk Intelligence gives companies the confidence to harness risk to explore new opportunities. Lessons were provided from folktales/fables from the animal kingdom.

Kunofiwa Tsaurai explores the causality between FDI net inflows, exports and GDP using Vector Error Correction Model (VECM) approach. The findings from the VECM estimation technique: (1) the study revealed a long run causality relationship running from exports and GDP towards FDI, (2) the study showed a non-significant long run causality relationship running from FDI and exports towards GDP and (3) the existence of a weak long run causality relationship running from FDI and GDP towards exports in Zambia.

Raphael Tabani Mpofo finds that dollarization did introduce some macroeconomic stability in Zimbabwe although a few key macroeconomic variables showed a sustained improvement. Statistical analysis shows that increased dollarization had positively affected reversed the spiralling effects of hyperinflation that were prevalent prior to 2009, although inflationary pressures still continued, albeit at a slower pace.

Christian W. Kretzmann, Christoph M. Maaz and Oliver Pucker find that in recessions sell side analysts are too optimistic about the stocks they recommend to buy, while investors initially overreact to these recommended stocks. In expansions, no such contradicting pattern exists.

Misbahul Islam and Jayanta Chakraborti present various types of futures and forward contract and what advantages and disadvantages these two important types of derivatives have. The authors also include that how futures and forward contracts can be used as hedging tools of risk management.

Deepanshu Mohan examines the relationship between oil price shocks and recessions and focuses particularly on the period of stagflation in the 1970s. The author reviews the literature and evaluates the various theories put forward before concluding that whilst oil plays a key role in the economy, the recessions following oil price shocks are more likely to be as a result of monetary policy decisions than the oil price shocks per se.

Desi Adhariani presents using qualitative content analysis of annual report and sustainability reports of BHP Billiton, Ltd. as the sample for the period 2006-2011. The results shows that BHP Billiton, Ltd. has not been fully consistent with the principles

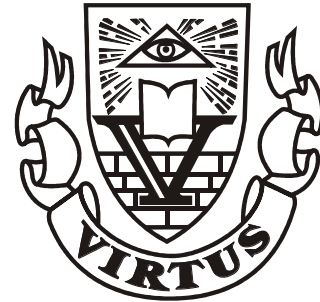
suggested by the ethics of care. The perception of one's self as connected to others principle is represented in intensive stakeholder engagement program and various voluntary CSR program. The Company has also substantially acknowledged the women's interests in the employee group and other stakeholder groups by applying the gender diversity and gender equality principles.

We hope that you will enjoy reading the journal and in future we will receive new papers, outlining the most important issues in the field of risk governance and best practices of corporate governance!

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Zelege Worku

This article analyses and quantifies risk factors for underperformance and bankruptcy in the tourism sector of Gauteng Province in South Africa. The study was based on data collected from a stratified random sample of size 311 tourism enterprises that operate in Gauteng Province, South Africa. Data was collected on a large number of socio-economic factors that adversely affect entrepreneurial activities in the tourism sector of Gauteng Province. A combination of quantitative and qualitative methods of data collection and analyses was used in the study.

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Sivave Mashingaidze

This study adopts a literature review methodology and the results were that, for a business to be successful the medicine does not lie in the policies but the therapy lies in the spirit of oneness in the banks from top management down to the shop floor employee in the branch. By working together the banks can afford to curb credit risks.

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Kunofiwa Tsaurai

This article explores the causality between FDI net inflows, exports and GDP using Vector Error Correction Model (VECM) approach. On the backdrop of the findings of this study, the author recommends that the Zambian authorities should formulate and implement export promotion strategies and economic growth enhancement initiatives in order to be able to attract more FDI.

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Raphael Tabani Mpofo

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Christian W. Kretzmann, Christoph M. Maaz, Oliver Pucker

The paper addresses the information content and the information processing of stock recommendations differ fundamentally between expansions and recessions. The initial market reaction to all recommendations is stronger in recessions, but "Buy" recommendations do not have long-term investment value. The authors find that in recessions sell side analysts are too optimistic about the stocks they recommend to buy, while investors initially overreact to these recommended stocks. In expansions, no such contradicting pattern exists. The paper also documents that analysts favor "glamour" over "value" stocks irrespective of the state of the economy.

FUTURES AND FORWARD CONTRACT AS A ROUTE OF HEDGING THE RISK 68

Misbahul Islam, Jayanta Chakraborti

The paper addresses the futures and forward contracts. The emergence of derivatives market is an ingenious feat of financial engineering that provides an effective and less costly solution to the problem of risk that is embedded in the price unpredictability of the underlying asset. This paper presents various types of futures and forward contract and what advantages and disadvantages these two important types of derivatives have.

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Deepanshu Mohan

This paper examines the relationship between oil price shocks and recessions and focuses particularly on the period of stagflation in the 1970s. Nearly every recession in the U.S. since WWII has been preceded by an oil price shock, and examining the literature as to the causal mechanisms finds there are a range of opinions from supply and demand side factors to the precipitated monetary policy response. Evaluating these across a number of countries finds that the mechanisms at play are complex and disputed. This paper reviews the literature and evaluates the various theories put forward before concluding that whilst oil plays a key role in the economy, the recessions following oil price shocks are more likely to be as a result of monetary policy decisions than the oil price shocks per se.

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Desi Adhariani

This study is aimed at using a feminist ethics of care perspective to analyse the corporate governance practices at BHP Billiton. The analysis is performed using qualitative content analysis of annual report and sustainability reports of BHP Billiton, Ltd. as the sample for the period 2006-2011. The results showed that BHP Billiton, Ltd. has not been fully consistent with the principles suggested by the ethics of care.

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