Editorial

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Biographical notes: Fotios Pasiouras is a Full Professor of Banking and Finance at MBS School of Business, France, a member of the Banking Stakeholder Group (BSG) of the European Banking Authority (EBA), General Secretary of the Financial Engineering and Banking Society (FEBS), and Visiting/Adjunct Professor at the Hellenic Open University. He has published around 100 papers in well-known international journals including: *Management Science*; *Journal of Money, Credit & Banking*; *Journal of Banking & Finance*; *European Journal of Operational Research*; *Journal of Business Ethics* and *British Journal of Management*. He is the Founding Editor and one of the Editors-in-Chief of the *International Journal of Banking, Accounting and Finance*.

Andrea Resti is an Associate Professor of Banking and Finance at Bocconi University, Milan. His academic record includes publications in top journals, books with international publishers and many ad hoc reports requested by the European Parliament; he was the first Director of Carefin (Bocconi's Centre for Applied Research in Finance) and has repeatedly served as an expert witness for banks and the public prosecutor's office. He has assisted a large number of banks, rating agencies and supranational institutions and participated in the first European Banking Authority's Stakeholder Group, where he served as the Vice-chair. Since 2016 he acts as a consultant on banking supervision to the European Parliament. He is one of the Editors-in-Chief of the *International Journal of Banking, Accounting and Finance*.

This special issue of the *IJBAAF* was written in memoriam of Philip Molyneux (1959–2023): an outstanding scholar, a source of inspiration and a dear friend.

Phil joined the *International Journal of Banking, Accounting and Finance* from the time that it was launched. After serving for a while as an associate editor, he became our Co-Editor-in-Chief in 2009. Phil played a substantial role in the development of the journal, offering valuable insights as for the direction that the journal should take over time. He was always kind and sympathetic to the authors, always finding ways to help them improve their papers without compromising the high standards of the journal. Despite his health problems, Phil fulfilled his editorial role beyond expectations, until his

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very last moments. While fighting his last battle, he was the one to cheer us up and look ahead, leaving his mark and setting an example that will never be forgotten.

Phil was awarded a BA (1980), MA (1985) and PhD (1993), from Bangor University. He spent most of his career there, starting as a Lecturer in Banking in 1987, eventually becoming a Professor in 1997. He supervised successfully over 30 PhDs, playing a substantial role in nurturing their careers, as it is evident by the fact that most of them have now senior positions in academia, policy-making organisations and the financial industry.

His research productivity was remarkable. He published over 100 articles and papers, most of which are highly cited, illustrating their important contribution and insights. At the time of the writing of this editorial, Phil has over 32,500 citations on Google Scholar. He did substantial work on bank efficiency and profitability, market structure and competition, and bank risk. This was followed by a lot of work on Islamic banking, and other emerging topics like unconventional monetary policy, fintech, shadow banking, climate finance risk to name a few. Additionally, Phil wrote several well-known books in banking, starting with *Banking: An Introductory Text* in 1990. He also co-edited the *Oxford Handbook of Banking* (with A.N. Berger and J.O.S Wilson), and he oversaw the publication of over 100 texts as book series editor of the Palgrave McMillan Studies in Banking and Financial Institutions series.

While his scientific production was so rich and multifaceted that it can hardly be summarised in a few sentences, his hallmark were intellectual curiosity and cultural openness to new research streams and topics. As far as banking is concerned, his work is a memento of how different intermediation models – shareholder and stakeholder banks, not to mention Shariah-compliant finance – can (and must) coexist to support stability and development through diversity.

Phil was not only a great teacher, researcher, and editor, but also an outstanding leader. He became Deputy Head of Bangor Business School in 2004 and its Head in 2007. He subsequently became Dean of the College of Business, Law, Education and Social Sciences from 2010 to 2017. After around 4 decades at Bangor University, Phil decided to embark on a new journey in the Middle East region and he served as the Dean of the College of Business Administration at the University of Sharjah from 2017 to 2021. He then returned to the UK to become an Emeritus Professor at Bangor University.

In line with Phil's research interests, this special issue is dedicated to bank behaviour, performance and stability and includes seven papers written by well-known scholars in the field. The first four present new empirical evidence, while the next three present insightful reviews of the literature. A short introduction to these studies is provided below.

The first paper by Dimitris Chronopoulos, John Wilson and Muhammed Yilmaz examines the importance of state bank lending during periods of financial turmoil. Using the global financial crisis as an exogenous shock, they find that relative to privately-owned and foreign banks, state banks exhibit less procyclical lending patterns in Turkey. Additionally, their analysis reveals that state banks play a mitigating role in alleviating market failures rather than engaging in politically motivated lending. Interestingly, they conclude that state bank lending does not lead to an inefficient allocation of resources, given that loan delinquencies are low, and lending is distributed across various consumer and commercial loan segments.

In the second paper, Fatima Cardias Williams and Jonathan Williams examine the effect of pay gaps between CEOs and non-CEO executives on bank stability. Using a

sample of 68 large European and US banks, they find that larger pay gaps are associated with an increase in bank stability and a decrease in portfolio risk and leverage risk. They also show that the impact of tournament incentives on stability and risk is positive and significant before and after the great financial crisis (GFC), suggesting that the effect of tournament incentives was unaffected by post-GFC reforms to executive compensation arrangements.

The third paper by Iftekhar Hasan, Tahseen Hasan and Kose John examines the impact of tax authority attention on financial reporting. Using data on the Internal Service Revenue (IRS) downloads of 10-K financial disclosures for 3,546 individual US firms, they conclude that IRS attention leads to firms implementing a greater degree of unconditional accounting conservatism, a behaviour that is observed to a limited extent for conditional accounting conservatism. They also reveal that firms with financial restatements or firms that have been subject to SEC enforcement are more likely to receive IRS attention. Further investigation of the relationship between IRS attention and unconditional conservatism shows that this relationship is more pronounced when firms have strong corporate governance, operate in an industry with high litigation risk, or do not have any disclosed internal control weaknesses.

The fourth paper was written by David P. Newton, Steven Ongena, Ru Xie and Binru Zhao. It explores the impact on the leverage risk premium, for bank- and non-bank-originated loans, of the so-called 2014 'interagency clarification' a guidance document issued by US supervisors[1] in response to an increase in the participation of unregulated investors in the lending market and the ensuing deterioration in credit standards. Using a dataset from 2011 to 2019, the Authors reach several interesting conclusions. First, they show that leveraged loan spreads have declined rapidly for non-bank facilities relative to bank facilities since the introduction of the 2014 interagency clarification. Second, the find that the decline in leveraged loan spreads is significant for highly leveraged borrowers, especially when term loans are involved. Third, they conclude that a higher degree of information asymmetry, driven by an increase in covenant-lite loan issuance and weaker investor protection, is strongly associated with a narrower leverage risk premium.

The fifth paper by Barbara Casu and Claudia Girardone provides an insightful discussion of the evolution of empirical banking research in developed countries over the past 30 years. The discussion focuses on the following topics:

1 bank strategies and priorities during the deregulation era, focusing on efficiency and competition

2 the financial and cultural crises

3 the role of banks in promoting sustainability

4 the impact of digitalisation on the banking sector.

The authors conclude by synthesising these insights and discussing the implications of the 'twin transition' for the future of banking.

The sixth paper by Santiago Carbó-Valverde and Francisco Rodríguez-Fernández deals with artificial intelligence (AI), a topic that has received considerable attention by the media, policy makers, academics and the public in recent years. Focusing on the adoption of AI in banking, they analyse the economic, social, and strategic implications. Through a comprehensive literature review, the authors examine the impact of AI on

operational efficiency, customer experience, security, and financial inclusion; they also outline the ethical and regulatory challenges associated with AI, including algorithmic bias, transparency, and compliance. Finally, they discuss some strategic recommendations for banks and offer suggestions for future research in the field.

The seventh paper by Alper Kara and Jiafan Li surveys the empirical evidence on access to finance of small and medium enterprises (SMEs) with a particular emphasis on gender and ethnicity. The authors identify and analyse 126 academic journal articles published between 2000 and 2022. They find overwhelming evidence that SMEs owned by females encounter greater financial constraints, and seek less financing, in comparison to SMEs owned by males. Borrowing discouragement and fear of being rejected by creditors are identified as leading reasons for women's non-participation in external borrowing. While they find scarce evidence of systematic gender-based discrimination by lenders, there exists evidence that women face higher interest and rejection rates, and stringent lending criteria compared to men. Additionally, they find that SMEs owned by ethnic minorities experience greater financial constraints. Finally, while they find evidence of ethnicity-based-discrimination in the US, this does not appear to be common across the world.

We hope that this collection of studies will prove of interest to IJBAAF's readers and wish to thank all the contributors and reviewers for joining us in our desire to leave a tangible sign of our affection and gratitude to Philip Molyneux. He was a great friend, co-author and mentor to many of them, as well as to many members of the journal's editorial board. While his track record in teaching and research made him a giant and a challenging benchmark to all of us, he knew how to be kind and approachable: a nice company with a great sense of humour. He is, and always will be, dearly missed by all who knew him.

Notes

1 The Interagency Clarification was a guidance document on leveraged lending issued in March 2013 by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve, and the Federal Deposit Insurance Corporation, in response to It was followed by a 'frequently asked questions' appendix in November 2014, clarifying the regulators' expectations for stronger risk management. It only applied to banks regulated by the above-mentioned agencies and did not cover non-bank lenders. As a result, it increased competition between banks and non-banks, risk-shifting from traditional banks to non-bank lenders.