



Risk Governance, Risk Disclosure, and Bank Performance: A Systematic Review

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Abstract

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This study aims to analyze the relationship between risk governance, risk disclosure, and banking performance through the Systematic Literature Review approach to publications over the past five years. The results show that risk governance plays an important role in increasing transparency, strengthening internal supervision, and improving the performance of financial and market banks. Risk disclosure was found to have an indirect effect on performance through increased trust and reputation of financial institutions. In addition, the effectiveness of the risk committee is a reinforcing factor that ensures the consistent implementation of risk policies. The study also highlights the paradigm shift in governance from regulatory compliance to a sustainability and digitalization approach. Practically, this study provides recommendations for regulators and banking players to strengthen risk governance systems based on transparency and integration, as well as for future researchers to explore the role of risk committees as a moderation variable.

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1. Introduction

Banking is a sector that has a strategic role in maintaining the economic stability of a country. However, the complexity of operational activities, global competition pressures, and regulatory changes make the sector highly vulnerable to financial and non-financial risks. Since the 2008 global financial crisis to the post-pandemic period, the implementation of risk governance has been an important pillar in ensuring the resilience and sustainability of banking performance. In the context of the last five years, banks have been faced with new challenges such as the digitization of services, cyber risks, market volatility, and increased expectations for transparency and social responsibility. This reinforces the urgency of implementing comprehensive and adaptive risk governance to changes in the global business environment (IMF, 2022).

The concept of risk governance includes not only internal risk management processes, but also structures, policies, and supervisory mechanisms that ensure a balance between risk taking and performance achievement (Hassan et al., 2019). In the banking sector, good risk governance practices reflect the maturity level of corporate risk management and are one of the main factors in fostering investor confidence and maintaining the reputation of financial institutions (Otero et al., 2020). Through risk disclosure, banks can communicate exposure levels, mitigation strategies, and risk appetite to stakeholders. This transparency not only suppresses information asymmetry between management and owners, but also has a positive impact on the bank's market performance (Wasiuzzaman et al., 2018).

Although the literature on risk governance and banking performance has developed rapidly, there are differences in empirical findings in various country contexts. Previous research has found that effective governance can increase corporate value and bank stability, but the results are often inconsistent when applied in emerging markets (Orazalin & Mahmood, 2019). A study by Faisal and Ismoyorini (2019) shows that the level of risk disclosure and the number of risk committees have a positive effect on the performance of the bank market in Indonesia, but not on operational performance. On the other hand, other research in more recent periods indicates that increased risk disclosure does not always go hand in hand with increased profitability, especially when external factors such as the pandemic and digitalization play a role (Giner et al., 2020).

The last five-year period provides a unique context for risk governance research as it coincides with major changes in the global banking system. The implementation of Basel III policies, increased oversight from financial authorities, and the shift to open banking require companies to review the effectiveness of their risk oversight mechanisms (IMF, 2022). On the other hand, the Enterprise Risk Management (ERM) model is evolving as an integrative approach that connects strategic, operational, and market risks to support the achievement of a company's long-term goals (Piekot Weeserik & Spruit, 2018). In this context, the role of risk committees is becoming increasingly important as a link between risk management policies and strategic decision-making (Nguyen, 2022).

Previous studies have also shown that the effectiveness of risk governance is strongly influenced by the quality of information disclosure and the structure of the

supervisory committee (Haque, 2019). However, empirical research in developing countries is still limited in explaining how the components of risk governance interact in the context of digital transformation and global economic uncertainty (Aras et al., 2018). Thus, there is still a research gap to assess the extent to which risk disclosure and the effectiveness of the risk committee affect banking performance comprehensively in the post-pandemic era.

Therefore, this study aims to broaden the understanding of the relationship between risk governance and banking performance, focusing on the last five-year period. This research makes an empirical contribution in answering the inconsistencies of previous results and strengthens the theoretical framework based on agency theory and corporate governance. In addition, this research is expected to provide practical implications for regulators and banking management in designing more adaptive and sustainable risk governance policies.

2. Literature Review

2.1. Risk Governance and Corporate Performance

Risk governance plays an important role in ensuring the sustainability of organizations, especially the banking sector which has high exposure to financial and non-financial risks. According to Hassan et al. (2019), Risk Governance is an integration between organizational structures, processes, and risk culture that aims to maintain a balance between risk taking and value creation. In the context of banking, risk governance is a controlling tool that allows financial institutions to anticipate uncertainty and improve operational stability. Orazalin and Mahmood

(2019) emphasized that good governance practices can reduce capital costs, strengthen the supervision of the board of directors, and improve market performance in developing countries. On the other hand, research by Faisal and Ismoyorini (2019) shows that risk governance components such as risk disclosure and the number of risk committees have a significant effect on the bank's market performance, but not always on operational performance. The findings indicate that risk governance functions not only as a control mechanism, but also as a signal of reliability and transparency for investors. Thus, the effectiveness of risk governance is largely determined by the integration of management policies, supervisory structures, and credible and consistent disclosure practices.

2.2. Risk Disclosure and Market Confidence

Risk disclosure is a key element in creating investor trust and strengthening the reputation of financial institutions. Transparency in the presentation of risk information reflects management's responsibility to stakeholders and is an indicator of the health of corporate governance. According to Wasiuzzaman et al. (2018), comprehensive risk disclosure can lower the cost of capital because it reduces market uncertainty and strengthens investors' perception of the company's credibility. In the context of modern financial markets, good risk disclosure practices contribute to increased stock liquidity and price stability. Furthermore, Giner et al. (2020) highlights that in the digitalization and post-pandemic era, relevant risk disclosure includes not only financial aspects, but also operational and sustainability risks. With the increasing demands on data disclosure, banks need to expand the scope of their disclosures to be able to reflect the risk profile holistically. Therefore, the

effectiveness of risk disclosure can be a strategic differentiator that determines a company's competitiveness and reputation in the global market.

2.3. Enterprise Risk Management and Organizational Adaptability

The Enterprise Risk Management (ERM) approach emerged as an evolution of conventional risk governance, with a focus on integrating strategic, operational, and financial risks in decision-making. According to Damayanti and Augustine (2019), the implementation of ERM allows companies to manage uncertainty more systematically and oriented towards long-term value creation. In the banking sector, ERM strengthens coordination between units and increases organizational readiness to face financial crises. The IMF (2022) highlights that the 2018–2022 period is an important phase for the adoption of ERM in global financial institutions, as it presents new challenges such as cyber risks, macroeconomic fluctuations, and increasing regulatory pressures. In addition, research by Karyani et al. (2020) shows that the success of ERM depends on the effectiveness of the supervisory structure as well as the involvement of the board of directors in the risk management process. Thus, the implementation of ERM is not just a compliance obligation, but a proactive strategy in strengthening competitiveness, resilience, and organizational performance in the midst of global economic dynamics.

3. Methods

This study uses the Systematic Literature Review (SLR) approach to examine the relationship between risk governance, risk disclosure, and banking performance over the past five-year period. This method was chosen because it was able to

provide a comprehensive overview of the development of the concept and empirical results from various previous studies. The SLR approach allows the analysis process to be carried out in an objective, transparent, and structured manner, with the aim of identifying patterns, gaps, and relevant theoretical contributions to the research topic.

The research stage starts from the process of identifying problems and determining key keywords covering the topics of risk governance, risk disclosure, and banking performance. The next step is to search the literature on credible academic databases such as Google Scholar, Researchgate, and Elsevier, with publication deadlines between the last five years. The article selection process is carried out based on inclusion and exclusion criteria. The selected articles are scientific papers that discuss the banking sector, have the main variables related to risk, and use empirical analysis methods. Articles that are irrelevant or do not contain quantitative or conceptual data that support the research theme are excluded from the list.

The next stage is data extraction, which is the process of collecting core information from each article which includes the research objectives, variables used, analysis methods, and the main results found. All data is classified thematically to facilitate the synthesis process. The analysis was then carried out to find the pattern of relationships between the main variables as well as identify the factors that affect banking performance. The final stage of the research is the synthesis of the results, where all the findings are compared and interpreted to obtain a representative conclusion. Through the SLR approach, this research not only provides an empirical

summary, but also develops a new conceptual framework that can be used as the basis for further research.

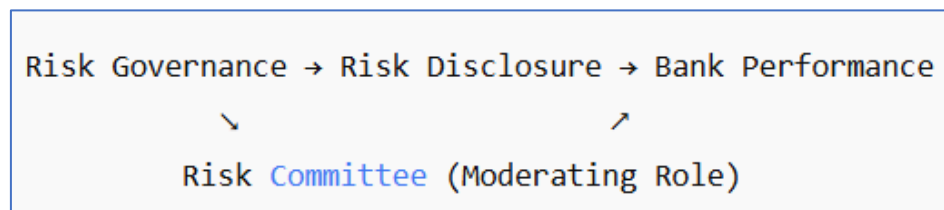


Figure.1 Conceptual Framework

This conceptual framework explains that risk governance plays a key role as a key factor that affects banking performance. Risk disclosure acts as a mediating variable that strengthens the relationship through increased transparency and market trust. The effectiveness of the risk committee serves as a moderation variable that strengthens the implementation of risk governance consistently and is oriented towards the sustainability of bank performance.

4. Results

Tabel.1 Research Gap

Yes	Name (Year)	Article Title	Key Findings	Research Gaps Found
1	Faisal & Ismoyorini (2019)	Pengaruh Tata Kelola Risiko terhadap Kinerja Perusahaan Perbankan	Risk disclosure and the number of risk committees affect the bank's market performance, but are not significant to operational performance.	It has not integrated the context of digitalization, non-financial risk, and the pandemic in the risk governance model.

2	Hassan et al. (2019)	Risk Governance and Performance: A Developing Country Perspective	Effective risk governance reduces information asymmetry and improves the operational efficiency of banks.	It has not considered the impact of the global crisis and digitalization on the effectiveness of risk governance.
3	Picket Weeserik & Spruit (2018)	Improving operational risk management using business performance management technologies	The implementation of ERM improves the operational efficiency and profitability of financial institutions.	It has not assessed the role of the risk committee or the supervisory board as a moderation factor in the ERM-performance relationship.
4	Orazalin, & Mahmood (2019)	The financial crisis as a wake-up call: corporate governance and bank performance in an emerging economy.	Strong corporate governance strengthens the market value and resilience of banks in developing countries.	It has not linked governance to transparency of risk disclosure or sustainability indicators.
5	Otero et al. (2020)	Corporate Governance Disclosure and Bank Risk-Taking in MENA Countries.	Governance disclosures reduce risk-taking behavior and improve the stability of banks' markets.	It does not assess the direct relationship between risk disclosure and the financial performance of banks.
6	Giner et al. (2020)	The Value Relevance of Risk Disclosure and Risk Governance:	Non-financial risk disclosure strengthens the reputation and	It has not assessed the direct empirical impact on the bank's profitability and market value.

		Efforts to Maintain Sustainability in the Banking Industry	sustainability of a bank's performance.	
7	IMF (2022)	Global Financial Stability Report: Navigating the High-Inflation Environment	Basel III and integrated risk policies strengthen the stability of the global financial system.	Not focusing on micro-organizational aspects such as the effectiveness of risk committees in financial institutions.

The analysis of the results of the Systematic Literature Review, table 1 shows that the relationship between risk governance and banking performance is dynamic and depends on contextual factors, including the research period, organizational structure, and global economic conditions. Based on a review of seven main studies, it was found that most studies support the positive influence of risk governance on bank performance, but with differences in the dimensions and indicators used.

Faisal and Ismoyorini (2019) show that risk disclosure has a significant influence on market performance, but not on operational performance. These results indicate that the market is more responsive to signals of risk openness compared to changes in the bank's internal efficiency. In contrast, Hassan et al. (2019) found that effective risk governance is able to lower the level of information asymmetry and improve operational efficiency, confirming the importance of a strong supervisory structure and risk culture in developing countries' financial institutions.

Pieket Weeserik and Spruit 's (2018) research expands this understanding by showing that the implementation of Enterprise Risk Management (ERM) is able to improve operational efficiency and organizational resilience. However, they highlight the need for additional research that assesses the role of governance committees as a reinforcing element in the implementation of ERM. This is in line with the findings of Orazalin and Mahmood (2019), who emphasize that the effectiveness of risk governance depends on the involvement of the board of commissioners in the supervision of risk policies and the transparency of financial statements.

On the other hand, Otero et al. (2020) shows that risk information disclosure has a significant influence on reducing risk-taking behavior in financial institutions, thereby increasing public confidence and market stability. However, this study did not assess the direct impact on financial performance, thus opening up space for new studies that link risk transparency to profitability and market value. Aras et al. (2018) adds a new dimension to this discussion by highlighting that the disclosure of non-financial risks such as sustainability and social risks is the main determinant of investors' positive perception of banks' reputations post-COVID-19 pandemic.

Meanwhile, the IMF report (2022) strengthens the evidence that the 2018–2022 period was an important transition period for global banking. The implementation of Basel III policies, increased regulatory pressures, and digitalization challenges have caused many banks to switch to an integrated risk management model. The IMF emphasized that strong risk governance is a key factor in maintaining stability and preventing systemic crises in the financial sector.

Based on the synthesis across studies, three main patterns were found. First, risk governance plays a direct role in financial performance through strict supervision, risk policy formulation, and active risk committee functions (Nguyen, 2022). Second, risk disclosure has an indirect effect on market performance, as transparency increases trust and stock value, as found by Faisal & Ismoyorini (2019). Third, Enterprise Risk Management strengthens organizational adaptability, enabling banks to integrate strategic, operational, and reputational risks in one comprehensive policy framework (Damayanti & Augustine, 2019).

These results show that moderation factors such as the effectiveness of the risk committee have an important role in determining the direction of the relationship between risk governance and performance. Banks with a high frequency of risk committee meetings tend to show better market performance due to increased supervisory intensity and decision-making quality (Faisal & Ismoyorini, 2019). In contrast, in institutions with weak governance, risk committees are often a formality with no significant influence on the company's strategy.

In addition, the latest literature indicates that external pressures such as the pandemic and digital transformation are influencing risk disclosure behavior. Gineret al. (2020) explains that after 2020, banks tend to expand risk disclosure to social, technological, and environmental aspects. This marks a paradigm shift from traditional risk management to a broader approach to sustainability. This practice has a positive impact on public perception and strengthens relationships with institutional investors who assess ESG (Environmental, Social, and Governance) integration as an indicator of good governance.

However, some studies have also found contradictions. For example, Haque's (2019) study shows that excessive risk disclosure can expose structural weaknesses and lower company value if not balanced with a strong mitigation strategy. Therefore, transparency must be balanced with caution in the delivery of information so as not to cause excessive concern among investors.

The results of the review also confirm that developing countries have unique characteristics in the implementation of risk governance. Hassan et al. (2019) highlighted the limitations of regulation, lack of supervisory experience, and low risk literacy as factors that hinder the effectiveness of risk governance. In contrast to developed markets, financial institutions in developing countries still face challenges in integrating risk cultures at all levels of the organization. Therefore, research in the context of Indonesia and similar countries is important to strengthen risk management theory from an emerging market perspective.

By combining these findings, it can be concluded that effective risk governance has a significant effect on improving the performance of banks both directly and indirectly. Risk disclosure factors play an important mediation role, while the existence of a risk committee is a reinforcing factor that determines the effectiveness of governance. Integrative approaches such as ERM have been proven to be able to reduce uncertainty and increase organizational resilience in the face of global economic crises (Piekot Weeserik & Spruit, 2018).

Therefore, the identified research gaps lead to the need for further testing of the causal relationship between risk governance, risk disclosure, and bank performance by considering risk committee moderation variables as well as external

contexts such as digitalization and global pandemics. This synthesis enriches theoretical understanding while providing direction for the development of adaptive and sustainability-based risk management policy frameworks.

5. Discussion

The results of the study show that the implementation of risk governance has a significant influence on improving banking performance, both through direct and indirect mechanisms. These findings reinforce the research results of Karyani et al. (2020) who stated that effective risk management is able to suppress information asymmetry, strengthen the supervisory function, and encourage increased operational efficiency of financial institutions. In the context of agency theory, the relationship can be explained through the role of risk governance as a mechanism to control managers' behavior to align with the interests of shareholders. Therefore, the existence of a strong risk monitoring system is a key instrument in minimizing conflicts of interest and increasing the transparency of managerial decisions.

The consistency of the results of this study is also in line with the findings of Faisal and Ismoyorini (2019), where risk disclosure acts as a reliability signal that increases market confidence. However, their results suggest that such an influence is stronger on market performance than on operational performance, suggesting that investor perceptions of information disclosure are still the dominant factor in assessing the quality of bank governance. This is different from the results of Otero et al. (2020) which confirms that risk disclosure is able to reduce risk-taking levels,

but does not directly affect profitability. Thus, the effect of risk disclosure on performance is indirect through increased stability and reputation of the company.

The latest findings from Giner et al. (2020) adding the dimension of sustainability in risk governance discussions. They underline that the disclosure of non-financial risks, such as environmental, social, and governance (ESG-related risks), has a high value relevance to the bank's image and competitiveness. In this context, risk disclosure serves not only as a reporting tool, but also as a communication strategy that builds stakeholder trust. Changing public expectations of financial institutions' social accountability are expanding the scope of risk governance to be more inclusive and sustainability-oriented.

In addition, research by Damayanti and Augustine (2019) emphasizes the importance of implementing integrated Enterprise Risk Management (ERM), as it can strengthen an organization's adaptive ability to uncertainty. The integration of operational, strategic, and financial risks in a single ERM system allows banks to respond more quickly to changes in the business environment, especially during the period of uncertainty marked by the COVID-19 pandemic. The IMF (2022) also affirms that the implementation of Basel III and the digitalization of the global risk system require banks to adapt to data- and technology-based supervision models, which place ERM as a central element in the stability of the modern financial system.

Overall, this discussion emphasized that the influence of risk governance on banking performance cannot be separated from the context of risk disclosure and the effectiveness of the risk committee. The relationship between the three is mutually reinforcing: risk governance creates a control structure that encourages

transparency, while risk disclosure increases market confidence and expands the legitimacy of financial institutions. The risk committee plays an important role as a liaison between the two, ensuring that risk strategies and management policies are aligned with the bank's long-term performance objectives. Therefore, this research model makes a new contribution to the development of risk governance literature in the post-pandemic era, where the balance between profitability and sustainability is the main goal of the modern banking sector.

6. Conclusion

This study confirms that risk governance is a strategic factor that determines the success of banking performance, especially in the face of global economic and regulatory challenges over the past five-year period. Based on the results of a systematic review of various empirical studies, it can be concluded that effective risk management practices have a positive effect on bank performance, both through increased transparency, better supervision, and the implementation of integrated risk policies. Risk disclosure has proven to play an important role in building investor trust and strengthening a company's image, although its impact on financial performance is often indirect. In addition, the existence of a risk committee serves as a reinforcing element that ensures that risk policies are implemented consistently and in accordance with the organization's strategic objectives. In the context of the post-pandemic era and digitalization, banks that apply an Enterprise Risk Management (ERM)-based risk governance model show better adaptive ability in managing uncertainty.

Thus, the relationship between risk governance, risk disclosure, and bank performance is complementary and creates a cycle of trust and sustainability of performance. Practically, the results of this study provide important implications for regulators and banking industry players to strengthen risk governance systems based on transparency, integration, and sustainability. Meanwhile, for the next researcher, further empirical exploration is needed regarding the role of risk committees and sustainability indicators as moderation variables that can enrich the literature on risk governance in the modern banking sector.

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