Editorial

On October 11-12, 2017, the Department of Finance and Accounting at the Silesian University, School of Business Administration in Karviná organized the 16th International Conference on Finance and Banking. The main theme was *Rethinking Risk in Financial Markets and Institutions.* Finance a úvěr – *Czech Journal of Economics and Finance* became the conference's partner journal. Based on results of a multi-stage review procedure two papers presented on the conference were accepted for publication in this issue (Dreyer et al., Janků and Kučerová). Two more papers that reflect the main theme of the conference were added to the journal's contents from the pool of standard papers accepted for publication.

Johannes Dreyer, Peter Schmid and Victoria Zugrav discuss the relationship between micro-prudential variables and bank risk on the example of Danish banking sector during the period 2000 – 2015. They apply panel regressions on a representative database of Danish banks and come to conclusion that bank size, capitalization, funding structure, organizational complexity and degree of market-based activities are key risk determinants of bank risk in Denmark. Although some of the variables show different effect on bank individual, systematic and systemic risks the authors argue that results from Denmark could serve as an example for other small economies with highly concentrated banking sector.

Crowdfunding has become increasingly popular over the last few years and this way of raising funds is sometimes considered as a potential threat to traditional banking. Moreover, the safety of crowdfunding often comes into question as most platforms are not fully regulated. Jan Janků and Zuzana Kučerová focus on reward-based crowdfunding and identify the basic determinants of successful crowdfunding campaigns. They distinguish the projects according to their size and find certain trends which emerged with the varying sizes of the projects goals. The negative "weekend effect" has an increasing tendency with the higher goal sizes of the projects. Similarly, the experience of the individual founder matters most in the case of the largest projects. On the contrary, the negative effect of higher number of launched projects in a given month has a decreasing tendency with the increasing goal size of the projects.

One of the most significant risks that determine international asset allocation and cross-border financial flows is the country risk. Various measures of the country risk are regularly applied in theory and practice and they have implications for asset pricing and investment management. Adam Zaremba in his paper examines the relationship between the country composite risk (together with its component risks related to sovereign credit, currency, banking sector, economic structure, and political situation) and expected returns. Although he finds that the equal-weighted portfolio of risky countries proved to outperform the safe countries this finding was not revealed for capitalization-weighted and liquidity-weighted portfolios and for specific subgroups of the sample.

A substantial risk for financial sector often stems from unsustainable public finance, large government budget deficit and public debt. A well-established fiscal policy is pivotal for sustainable public finance. Aleksandar Vasilev explores in his paper the effects of fiscal policy in the presence of a VAT evasion channel, and then compares and contrasts two regimes - the exogenous vs. optimal policy case. The analysis is performed on Bulgarian data over the period 1999 – 2014 and leads to several important policy implications. For example, he points out that the optimal steady-state income tax rate is zero, the size of the grey sector is twice lower, and the optimal steady-state consumption tax needed to finance the optimal level of government spending is twice lower, as compared to the exogenous policy case.

Editors of the Issue
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