



Reconceptualizing Integrated Financial Risk Management: A Theoretical Accounting Framework For Volatile Markets In Emerging Economies

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Abstract

Emerging markets are increasingly exposed to financial volatility driven by global financial cycles, capital flow fluctuations, and cross-market spillovers, which pose significant challenges for effective financial risk management. Traditional risk management approaches often treat risk as a peripheral managerial function, resulting in fragmented practices that fail to capture systemic interconnectedness and accounting implications. This study aims to reconceptualize integrated financial risk management by developing a theoretical framework that is specifically suited to volatile emerging market environments. Adopting a conceptual and theory-building approach, the study synthesizes insights from the literature on financial volatility, risk spillovers, and accounting-based risk disclosure to construct an accounting-centered framework for financial risk management. The proposed framework integrates risk identification, measurement, validation, mitigation, governance, and disclosure within a unified structure that emphasizes decision-usefulness and transparency. By positioning accounting systems as the central mechanism through which financial risks are processed and communicated, the framework enhances understanding of how organizations can strengthen resilience under conditions of uncertainty. The study contributes to accounting and financial theory by providing a structured conceptual foundation for analyzing financial risk in emerging markets and offers guidance for future empirical research and policy development aimed at improving financial stability.

Keywords: Financial risk management; Emerging markets; Market volatility; Risk spillovers; Accounting theory

1. Introduction

The world financial markets are increasingly interconnected and emerging economies are exposed to aggravate of volatility transmitted by cross-border capital flows, commodity volatility and spillover of monetary policy. There is a vast body of literature that confirms the primary role of monetary policies in developed economies, namely the United States, in the determination of the global financial cycle, including its impact on asset prices, the risk-taking tendencies, and the movement of capitals all over the world (Miranda-Agrippino and Rey, 2020). With the emerging markets, such interconnectedness amplifies the severity of the external shocks which at times lead to over proportional financial turmoil as a result of structural vulnerability, lack of policy space and poorly developed financial institutions. The volatility of capital flows is one of the concerns of new economies

whose inflows and outflows can cause havoc to the financial systems and macro economic planning in the local economies. It is empirically proven that in the emerging markets, as well as more susceptible to external financial circumstances and global risk factors, there is a higher volatility in the capital flows (Pagliari and Hannan, 2024). It is also extremely hard to handle financial risks with such volatility and poses a challenge to the firms and regulators operating in this setting.

The volatility of finance can hardly be limited to a particular market or industry, but rather spreads out through intricate spillovers. The study of sectoral interdependence demonstrates that volatility shocks initially affecting one market area can rapidly spread to other areas, diversification gains will be destroyed, and greater systemic risk will be introduced (Sahoo and Kumar, 2024). Such spillovers are especially intense at times when uncertainty is elevated, and the correlation

that exists between assets and markets is more likely to rise. Market shocks are also known to worsen the volatility dynamics in both the emerging and developed economies, as empirical research indicates that emerging markets tend to respond to global shocks with stronger and more persistent volatility responses (Tabash et al., 2024). Such one-sided reactions depict the structural precariousness of the emerging markets and the necessity of solid structures to deal with the financial risk in extreme circumstances. The COVID-19 pandemic gives a timely case of global shock transmission, where the volatility spillovers were enhanced in international markets. Cross-country evidence has indicated that the pandemic caused uncertainty shocks that drastically changed volatility transmission patterns between the advanced economy and the emerging market (Das & Das, 2022). These results affirm the need to ensure that risk management strategies that can deal with domestic and international sources of volatility are developed.

Movement of commodity prices especially in energy markets is a significant cause of financial risks to emerging economies. It has been demonstrated that oil price shock has massive effect to the global financial markets, with impact on equity returns, exchange rates, and cross-market connectedness (Demirer et al., 2020). In the case of emerging economies, which rely on the commodity, the transmission of oil price shocks to stock markets may substantially change the fiscal balances, corporate profitability, and financial stability with the effect of creating uncertainty, and financial systems become volatile (Antonakakis et al., 2017). These dynamics bring out the complex nature of financial risk in emerging economies because external commodity shocks are linked to domestic vulnerabilities to produce complex risk profiles.

In order to manage financial risks effectively, volatility has to be measured and forecasted accurately. The current developments in the sphere of realized volatility modeling have enhanced the quality of forecasts, especially in new markets where volatility dynamics are generally more erratic and long-lasting (Alfeus et al., 2025). Better forecasting methods can strengthen the capabilities of the firms to predict the risk exposures and strategically make decisions. In addition to equity markets, the volatility spillovers can also be noted in sovereign credit risk which can be found in credit default swap (CDS) markets. Empirical data indicates that the sovereign CDS markets in emerging economies represent highly interconnected markets where the spillovers are caused by the global financial environment and the country-specific fundamentals (Aljarba et al., 2024). Such results highlight the importance of complex solutions that would measure various aspects of financial risk.

Risk dynamics have also changed further as the financial markets continue to get more and more complicated due to the innovation and the emergence of new asset classes. Research on market contagion indicates that uncertainty and complexity increase interconnectedness among financial assets which lowers the efficiency of classic risk diversification approaches (Antonakakis et al., 2019). The said dynamics are especially applicable to emerging markets where the regulatory and risk management infrastructures may seem to be behind the market innovation. Unintended externalities can also be created

by policy interventions that are concerned with stabilizing capital flows. There are indications that the measures of capital control taken by a single country can spread the volatility to the rest of the world via portfolio rebalancing effects and can shift and not remove the risk (Forbes et al., 2016). These findings point to the ineffectiveness of single-purpose policy actions and are in support of the necessity of overall risk management models.

Recent studies have broadened the field of financial risk analysis to such aspects as sustainability, including environmental, social, and governance (ESG) factors. The comparative studies show that volatility and risk-adjusted returns of ESG indices vary significantly across developed and emerging economies and it is a result of market maturity and investor behavior (Gupta and Chaudhary, 2023). Such trends also contribute to the risk environment of new markets. It is on this basis that the current study is inspired by the urgency to redefine financial risk management in integrated and theoretically based approach in the view of considering volatility, spillovers and structural limitations in emerging markets. The study aims to add to the accounting and financial theory field by placing financial risk in a more conceptual setting and responding to the reality of volatile market environments.

The overall aim of this research is to create a combined theoretical base towards the comprehension of the financial risk management in the volatile emerging market settings. Particularly, the paper aims at theorizing the effects of financial volatility, risk spillovers and the market interconnectedness on risk management processes. By so doing, it will increase the analytical underpinnings of measuring financial risk in the emerging economies, and it will approach a coherent framework that would underpin future empirical research and policy-oriented studies.

2. Methodology

2.1. Research Design and Philosophical Orientation

The research design in this study is conceptual and theory-building based on the research tradition of interpretive and normative research in accounting. The first is not to empirically test hypotheses, but to reinvent the idea of integrated financial risk management (IFRM) as an accounting-theoretical phenomenon, especially the volatile markets of emerging economies. Such conceptual research is suitable when current theories are disjointed, under-specified or inadequate to answer complex phenomena, e.g., how financial risk, accounting measurement and disclosure interact under high uncertainty conditions. The philosophical direction of the research is consistent with normative theory of accounting that tries to give directives on how accounting systems ought to be constructed to promote decision-usefulness, transparency, and accountability. Concurrently, the research uses interpretive knowledge of previous literature to comprehend the relationships between financial risk management practices and accounting systems in practice. Such bi-polar focus allows creating a theoretically based but context-driven framework which reacts to the unique features of emerging markets. Besides technical KPIs (e.g. project

duration, cost efficiency, resource utilization), the assessed methodology analyzes the effect of the optimization of GA on the variance analysis, on financial reporting (e.g., earlier recognition of revenues under IFRS 15 [11]) and assurance (ISA 540 [13]). This dual lens is such that the project performance is strictly analyzed as well as the accounting implication.

2.2. Conceptual Theory-Building Approach

The methodological solution takes a systematic conceptual synthesis plan, which is typical of theoretical accounting studies to create new frameworks, models, or propositions. Instead of conducting a literature review in a descriptive way, the research synthesizes ideas of various bodies of research to build a unified theoretical framework. These streams are accounting theory of financial risk recognition and disclosure, risk management literature of risk measurement and risk mitigation, and studies of emerging markets of volatility, institutional constraints and regulatory settings. This type of study is best done using conceptual synthesis since integrated financial risk management is commonly viewed as a managerial or financial field, when its accounting-theoretical bases are poorly developed. The synthesis of these literatures aims at rebranding IFRM in accounting theory, with special reference to the accounting systems in structuring, measuring, validating, and communicating information on financial risks.

2.3. Data Sources and Conceptual Materials

Secondary conceptual resources are used, which is why the study is based on peer-reviewed academic articles, which have been collected primarily to provide theoretical insight into financial risk management in an emerging market setting (Ogundipe et al., 2024). These sources also contain open-access theoretical papers, which investigate the principles of financial risk measurement, modeling development, and validation, and thus, permit theory-based research, as opposed to an empirical generalization (Zou, 2024). Moreover, authoritative research on accounting is included to analyse the ways of financial risks being entrenched in accounting systems, especially considering the practice of risk categorisation, risk recognition and disclosures (Umantsiv et al., 2021). The choice of the sources was also guided by in-depth institutional reports which give contextual understanding of emerging market conditions and realistic limitations to financial risk management systems (Inter-American Development Bank, 2021). Together, the sources provide a conceptual adequacy and theoretical topicality to build a unified accounting-based system of financial risk management.

2.4. Analytical Procedure for Framework Development

The conceptual analysis entailed a four step analytical process that was aimed at achieving rigor, transparency as well as internal consistency. During the first phase, concept identification, critical constructs concerning financial risk management and accounting were identified out of the selected literature. These were the types of financial risks, accounting disclosure principles, measurement and validation methods, mitigation

approaches, governance systems and system designs. At this point the focus was on determining recurring and theoretically important concepts not listing all the possible variables.

The second step was conceptual categorization and clustering. Categorized concepts were then divided into super categories on the basis of their functional role in processes of accounting and risk management. This led to the segregating conceptual layers in the form of risk taxonomy, risk measurement and validation, mitigation mechanisms, governance and compliance, and accounting recognition and disclosure. Such clustering aided in the explanation of the relationship between disparate concepts to each other in an integrated accounting framework.

Relational modeling was the third stage of the study that considered the dynamism and not the static relationship of the conceptual categories. It resulted in the creation of the process-based model that associates the risk identification with accounting measurement, validation, mitigation, and disclosure. The focus here was on causality and flow of information that is, how data about risks created in measurement and validation processes is converted into accounting estimates and disclosures that aid in the decision making process.

Theoretical abstraction and development of propositions was the last stage. According to the integrated framework, the study derives a body of theoretically based propositions that mean anticipated relationships among integrated risk management practice and accounting performance. The propositions will also serve to inform future empirical studies, as well as to give a platform on which the explanatory capacity of the proposed framework can be tested in various emerging-market settings.

2.5. Ensuring Conceptual Rigor and Validity

To strengthen methodological rigor, the study uses various methodologies that have been advised in conceptual accounting research. To start with, theoretical triangulation is employed by relying on various literatures instead of having one theoretical tradition. This minimizes chances of conceptual bias and enhances explanatory capability of the framework. Second, internal coherence is stressed in the process of the framework development. Every element of the suggested framework is rationally related to accounting purposes like relevance, faithful representation, comparability, and transparency. Ideas that could not be explicit to accounting results were omitted to ensure theoretical concentration. Third, the framework is determined against the background plausibility especially on the emerging markets. The methodology does not make the idealistic assumptions about institutional conditions but actually takes into account the limitations that may exist like regulatory instability, resource constraints and skills gap. This will make the proposed framework both theoretically sound and practical to real-world accounting settings.

3. Results

3.1. Development of an Integrated Financial Risk Management–Accounting Framework

The main output of this paper is the creation of an

Integrated Financial Risk Management-Accounting (IFRM-A) Framework that reinvents the meaning of financial risk management as a central element of the accounting theory instead of being a marginal managerial or financial service. The framework places accounting as the primary system in which financial risks are detected, quantified, reduced, confirmed and finally reported to the stakeholders. This reconceptualization deals with an ancient split in the risk management practices and accounting foundations of concepts. The IFRM-A framework is built systematically based on five theoretical layers interacting among each other, including

(i) accounting-based risk taxonomy, (ii) risk measurement and validation processes, (iii) mitigation and response actions, (iv) governance and institutional alignment, and (v) accounting recognition and disclosure products. All layers are the reflections of the entire transformation of uncertainty into decision-useful accounting information. Notably, the framework is clearly constructed to address increased volatility, institutional constraints and heterogeneity of regulation that feature in emerging markets. The general structure of the IFRM-A framework presented in Figure 1 demonstrates the stratified and integrative structure of the suggested model.



Figure 1. Integrated Financial Risk Management–Accounting (IFRM-A) Framework

3.2. Accounting-Oriented Financial Risk Taxonomy

The main finding of the conceptual analysis is the discovery of an accounting-based financial risk taxonomy, which is the basis of the IFRM-A framework. The research paper attests to the fact that, under accounting-theoretical considerations, financial risks are logically categorized into three major groups, namely, credit risk, market risk and liquidity risk. These classes are not just managerial classifications, but are specific sources of uncertainty that have a direct impact on accounting estimates, valuations and disclosures.

Conceptual clarity is achieved in this taxonomy in that every category of risk is associated with certain accounting implications, including impairment measurement, fair value estimate, and uncertainty of cash flow. Placing the identification of risk in the context of accounting concept, the framework has the effect of ensuring that risk management activities are not carried out in a vacuum. The Table 1 shows the financial risk taxonomy based on its accounting orientation and the conceptual implications.

Table 1. Accounting-Oriented Financial Risk Taxonomy

Financial Risk Category	Nature of Uncertainty	Key Accounting Implications
Credit Risk	Counterparty default and non-performance	Impairment, expected credit losses, provisioning
Market Risk	Price, interest rate, and foreign exchange volatility	Fair value measurement, revaluation adjustments
Liquidity Risk	Inability to meet short-term	Going concern assessment, cash

	obligations	flow disclosures
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3.3. Risk Measurement and Validation as Accounting Inputs

These results are also a revelation that risk measurement and validation mechanisms are very helpful in transforming raw risk data to information that is accounting relevant. The IFRM-A scheme develops the notion of quantitative risk instruments such as volatility analysis, value-at-risk (VaR), scenario simulation and sensitivity analysis as neither financial tool but as an input in the accounting estimation procedures.

In addition to that, the critical importance of the validation structures, particularly stress testing and back-

testing on the reliability and believability of risk measurements that are used in the accounting judgments is also emphasized by the framework. Internal assurance controls, these validation procedures enhance honest articulation of financial risk statistics. Validation routines are also especially useful in fragile emerging markets, where the history data available can be limited or unreliable, to assist in the delivery of clear and justifiable accounting disclosures. Table 2 below shows the derivation of accounting estimations based on the risk measurements in the validation processes.

Table 2. Transformation of Risk Measurements into Accounting Estimates

Stage	Description
Measurement	Financial risks are quantified using analytical tools such as volatility analysis, value-at-risk, sensitivity analysis, and scenario simulation to capture exposure under uncertain market conditions.
Validation	Measurement outputs are subjected to validation techniques, including stress testing and back-testing, to assess reliability and robustness, particularly during periods of heightened volatility.
Accounting Estimates	Validated risk measures are translated into accounting estimates, affecting valuations, impairments, provisions, and fair value adjustments in financial statements.
Disclosure	Accounting estimates derived from validated risk measures are disclosed in financial repo

3.4. Integrated Risk Mitigation and Governance Mechanisms

The other significant result is the conceptualization of the risk reducing strategies and governance arrangements in the accounting system. The IFRM-A model shows that the tools of mitigation, namely, hedging, diversification, exposure limits, and scenario based planning need to be clearly attached to the accounting recognition and disclosure choices. This connection will guarantee that mitigation measures are clearly captured in the financial statements and risk disclosure.

As one of the enabling conditions, governance mechanisms are placed, such as oversight structures,

internal controls, and process compliance. The framework acknowledges that emerging markets typically experience a challenge of governance, which could be in the form of inconsistency in regulations and the unavailability of resources and hence adopts adaptive strategies, which include implementation stage and capacity-building. This finding highlights the fact that integrated risk management is more of a problem of institutional and accounting governance than a technical problem. The connection among the mitigation strategies, the mechanisms of governance, and the accounting results is summarized in Table 3.

Table 3. Risk Mitigation, Governance, and Accounting Outcomes

Mitigation Mechanism	Governance Role	Accounting Outcome
Hedging strategies	Policy approval and monitoring	Hedge accounting treatment and disclosure
Scenario planning	Strategic oversight	Forward-looking risk disclosures
Exposure limits	Internal control enforcement	Reduced earnings volatility
Risk avoidance	Compliance review	Recognition and derecognition decisions

3.5. Accounting Recognition and Disclosure Outputs

The framework also generates an organized perception of accounting recognition and disclosure as the ultimate products of a comprehensive financial risk management. Instead of considering disclosures as appendices of compliance, the IFRM-A framework enhances them as the summary of a consistent accounting of risks. Risk disclosures are therefore understood to be conceptualizations of underlying measurement, validation and mitigation actions. This outcome supports the decision-usefulness purpose of accounting as it entails the

availability of risk information that is disclosed on time,

comparable, and based on accounting information that was methodically created. In the emerging markets where information asymmetry is usually high, such integration improves credibility and interpretability of the financial reports. The last step of the integrated framework is the accounting recognition and disclosure as shown in Table 4.

Table 4. Accounting Recognition and Disclosure as Framework Outputs

Framework Output Stage	Role in Financial Risk Management
Accounting Recognition	Financial risks are formally recognized within the accounting system through measurement, classification, and recording in accordance with accounting standards.
Risk Disclosure	Recognized risks are communicated through structured disclosures that explain the nature, magnitude, and management of financial risks.
Stakeholder Interpretation	Transparent disclosures support informed decision-making by investors, regulators, and other stakeholders, reducing information asymmetry.

3.6. Theoretical Propositions Derived from the Framework

The ultimate outcome of the research is the development of theoretical propositions based on the IFRM-A

framework. These hypotheses formulate the anticipated correlation among integrated risk management practices and accounting results, which are the premises of future empirical studies. The propositions that were selected given the framework are provided in Table 5.

Table 5. Theoretical Propositions of the IFRM-A Framework

Proposition	Statement
P1	Greater integration of risk measurement into accounting estimates improves the decision-usefulness of financial disclosures.
P2	Validation mechanisms such as stress testing enhance the reliability of accounting judgments under market volatility.
P3	Governance-aligned risk mitigation strategies reduce disclosure uncertainty in emerging markets.
P4	Accounting-centered risk frameworks improve transparency and comparability across volatile market contexts.

Taken together, all these findings indicate that the integrated financial risk management can be redefined as a significant part of the accounting theory. The IFRM-A model also leads to the deeper conceptualization, as the risk processes are directly connected with accounting measurement, governance, and disclosure and satisfy the goals of theoretical development in the volatile emerging-market environment.

4. Discussion

The results of this paper supplement the increased awareness that financial risk management should be considered the part of organizational performance in emerging markets. It has been shown in the literature that risk management disclosure is positively related to financial performance among emerging market banks, and, thus, effective risk communication leads to better investor confidence and market discipline (Iqbal et al., 2024). The present study will take the risk management aspect to a theoretical framework that will provide a broader understanding of the practice of disclosures to underscore the significance of risk integration in financial systems. The proposed framework unveils the position of accounting-based risk identification and reporting as the processes stabilizing the situation in volatile environments. This connotation aligns with the results that disclose the quality of the risk disclosures that are indicative when the governance (as opposed to compliance) is especially strong in the context of institutional uncertainty (Iqbal et al., 2024; Antonakakis et al., 20217). In this light, the framework helps to support the opinion that risk

management should be considered as a strategic and theoretical concept instead of a responsive operating mechanism.

One of the key implications of the study is associated with the concept of dynamic connectedness which enhances the financial risk in markets and in financial institutions. Time-varying connectedness has been found to be measured in advanced ways, where it is observed that interdependencies between financial systems change very rapidly, especially during stressful times (Antonakakis et al., 2020). These dynamics imply that the use of the static risk models cannot capture the changing nature of the financial risk in emerging markets. This limitation is addressed in the framework that is developed in this study by focusing on the continuous risk measurement and validation processes. The frequency-based analysis also shows that the systemic risk is different in both the short-term and long-term perspectives and requires risk management approaches to be adaptive (Baruník & Křehlík, 2018). With such understandings taken into account in theory models, it is possible to comprehend the volatility spread across financial systems over time in a more detailed way.

The reason is that emerging markets remain too susceptible to global financial shocks because of their reliance on foreign funding, not to mention that they are also at risk of being exposed to variations in global liquidity. There is empirical evidence that the abrupt shift in global risk appetite can spark a reversion in the capital flows in sharp movements that put a lot of pressure on the domestic financial systems (Asis et al., 2020).

These results put pressure on the need to build risk management frameworks that take consideration of the external spillovers explicitly. The current paper adds to this discussion by placing integrated financial risk management as a source of hedging to the external volatility. The framework improves organizational readiness to negative global environments by integrating the risk identification and mitigation procedures with the accounting frameworks. This method is supplementary to the macro level of evidence indicating that downside risks to emerging markets are increased during times of world uncertainty (Asis et al., 2020).

The interaction between firm-level risk management with the interventions of the broader policies is also brought out in the discussion. Macroprudential policies are proven to be particularly helpful in reducing systemic risk, although their effect differs across institutional settings (Cerutti et al., 2017). These differences imply that policy only action is not enough without supplementary firm-level risk management actions. The theoretical framework that has been formulated in this research gives a micro-level explanation that compliments with macroprudential goals. Firms can also improve policy effectiveness transmission into operational decision-making by incorporating governance and compliance systems into accounting systems. This correspondence eases the thesis that the interdepartmental risk management contributes to financial stability (Cerutti et al., 2017).

Patterns of risks that are synchronized due to financial integration in regional blocks might render them more susceptible to occurrence during crisis. Evidence on monetary union indicates that the additional convergence of risks increases systemic risk, particularly asymmetric shocks (Chatziantoniou & Gabauer, 2021). The dynamics are highly applicable to the emerging markets, which are engaged in regional financial agreements. The framework proposed in the current research that dwells on a continuous monitoring and disclosure of the interrelated risks explains such effects of synchronization. The framework improves an integrated approach to the financial stability that transcends that of individual institutions by acknowledging that risk exposures are not in vacuums. This opinion is in line with the findings that linked financial systems must be regulated by disaggregated risk governance structures (Chatziantoniou, and Gabauer, 2021).

The presence of uncertainty spillovers in the advanced economies is a good indicator of volatile market in emerging economies. Empirical research data suggests that uncertainty arising due to economic, financial, and health crisis significantly increases volatility in new stock markets (Karanasos et al., 2022). These spillovers interfere with the traditional risk assessment models that pay significant attention to past data. The framework put forward is based on the theoretical nature of addressing those challenges with concentrating on future-oriented measurement instruments and justifying situations. The fact that uncertainty is part of the risk management theory enhances the explanatory power of accounting-based models in extreme scenarios. This approach is consistent with the facts that the volatility dynamics are

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fundamentally defined by the world risk transmission (Karanasos et al., 2022).

Increasing popularity of sustainability issues poses an additional burden in financial risk management. Current studies have shown that volatility spillovers across ESG stock indexes are stronger in the case of higher geopolitical risk, both in emerging and established markets (Karkowska & Urjasz, 2025). These results indicate that assets that are linked to sustainability are not resistant to systemic shocks. Such complexity is represented in the framework created in this research because it provides the opportunity to consider the inclusion of non-traditional risk dimensions into the accounting systems. The above theoretical flexibility makes the framework more relevant in the modern financial world where sustainability and geopolitics are becoming more and more relevant to the behavior of the markets (Karkowska & Urjasz, 2025).

The debate highlights the long-term impact of the monetary policy of the U.S. on the financial conditions of emerging markets. Recent findings affirm that monetary policy spillovers are important in times of increased uncertainty, which have an impact on the price of assets and capital flows in the developing economies (Lastauskas and Nguyen, 2024). Such spillovers ensure the necessity of risk management systems that are not just domestic in nature. The current paper is also theoretically relevant in that it views the integrated financial risk management as the process of absorbing external shocks using the mechanisms of accounting. The framework contributes to the current knowledge of emergent markets as the means to increase resilience in the case of global financial uncertainty by associating global spillovers with firm-level risk structures (Lastauskas and Nguyen, 2024).

The theoretical framework that has been constructed in this paper has significant implications to the researcher, practitioners and policymakers working in the context of emerging markets. The study also offers a basis of enhancing risk transparency, governance and decision-making in volatile conditions by conceptualizing financial risk management as an integrated and accounting-oriented process. The framework can also assist with the design of future-oriented risk management practices that can adapt uncertainty spillovers and systemic interaction better. To policymakers and regulators, the results emphasize the need to have coherence between the firm-level risk management systems and the wider financial stability goals so as to boost resiliency against the emerging economies.

5. Conclusion

Financial risk management theoretical framework is re-conceptualized in order to address the peculiarities of an emerging market environment. The integration of the results regarding the volatility, risk spillover, and market interconnection bring to the creation of knowledge on how the financial risk can be identified, measured, and solved in a consistent conceptual framework. The framework identifies the most important feature of the accounting systems being the transformation of the complicated risk information into clear and decision useful products hence bridging the gap between the risk management practices and the accounting theory. As it has been analyzed, emerging markets are particularly

vulnerable to external shocks, which are a by-product of global financial cycles, commodity price, and policy spillovers. The use of weak risk management strategies does not work under these conditions. Instead, the paper points at the importance of integrated proactive risk management arrangements that balance measurements, governance and reporting processes. This way the organizations can become more resilient and skeleton capacity to respond to more uncertain times is enhanced. The proposed framework gives a reasonable theoretical foundation of forthcoming factual research and policy-based exploration. It provides scholars with a systematic basis to examine the behavior of financial risk and practitioners and regulating bodies conceptual advice to enhance risk management practice. In so doing, it is contributing to the existing efforts of increasing financial sustainability and responsibility in unstable new market environments.

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