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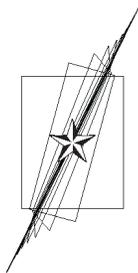
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## From the Editor

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Because the **DLSU Business and Economics Review** (DLSUBER) accepts submissions on various topics in the disciplines of business and economics, this issue contains articles with wide coverage. For this volume, the editorial board, with the recommendation of various reviewers, has accepted articles on topics ranging from independent directors to poverty targeting. Even with these diverse subjects, two themes have emerged: corporate governance and patterns of consumption.

The prominent topic among the articles in this volume is corporate governance. Corporate governance is a framework devised by the lead stakeholders of a company on how the operations of the firm are going to be conducted and regulated so it can provide an environment for the effective and reasonable management of the company's resources and ensure the sustainability of the company in the long run. The two key actors in this management system are the board of directors and the external auditors. The board of directors derives its authority from the shareholders and sets the system on how to manage the company efficiently. On the other hand, external auditors are hired to assess the diverse actual and potential risks confronted by the company in its varied and complex transactions.

In this issue, there are five articles that are related to the area of corporate governance as they touch on issues of the composition of corporate boards, assessment of risks, choice of external auditors, and communication with the stakeholders.

The lead article is written by **Evan Lance C. Li Liao, Ailyn A. Shi, Angelo A. Unite, and Michael J. Sullivan** entitled *Grey Directors on Philippine Corporate Boards*. The article has investigated the role of independent directors with prior relationships with managers of the company, which they called grey directors, on the possible formation of agency problems. Theoretically, grey directors can contribute to the problem of asymmetric information as they can act as agents of owners/managers of the company. Using data from various corporations, the team constructed a classification and measures of independent directors based on the 2017 Philippine Corporate Governance Code. Their findings showed that grey directors are widespread in companies with high ownership concentration. However, the presence of grey directors does not harm the financial performance of firms. In fact, the presence of grey directors is associated with a "lower likelihood of negative firm profitability." Thus, the authors conclude that appointing grey directors is not meant to conceal possible agency issues but to give the owners and top management more flexibility in governing their companies while fulfilling the regulatory requirements of appointing independent directors.

On risk assessment, the article *Mechanism and Methods of Early Prevention of Bank Insolvency* by **Morgan Alexander Fox** presents various mechanisms and estimated models for early detection of bank insolvency. Using the key elements of CAMELS (capital adequacy, asset quality, management, earnings, and sensitivity), these variables were subjected to complex multivariate analysis and simulation techniques to estimate efficient models that provide early detection of bank insolvency. The estimated efficient models were applied to the analysis of the financial positions of Russian banks and predicted which banks are likely to be insolvent in the near future. Models like these are helpful to external auditors so they can wave the red flags on risky financial positions of banks and other financial institutions. In addition, information from these models can support the corporate boards on how to address the precarious financial positions of banks.

Related to this topic on risky financial conditions, the article *Does Capital Adequacy Affect Bank Performance? A Comparative Study of Select Public and Private Sector Banks in India* by **Shakeeb Mohammad Mir and Farooq Ahmad Shah** inquired on the role of capital adequacy, one of the elements of CAMELS, in the management of financial resources of banks in India. The authors subjected data covering a period of 10 years derived from private and public banks listed in the Bombay Stock Exchange in a balanced panel regression analysis. The results of the study verified their hypothesis that capital adequacy has a significant effect on the profitability and other financial performance of banks in India. However, the banks from the private sector performed better than banks from the government sector.

The choice of external auditors is crucial in the determination of actual and possible risks that may threaten a company. The contribution of the article *An Experimental Study: Audit Quality Importance on Selecting a Public Accountant Firm (PAF)* by **Efva Octavina Donata Gozali, Ruth Samantha Hamzah, and Patmawati** is to provide an option in reducing bias in the selection of an external auditor through prior knowledge of audit quality of accounting firms. Using an experiment, a treatment group was provided with information on the audit quality of accounting firms, whereas the control group was not given this information. The result revealed that the group with prior knowledge of audit quality had reduced its bias on the choice of auditing firms.

Part of corporate governance is the communication of the board of directors and management to its varied stakeholders on the financial condition and other aspects of the company. The article *Annual Report Designs Today: A Paradigm Shift in Purpose* by **Imene Friday Oghenefegha** presents an emerging trend in the way companies in Nigeria communicate with their stakeholders. In particular, many of these companies are using advertisements and other images in their annual reports for varied reasons. The author inquired from writers and users of annual reports on their views on the surfacing trend of using differentiated imaging in corporate reports. The result showed that both writers and users of annual reports concur that these artistic and commercial contents of annual reports tend to be superfluous because they are not connected to the crucial corporate information presented, and they do not improve users' perception and interest in what is reported. Therefore, the author recommends the need to revisit the current trend in communicating with the stakeholders of corporations and enact regulatory measures on the design and presentation of annual reports so that stakeholders will not be distracted in appreciating the corporate financial status of a firm.

The second important topic among the articles included in this volume is consumption. This broad subject includes sources of financing consumption, intertemporal consumption, and consumer behavior. Consumption expenditures are vital information because they measure the degree of the welfare of a country's citizens. We know that income shapes the consumption level and pattern of spending of households. However, income has varied sources. It can come from current earnings, savings, and transfers from family members and the public sector. Aside from the determination of the financing sources of consumption, another key aspect of consumption is the allocation of income between present and future consumption. Still, a different angle of consumption studies is the determination of factors affecting consumer behavior. These three key perspectives on consumption are tackled in the articles in this issue.

The primary source of financing consumption is the level of income of households. In the article *A Theoretical Approach in Explaining the Impact of Remittances on the Macroeconomy: Evidence from an Overlapping Generations Model for the Philippines* by **John Paolo R. Rivera**, he traced the impact of remittances on the generation of income, capital accumulation, and the level of consumption of households receiving remittances. Using the overlapping generations model, the author has concluded that remittances increase the steady-state consumption of remittance-recipient households. As the income of households that are receiving transfers from relatives abroad expands, these households are able to increase their consumption expenditures. An enhanced level of consumption is associated with a higher level of welfare as households "improve their lifestyles." However, a rise in present consumption may dampen future consumption or savings, which may lower capital accumulation.

If remittances boost the level of consumption through an increase in household disposable income as outlined in the previous article, the article *Small Area Estimates of Poverty in Region III* by **Caesar B Cororaton** focuses on targeting the poor households with an inadequate level of income that curtails their welfare-enhancing consumption. The intent of poverty targeting is not only to identify the poor households but to provide appropriate

and efficient policy interventions that will deliver a sufficient level of consumption to poor households. The author proposes an efficient alternative of poverty targeting based on provincial data because regional data are too broad to capture actual poor households.

As mentioned in the article by Rivera, remittances can also affect the intertemporal composition of consumption, the tug of war between current consumption and savings. The article *A Light Purse is a Heavy Curse: A Systematic Review* by **Suzie Adee and Evan Lau** reviewed several articles on how savings is formed that may finance expenditures at retirement. The link between financial literacy, savings behavior, and retirement has been influenced by several factors, including family size, age, education, and geographical area. This systematic review has shown the crucial role of financial literacy among individuals on their savings behavior that can shape the financing of their consumption at retirement.

From a macro perspective used in the previous papers, the article *The Mediating Effects of Perceived Value Between the Relationship of Social Media Marketing and Purchase Intention* by **Tyron W. Yap** utilized a microanalysis in analyzing consumption behavior. Using online hotel booking sites, the author inquired on the facilitating role of the perceived value of service in the link between social media marketing and commitment to buy. The data were treated using Partial Least Square Structural Equation Modelling (PLS-SEM). The results show that “convenience value and conditional value, are positively and significantly related to purchase intention. In terms of the mediating effects, the study showed that both convenience value and conditional value have mediating effects on the relationship between social media marketing and purchase intention.” The author speculates that the results of this interesting study can be useful inputs to hospitality marketers and hoteliers in shaping their marketing strategies.

The last two articles cover some important aspects of management, including efficiency in production and marketing and the role of the emotional state of employees on their readiness to change.

One of the attractions of the cooperative movement in the agricultural sector is to address the production and marketing inefficiencies of small farmers. Through membership in a cooperative, small farmers can exploit the benefits of economies of scale by renting farm implements, securing lower-priced raw materials, and selling their products at acceptable prices without the extraction from intermediaries, among others, through the large scale operations of a cooperative. The article *Impact of Cooperative Membership on Technical Efficiency and Marketing Efficiency: The Case of Dairy Buffalo Farmers in the Philippines* by **Agham C. Cuevas and Ceptryl S. Mina** is an empirical verification of the positive contributions of cooperatives in the production and distribution processes in the agricultural sector. Measures of technical and marketing efficiency were calculated from cross-sectional farm household data of dairy buffalo farmers. Estimates of the impact of cooperative membership on the measures of technical and marketing efficiency were done through regression analysis with endogenous treatment. The results show that scores on technical efficiency and marketing efficiency were significantly higher when farmers are members of a cooperative. This study confirms the benefits of economies of scale of a large-scale operation that can be reaped by independent small farmers if they join forces with other small farmers through membership in agricultural cooperatives.

Meanwhile, the article *Are Emotionally Stable Employees More Ready to Change? The Moderating Role of Emotional Stability on the Effect of Organizational Culture Types on Individual Readiness for Change* by **Aktsar Hamdi Tsalits, Gugup Kismono, Luksi Visita, and Dian Eka Mayasari** probed on the interactions of the psychological state of employees, organizational culture, and readiness to change. In a dynamic environment, companies have to adjust to these changes to remain competitive. But companies are made of personnel working in a corporate environment called organizational culture. Using responses from employees from a company in Indonesia that has initiated changes within the company, the results revealed that “emotional stability positively moderated the effect of perceived clan culture on individual readiness for change and the effect of perceived adhocracy culture on individual readiness for change.” This positive effect of organizational culture on individual readiness for change is stronger in individuals with higher emotional stability.

Through this volume of *DLSUBER*, I am serving notice to the members of the Editorial Board, to our current and past contributors, to our loyal reviewers, and our readers that I will complete my term as Editor-in-Chief of the *DLSU Business and Economics* by the end of January 2022 after serving as editor-in-chief since 2008. It was a

challenging 14 years for me but an extremely inspiring intellectual journey. I saw the transformation of *DLSUBER* from a struggling journal of the College of Business and Economics at De La Salle University (CBE-DLSU) with contributors coming internally, the infrequent release of volumes, as well as the inadequate number of submissions. Today, *DLSU Business and Economics Review* is an international journal indexed in Scopus and cited as one of the leading journals in accountancy, marketing, economics, and business management in the Asiatic region. This accomplishment will not be possible without the support of many individuals. I thank the members of the Editorial Board for their collaboration and encouragement. Because of the international make-up of the Editorial Board, the *DLSUBER* has attracted regular submissions all over the world in the past decade and a half. The efficiency of my editorial team cannot be discounted for their significant inputs to this achievement. Dr. Marites Tiongco literally administered the journal on a daily basis as Associate Editor since 2016 while concurrently serving as Dean of the School of Economics of DLSU. Meanwhile, the following colleagues served as Managing Editor: Mr. Jeden Tolentino (2008-2010), Dr. John Paolo Rivera (2011-2013), and Dr. Marites Tiongco (2014-2015). They helped me immensely in the review process of submitted articles. The ever-reliable Ms. Daisy Mojares has served as Editorial Assistant since I assumed the leadership of the journal in 2008.

When I was asked to be the editor-in-chief of *DLSUBER* in 2008, my mandate was to revive the journal within three years and ensure the release of the volumes on a regular and timely basis. I reluctantly accepted the appointment on the assurance from the publisher and my supervising dean that another editor-in-chief would be appointed after three years. That promise did not materialize. I have to wait to reach 70 years old to be replaced.

Let me also announce that the next editor-in-chief of *DLSUBER* is Dr. Lawrence Dacuycu, former President of the Philippine Economic Society, former Dean of the School of Economics at DLSU, and a recipient of the Young Scientist award by the National Academy of Science and Technology (NAST) of the Philippines. The journal will be in good hands under Dr. Dacuycu because he is an accomplished scholar with publications in domestic and international journals. He is one of the leading labor economists in the Philippines today. I wish him good luck, and I urge everyone for your continued support and patronage for the *DLSU Business and Economics Review*.

**Tereso S. Tullao, Jr.**

Editor-in-Chief

*DLSU Business and Economics Review*

January 6, 2022