EDITORIAL: Sustainable corporate governance

Dear readers!

We are pleased to present the first issue of the journal introduced in 2020.

The publication of this issue during the ongoing COVID-19 pandemic has serious implications for businesses who are now struggling with their business continuation plans. The role of regulators, corporate governance, ethics, equity and equality, home entertainment, cost of debt and the banking industry plays an important role in costs optimization, competitiveness, profitability, corporate social responsibility, social welfare, employment, managing direct and indirect income losses, protecting physical assets and distribution facilities and maintaining price stability. In other words, businesses have to operate in a sustainable way to achieve the United Nations SDGs (good health, zero hunger, no poverty, decent work, industry innovation, clean sanitation, and responsible consumption and production). Although the published papers do not specifically address the pandemic, they touch on the key aspects that the business community is currently trying to solve provide a sufficient scholarly contribution to the previous fundamental papers by Megginson, de Andres, Brogi, and Govorun (2019), Kostyuk and Barros (2018), Guerra, Fischmann, and Machado Filho (2008), Del Brio, Maia-Ramires, and Perote (2006).

The first paper by Vinay Kandpal shows the importance of government, regulators, financial market, inclusion, financial product, and accessibility, in reducing poverty. Vinay examines the initiatives taken by the Ministry of Finance and Reserve Bank of India to intensify the accessibility to investment opportunities in financial instruments for the poor and underprivileged people within our society contributing to the research by Sikarwar and Sharma (2020), Mahembe and Odhiambo (2014). This paper explains how access and usage of financial services and products influence the economic health of individuals as well as that of the state. His research shows that the most important barriers towards the accessibility of financial services are psychological and banking profitability. As access to financial resources is a critical factor to alleviate poverty in rural areas, this study contributes significantly to the UN SDGs.

Using both qualitative and quantitative models, the two co-authors attempt to protect various Algerian stakeholders through business ethics and corporate governance. They argue that despite all the efforts of developing governance systems and business ethics, corporate scandals, unfortunately, remain an integral part of the Algerian business community – and they refer to this occurrence as a paradox. Although business ethics and corporate governance have been widely studied, their application to the Algerian market is a novelty given the lack of study for this market. Their analysis starts with collecting data through questionnaires that were distributed to senior management in the district of Sidi Bel Abbés. The collected data was then treated through the structural equations modelling approach - more specifically by using the PLS Path Modelling and linear regression. They document that business ethics lead to better levels of corporate governance and explain that it is mainly due to an implicit involuntary commitment to laws as a minimum required level of compliance. Furthermore, they posit that the protection of stakeholders' rights is the most important corporate governance dimension affected by business ethics. This paper conveys the right message to the sustainable business community in that business ethics and corporate governance are two essential criteria for success and contributed to the previous papers by Esposito De Falco, Alvino, and Kostyuk (2019), Holcomb, Grove, and Clouse (2019), Holcomb (2017), Testarmata, Montecchia, and Di Carlo (2013).

Football is at the heart of every household and its importance has been felt severely during the lockdown period by the fans. The sports industry has experienced a heavy loss during the pandemic and every club is now exploring how to recover from this crisis. This paper is timely as it contributes to the current debate in terms of how to manage intellectual capital efficiently. Focusing on football clubs in the UEFA Champion League between 2010 and 2019, they measure intellectual capital efficiency of 10 football club (from 7 countries) through Value Added Intellectual Coefficient (VAIC) method proposed by Pulic (1998, 2004), Ghosh and Mondal (2009), Yalama (2013), Ozkan, Cakan, and Kayacan (2017). They show that human capital being the core of intellectual capital has a positive impact on structural capital. Their findings imply that sports managers have the ability to create value for the football industry by managing intellectual sources in a strategic way. They reiterate the importance of intellectual capital like fan loyalty and talented players. The contribution of this paper to sustainability is through good health as the sports industry provides good stress management to the business community (the fans). This paper is an excellent contribution to the previous research on corporate governance in football clubs performed by Faraudel and Gelmini (2019), Tiscini and Dello Strologo (2016).
"Debt is good as long as you can afford it" is the notion that the six authors are stating, to be essential in building a sustainable business in terms of efficiency. This research explores whether creditors take into account the firm’s governance attributes before they decide on the cost of debt. Using a sample of 486 U.S. firms over the period 1998-2017, they synthesized governance in six factorial axes. First, they argue that audit quality (independence, frequency of meetings, auditor’s reputation, charter availability) and financial literacy (percentage of financial experts and ownership of institutional investors) are informative tools that negatively affect the cost of debt. Second, they show that creditors appreciate the presence of independent directors on the board. Third, the independence of the nomination and compensation committees prove irrelevant attributes of governance perspective because creditors do not reduce their risk of the agency. Fourth, creditors misunderstand the attributes of the board (size, number of meetings, the existence of specialized committees, and meetings). Fifth, the cost of debt increases with the concentration of managerial ownership and majority shareholders. Finally, the attributes reflecting the managerial entrenchment (duality of CEO tenure) are positively correlated to the cost of debt. All those findings contribute to the previous research by Kostyuk, Mozghovyi, and Govorun (2018), McGee, Hussainey, and Mozghovyi (2017), Ben Moussa and Chichti (2012), Boubaker (2007).

Gardachew Worku Fekadu implicitly explores whether financial liberalization has alleviated poverty in Ethiopia. The author looks at a repressed banking industry in the context of an emerging market. Given the challenges with data availability in this market, this research uses a qualitative approach with data obtained from secondary sources on the sequence and timing of financial liberalization for the period 1992 to 2014. The findings of this study suggest that the financial liberalization programme in Ethiopia was not properly and adequately executed resulting in the Ethiopian financial sector remaining underdeveloped when compared to sub-Saharan African standards and its neighbouring countries. The author questions the regulatory framework – more specifically the current barriers to entry for foreign banks.

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REFERENCES


