EDITORIAL: New horizons and developments in the field of corporate governance, regulatory imperatives, and control mechanisms in the emerging countries

Dear readers!

On behalf of the Editorial team, I feel proud to introduce Issue 4 of Volume 10 (2021) of the Journal of Governance and Regulation. The current issue includes scholarly articles falling in the purview of a wide range of research themes, for example, managerial competencies, consumer relationship intention, accounting standards, principal-agent dynamics, public health emergency, innovation, and fiscal policy, among others.

The current trend of corporate governance research underlines several new themes including innovative business ideas, new measures of corporate performance, and ever-evolving institutional settings, among others. Furthermore, the current corporate governance research continues to focus on traditional themes, albeit from new perspectives, and this includes enhancing the capacity and capability of the corporate governance system, ‘broadening’, and ‘deepening’ the accountability of business organizations, and aligning political governance, and corporate governance system. Similarly, in the wake of COVID-19 the focus of corporate governance research has identified several new political, societal, business, organizational, and economic dimensions in its domain including the health system, technological innovation, and social entrepreneurship.

The new issue starts with the article ‘The impact of corporate social responsibility on consumer’s relationship intention: Evidence from MENA countries’ co-authored by Aws AlHares, Tarek Abus-Asi, Gerard Dominic, and Ruba Al Abed. The authors analyze corporate social responsibility (CSR) practices and the phenomena of enhanced attention of consumers’ purchase intention and, consumers’ repurchase intention in the MENA market. The article identifies four dimensions of CSR (philanthropic, legal, organization, and ethics) and applied these constructs to evaluate the consumers’ relationship intention with companies. The study finds that philanthropic, legal, and ethical dimensions played a relevant role in determining a long-term relationship between the companies and consumers. An important contribution of the study is that it can guide regulators and policymakers to evaluate the adequacy of the current corporate social responsibility reforms to prevent managerial misconduct and scandals.

Gerrit van der Waldt, David J. Fourie, and Gerda van Dijk in their article ‘Senior manager competency profiling: The case of the local government sector in the emerging country’ emphasize that local, district, and metropolitan municipalities, as constituents of government, should deploy a highly competent and professional management corps to address complex integrated development planning demands, local service delivery issues, and various governance-related dynamics. The study also draws attention to a major limitation that the current situation in South Africa fails to meet the abovementioned virtues. The study highlights that widespread corruption, maladministration, political factionalism, and managerial incompetence have led to violent public protests. The current paper is highly relevant since it endeavors to assess the competency profile of senior managers in the South African local government sector, focusing on their integrated development planning responsibilities. The study finds that most of the challenges faced by South African municipalities stem from the poor competency level of senior management teams.

Wasfi Al Salamat and Maisaa Elian present their article ‘The impact of risks in limiting E-commerce’ and elucidate that e-commerce transactions have increased tremendously in the Middle East. However, despite the significant presence of the service sector in the Jordanian economy, the authors have recognized important determinants that can limit the future growth of e-commerce in Jordan. The research findings show that perceived ease of use, perceived usefulness, and perceived risk related to products/services are the main effective factors for predicting transaction loss. Similarly, the delay time is significantly affected by perceived ease of use and perceived risk with product/service. The study provides several guidelines that can be useful to policymakers to avoid the risks facing online shopping in Jordan.

In their study, ‘The effect of corporate governance on compliance with Indian Accounting Standards: An empirical analysis of post IFRS convergence’, Faozi A. Almaqtairi, Waheed M. Al-Ahdal, Nandita Mishra, and Mosab I. Tabash explore corporate governance mechanisms of compliance in Indian Accounting Standards. The effectiveness of corporate governance mechanisms of compliance plays a very important role to promote confidence in the business ecosystem and credibility of financial reporting system, especially in the context of an emerging country such as India. The results revealed that board independence, size, expertise, size of the audit committee, expertise, and independence significantly influence the accounting standards of India.

‘An assessment of corporate governance implementation in state-owned enterprises of the emerging economy’, authored by Muzi Khumalo and Adriro Mazendo highlight the significance of sound corporate governance mechanism in the South African state-owned enterprises. The stakeholders are demanding a higher level of responsibility and accountability from the top executives of state-owned enterprises with respect to the utilization of public resources. The thematic analysis findings underline a direct relationship between lack of managerial accounting and the state of poor corporate governance in the case of state-owned enterprises. The study recommends the effective implementation of the existing legislative framework, the codes on good governance, and the anti-corruption national strategy to inculcate accountability in the South African public agencies.
In the article ‘Principal-agent problems in publicly owned enterprises: The failure of the shareholder’, Njomëza Zejnnullahu contends different aspects of the principal-agent dynamics in publicly owned enterprises. In the context of Kosovo, the author discusses the incidence of rent-seeking, moral hazard, information asymmetry, and adverse selection, which are the key agency problems. The article investigates the relevance of principal-agent problems in the governance of publicly owned enterprises and the failure of the shareholders to play their role in minimizing the agency costs inflicted on the firms in Kosovo. The study concludes that the government must include the private sector as minority shareholders in publicly owned enterprises to enhance managerial accountability.

Nural Herawati, Rahmawati, Bandi Bandi, and Daddy Setiawan in their article ‘Family ownership and corporate tax aggressiveness: The moderating effect of independent commissioner’ investigate the nuances of tax aggressiveness activities in the context of family firms. This study also investigates whether independent commissioners influence the practice of tax aggressiveness by family firms. The findings reveal that independent commissioners reinforce the negative influence of family ownership with tax aggressiveness. Therefore, the study brings very vital issues of firms’ practices of tax aggressiveness and the role of regulatory bodies in curbing such practices.

Ali A. Alnodel and Toseef Azid follow with ‘The impact of the board of directors characteristics on regulation compliance: An evaluation of the board of directors’ effectiveness’ and investigate the board of directors’ effectiveness in enhancing regulatory compliance in the institutional settings of Saudi Arabia. The study further explores whether there is an impact of the board of directors’ characteristics, including its size, independence, meeting attendance, and CEO serving on board, on the incidence of penalties imposed by the Saudi Capital Market Authority. The results suggest that power distance can influence the function and effectiveness of the board of directors in compliance with official regulations.

Anthony O. Nwafor throws light in the article ‘Public health emergency and insider trading in the corporate sector’ on the initiatives of governments in different parts of the world seeking solutions to the public health emergency created by the COVID-19 pandemic and the impact on corporate enterprises. Many national governments have constituted their steering committees to implement measures aiming to contain the spread of this pandemic. The article also underlines the relevance of confidentiality of the information to be shared publicly and the related legal provisions. The study concludes by advocating the application of the law in such a manner that it ensures the responsible conduct of persons entrusted with inside information in accordance with the legal thresholds related to insider trading.

In the article ‘Investigating the psychological factors that affect Egyptian investors’ behaviour and decisions before and after the pandemic’, Hassan M. Hafez explains that Egyptian investors have lost a large portion of their investment due to the coronavirus pandemic. The author identifies several behavioral factors of Egyptian investors that affect their investment decisions, before and after the pandemic. The findings show that several demographic and psychological factors influence investment decisions. However, the income level of investors does not affect investment decisions.

Bedri Hamza and Petraq Milo analyze the effects of fiscal policy on economic growth in the Republic of Kosovo in their article ‘Fiscal policy and economic growth: Some evidence from Kosovo’ in terms of their long-term and short-term relationships. The study finds that, first, total public expenditure significantly affects GDP, and second, the total public income has a positive but visible impact on GDP, which means that the impact of government investment is more pronounced on financial development compared to public revenue.

Amneh Hamad, Tariq Alzoubi, Majid Iskandrami, and Ali Alhadidi investigate ‘A non-linear relationship between cash holdings and firm value: Study of companies in the emerging economy’. The study aims, first, to investigate the effect of cash holdings on Jordanian companies’ value, and second, to detect whether there is a non-linear association between them. The results reveal that there is a significant positive association between cash holdings and firm value. The study also identifies the positive impact of financial leverage, and revenues growth on firm value. However, it is found that the firm size negatively affects the firm value. Furthermore, the study finds no optimal level of cash holdings that provides impetus to firm value in Jordan.

Mahmoud A. Odat, Khaldoon Ahmad Al Daoud, and Ziad Mohammad Zurijat in their article ‘Corporate governance and the cost of equity: Evidence from the developing country’ examine the impact of corporate governance mechanisms on a firm’s cost of equity. The study includes several firm-level boards of directors characteristics in the corporate governance mechanisms-board size, board independence, CEO duality, multiple directorships held by board members, and board political influence. The results disclose that CEO duality and board political influence negatively affect the cost of equity, while there is no significant effect of board size, board independence, and multiple directorships on the cost of equity. Another important finding of the study is that firms’ board of directors is an important factor in mitigating the agency problem.

In their article ‘The improvement model of microenterprises of post-disaster through empowerment of productive zakat’, Noor Arifin and Aan Zainul Anwar underscore the concept of zakat, or Islamic philanthropy, as a mission of poverty alleviation and improvement of the wellbeing of poorer people and those affected by natural disasters. This study aims to explore a distribution model with enhanced effectiveness of zakat in improving welfare as a result of natural disasters in Indonesia. The study suggests that to increase the efficacy of zakat institutions in distributing productive zakat, synergies are needed between zakat institutions, partners (universities, volunteers, business consultants, etc.), and Islamic insurance institutions.
Madher Ebrahim Hamdaallah, Anan Fathi Srouji, and Bushra Khalid Mahadin explore ‘Intrinsic and extrinsic motivations on business school students’ aspirations: The gender role models perspective’. The study aims to explore the effect of intrinsic and extrinsic motivation on business school students’ aspirations to become entrepreneurial managers in the future and whether the gender of their university instructor affects such a relationship. The results indicate that both intrinsic and extrinsic motivations affect students’ aspirations to become entrepreneurial managers in the future in favor of their role models. Additionally, both intrinsic and extrinsic motivations are affected by female instructors. However, male instructors only inspired the intrinsic motivation of the students. The highly interesting findings of the study can be used by policymakers to recommend an additional focus on enhancing the potential motivation, and innovation efficiency based on gender type as an additional instrument to converge entrepreneurship education research, especially in the wake of COVID-19 pandemic.

Venet Shala, Shaip Bytyçi, and Patrik Dodaj examine ‘The role of innovation in the growth of the company: A case of the emerging country’. The article rests on the premise that major technological changes, the development of management, and its functions influence business organizations to launch relatively innovative products and services frequently. The authors accept that although innovation is a difficult process, however, it is valuable and effective for achieving the intended business outcomes. The authors acknowledge that Kosovo has experienced a difficult time in the recent past, nonetheless, there have been several examples of effective technological development and knowledge accumulation that can create a great potential to economic development. The findings of the study can be highly useful to the existing and new businesses in Kosovo.

A very promising feature of all the articles published in the current issue is that they highlight several aspects, falling in the larger domain of corporate governance, which has been under-explored hitherto in the emerging countries (Asia, Africa, and other developing countries) institutional settings. The papers published in this issue are highly value-additive in terms of theoretical, and empirical literature review and research methodology. These papers contribute to the most recent research by Basuony (2021), Capalbo, Lupi, Smarra, and Sorrentino (2021), Feudjo, Kakti, and Zogning (2021), Gokarna and Krishnamoorthy (2021), Ta’Amnha, Bwaliez, Magableh, Samawi, and Mdanat (2021), Agua and Correia (2020), Alhadab, Abdullatif, and Mansour (2020), Backhouse and Wickham (2020), Sikarwar and Sharma (2020), Chinomona and Omoruyi (2016).

We hope that scholars in the field of corporate governance and related disciplines will find all the published articles in the current issue highly useful and they will utilize the contributions, and further explore the limitations identified in the current issue in their future research endeavors.

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REFERENCES