

EDITORIAL: Corporate governance — Trends, implications, and opportunities

Dear readers!

On behalf of the Editorial team, I feel proud to introduce Issue 2 of Volume 11 (2022) 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, accounting standards, innovation, fiscal fraud, risk governance and risk-taking behaviour of banks in emerging markets and information technology culture among others.

The *Journal of Governance and Regulation's* mission is to publish high-quality research on the topic of corporate governance (CG) across the global economy. The journal is a forum for the exchange of information, ideas, and expertise based on theoretical advancement as well as actual experience. At the turn of the century, the concept of corporate governance gained prominence. CG is a set of rules and processes that direct and regulate businesses, resulting from economic and legal systems' conventions, traditions, and habits. CG includes environmental awareness, ethical behaviour, company strategy, compensation, and risk management. The essential concepts of CG are accountability, openness, fairness, and responsibility.

The current trend of corporate governance research underlines several new themes including innovative business ideas, such as branding of products as a region and country icon, new measures of corporate performance, and the implementation of balanced scorecard (BSC) in the banking sector in the developing market, financial sector development, among others. Similarly, the focus of corporate governance research in the aftermath of COVID-19 has found various additional political, sociological, business, organizational, and economic factors in its area, including technological innovation. COVID-19 entered our lives unexpectedly and had an immediate impact. Concerning the "new normal" in science and technology in the face of COVID-19, we wish to emphasize the critical role of science governance.

Accounting scandals have caused severe controversy for over decades, and these intensified issues relating to misstatements, such as earnings management and fraudulent financial statement. This topic is investigated by three papers in this issue.

The new issue starts with the article "*The impact of thin capitalization rules on capital structure and tax avoidance*" by *Rahma Intan Anindita, Ferry Irawan, Amrie Firmansyah, Suparna Wijaya, Resi Ariyasa Qadri, Joko Sumantri, Arifah Fibri Andriani, and Moh Luthfi Mahrus*. This study aims to examine the effect of the thin capitalization rules on capital structure (leverage) and tax avoidance. This is a quantitative research using the difference-in-difference method, with multiple linear regression models. According to the findings of the study, thin capitalization restrictions reduced the leverage of enterprises with high and low debt-to-equity ratios (DER). Organizations with a high DER experience a 2.3 times larger drop in leverage than companies with a low DER. The findings also suggest that thin capitalization regulations have no effect on tax avoidance for firms with high and low DER.

Suhaily Hasnan, Nurshylah Othman, Alfiatul Rohmah Mohamed Hussain, and Mazurina Mohd Ali in their article "*The influence of fraud triangle factors on real earnings management*" focus on the investigating the association between factors from the fraud triangle theory namely pressure, opportunity, and rationalization, and the occurrence of real earnings management. The study finds that poor financial performance, specifically low ROA, and poor external monitoring, particularly by Big 4 auditors, influenced the occurrence of real earnings management in Malaysian public listed companies. The finding of this study is crucial in reducing the real earnings management practices among Malaysian firms, particularly those that are publicly traded. As aggressive earnings management leads to fraudulent financial statements and results in negative consequences for various stakeholders, particularly investors and creditors, its occurrence should be prevented and mitigated.

Razana Juhaida Johari, Ida Rosnidah, Norli Abd Talib, and Ilinorhikmah Mohd Helmi in their paper “Role of code of ethics in building a fraud-resilient organization: The case of the developing economy” investigate the significance of ethical standards and their application in the development of a fraud-resistant organization, particularly in light of the prevalence of fraud and corruption in Malaysia’s economic and governmental sectors. On the basis of the foregoing facts and arguments, it is evident that the implementation of a code of ethics in a business should begin with the top management and board of directors, as they are accountable for fostering an ethical work environment (Kazmi et al., 2014; Setiawan et al., 2020). Without a doubt, the code of ethics is critical in reducing the occurrence of fraud within a business since it establishes the norms that must be observed by all parties.

Accounting standards and changes due to the pandemic are being investigated through the paper “Revenue standard and earnings management during the COVID-19 pandemic: A comparison between IFRS and GAAP” by Mohammed M. Yassin, Osama Samih Shaban, Dea’a Al-Deen Al-Sraheen, and Khaldoon Ahmad Al Daoud. The authors examined the role of International Financial Reporting Standards 15 — Revenue from Contracts with Customers (IFRS 15), which was issued to limit the use of revenues for earnings management. The standard was used to manage earnings during COVID-19 (Lopatta, Alexander, Gastone, & Tammen, 2020). The purpose of this research is to explain earnings management strategies using a revenue standard. According to the results of the ordinary least squares (OLS) regression, both users employed the revenue standard to control earnings during COVID-19. Furthermore, in terms of existing contracts, IFRS users were more conservative than Generally Accepted Accounting Principles (GAAP) users, while both were the same in terms of future contracts.

Three papers in this issue address the implementation of BSC in the banking sector in the developing market, the risk governance and risk-taking behaviour of banks in emerging markets and the financial development measurement: comparison of the high- and low-income countries. The first study by Yousif Abdelbagi Abdalla, Abdelrahman Mohamed Ibrahim, Alhashmi Aoubaker Lasyoud, and Mohammed Hersi Warsame adds to the body of knowledge and practice in the field of management accounting by identifying the hurdles to applying the BSC in a banking sector in a developing African country. The information gathered can help us better understand BSC implementation in emerging economies. The second article by Tafirei Mashamba and Shenaaz Gani examines how risk governance structures influence the risk activities of banks in emerging countries, particularly in Africa. The establishment of effective risk governance systems in emerging nations generates incentives for banks to take greater risks, possibly because governance mechanisms that balance the interests of managers and shareholders lead to higher bank risk (Felicio, Rodrigues, Grove, & Greiner, 2018). This unexpected behaviour necessitates the development of adequate governance and regulatory mechanisms. The third paper by Pranvera Dalloshi introduces the financial development indicator and uses it to compare different income group countries. The results show differences in the levels of financial development across countries. We also notice an improvement in the overall financial system in all the groups of countries, showing an increasing trend in the last 10 years compared to the previous 10 years, but the desperate fact is that low-income countries have a long way to go to reach the level of financial development of high-income countries.

Innovation is one of the important topics in this issue. Two papers examined the branding of the products and the use of information technology. In the article “Branding of products as a region and country icon: Governance and entrepreneurship in the textile industry” by Luky Primantari, Roderikus Agus Trihatmoko, and Trio Handoko the findings of this study demonstrated that the product branding encompasses entrepreneurial creativity and marketing techniques that define or have an impact on brand performance and the competitive market. In the framework of economic empowerment, batik entrepreneurs’ creativity and marketing techniques are reliant on government laws at the regional and central levels.

In the next paper “Understanding information technology culture in digital-based public services” by Joko Tri Nugraha, Tarmizi Achmad, Hardi Warsono, and Tri Yuniningsih, among the findings, there are five elements that influence the information technology culture in municipal governance: technocratic utopianism, anarchy, feudalism, dictatorship, and federalism. The findings are critical because they help to identify the core cause of the problem, which is that the implementation of e-government-based public services in Indonesia is not yet ideal.

All of the articles published in this issue have a very promising feature in that they emphasize numerous areas of corporate governance that have been under-explored in the institutional settings of developing countries (Malaysia, Africa, and other developing countries). The authors who contributed to this issue are experts in their fields and have combed through mountains of scholarly research to bring you the finest practices on a variety of issues and high qualitative research 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), Zaman, Jain, Samara, and Jamali (2022), van Greuning and Brajovic-Bratanovic (2020).

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