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## EDITORIAL

*Dear readers!*

The recent issue of the Journal of Governance and Regulation pays attention to issues of local governments support of SMEs, accounting conservatism in banks, factors influencing economic development of emerging countries and functioning of the global oil market.

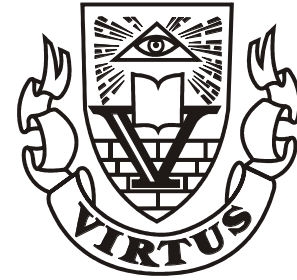
*Yudha Aryo Sudibyo, Suhardi, Edy Soesanto and Pandu Soetjitro* determines the local government support needed for increasing the performance of Small and Medium-sized Enterprises in a developing countries. The results show that the government support process, the government support policy and social networking have a positive influence on the performance of SMEs. *Magdi El-Bannany* aims to determine the factors influencing the accounting conservatism for banks in the UAE over the period 2006-2013. Multiple regression analysis is used to test the relationship between accounting conservatism as a dependent variable and the independent variables intellectual capital performance, market structure, level of protection against risk, bank size, and bank profitability. The results indicate that intellectual capital performance, market structure, bank size, the level of protection against risk and bank profitability have significant impact on the accounting conservatism for banks in the UAE. This study adds to the literature on the determinants of accounting conservatism in banks. In particular, it tests whether the new theories of intellectual capital performance, market structure and level of protection against risk have an impact on accounting conservatism in the banking industry in the UAE. *Meshaal Alshammary* empirically examines the aviation-led growth hypothesis for Saudi Arabia by testing causality between civil aviation and economic development, applying econometric tests such as Granger causality tests for the time period from 1975 to 2011. Empirical results reveal the existence of the Civil aviation Led-Economic growth hypothesis (economic expansion causing the civil aviation sector to grow) for a developing country like Saudi Arabia. *Padamja Khandelwal, Ken Miyajima and Andre Santos* examine the links between global oil price movements and macroeconomic and financial developments in the Gulf Cooperation Council (GCC). A range of multivariate panel approaches, including a panel vector autoregression approach, were applied to macroeconomic and bank-level data covering the six GCC economies and span 1999-2014. The paper finds strong empirical evidence of feedback loops between oil price movements, bank balance sheets, and asset prices. Empirical evidence also suggests that bank capital and provisioning have behaved countercyclically through the cycle. *Alex Plastun and Serhii Bashlai* explore behavior of oil market after volatility explosions (days with abnormally high price volatility). Authors examine possible price patterns and whether they create exploitable profit opportunities from trading. A number of statistical tests both parametrical (t-test, ANOVA, regression analysis with dummy variables) and non-parametrical (Mann-Whitney U test) confirm presence of price patterns after volatility explosions: the next day price changes in both directions are bigger than after "normal" days. An important result of this paper is that presence of statistical anomaly does not necessarily means anomaly in price behavior and inconsistency with the Efficient Market Hypothesis. *Dao Thi Thanh Binh and Tran Thi Kim Anh* focus on manufacturing sector in Vietnam and found out that corporate governance significantly affect the firm's performance, whereas market share does not really show any influence.

We hope that you will enjoy reading the journal and in future we will receive new papers, outlining the most important issues and best practices of governance and regulation!

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*Yudha Aryo Sudibyo, Suhardi, Edy Soesanto, Pandu Soetjitro*

The aim of this study is to determine the local government support needed for increasing the performance of Small and Medium-sized Enterprises (SMEs). There are contradicting points of view among researchers with regard to the necessity for the government to intervene in the operation of the enterprises. This study attempts to answer questions on the effect of such interventions in a developing country. The data were collected through questionnaires that were distributed to the SMEs in certain territories in a developing country. Structural Equation Modeling was used to analyze the data. The results show that the government support process, the government support policy and social networking have a positive influence on the performance of SMEs. The government support process exhibits the strongest effect on SMEs' satisfaction as a moderating variable.

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*Magdi El-Bannany*

The purpose of this study is to determine the factors influencing the accounting conservatism for banks in the UAE over the period 2006-2013. Multiple regression analysis is used to test the relationship between accounting conservatism as a dependent variable and the independent variables intellectual capital performance, market structure, level of protection against risk, bank size, and bank profitability. The results indicate that intellectual capital performance, market structure, bank size, the level of protection against risk and bank profitability have significant impact on the accounting conservatism for banks in the UAE. These results might help the banking and accounting regulators to address the factors affecting accounting conservatism. This study adds to the literature on the determinants of accounting conservatism in banks. In particular, it tests whether the new theories of intellectual capital performance, market structure and level of protection against risk have an impact on accounting conservatism in the banking industry in the UAE.

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*Meshaal Alshammary*

Recently, Saudi Arabia is undergoing major privatization and Public Private Partnership (PPP) projects, as guided by the Saudi National Transformation Program (NTP) 2020 and the Saudi Arabia's Vision 2030, attempting to shift the oil-based economy toward more diverse and sustainable economy. The main purpose of the paper is to empirically examine the aviation-led growth hypothesis for Saudi Arabia by testing causality between civil aviation and economic development, applying econometric tests such as Granger causality tests for the time period from 1975 to 2011. Empirical results reveal the existence of the Civil aviation Led-Economic growth hypothesis (economic expansion causing the civil aviation sector to grow) for a developing country like Saudi Arabia. As guided by both the NTP 2020 and Saudi Arabia's Vision 2030, policy makers should consider updating civil aviation infrastructure, nation-wide airport privatization programs, increase the number of airports in major cities and establish long term partnerships with international airlines and carriers. This will strengthen the private sector and diversify the oil-based economy toward a sustainable economy.

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*Padamja Khandelwal, Ken Miyajima, Andre Santos*

This paper examines the links between global oil price movements and macroeconomic and financial developments in the Gulf Cooperation Council (GCC). The GCC economies can be adversely affected by low oil prices due to their high dependence on oil and gas exports and macro-financial linkages which can amplify the effects of oil price movements over the financial cycle. Historically, systemic financial sector risks rose in the GCC countries with the oil price upswing in the years before the global financial crisis. Against this background, a range of multivariate panel approaches, including a panel vector autoregression approach, were applied to macroeconomic and bank-level data covering the six GCC economies and span 1999–2014. The paper finds strong empirical evidence of feedback loops between oil price movements, bank balance sheets, and asset prices. Empirical evidence also suggests that bank capital and provisioning have behaved countercyclically through the cycle. That is, these ratios increase during good times. This has helped strengthen the resilience of the financial system to the oil price decline since mid-2014.

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*Alex Plastun, Serhii Bahlai*

This paper explores behavior of oil market after volatility explosions (days with abnormally high price volatility). It examines possible price patterns and whether they create exploitable profit opportunities from trading. A number of statistical tests both parametrical (t-test, ANOVA, regression analysis with dummy variables) and non-parametrical (Mann–Whitney U test) confirm presence of price patterns after volatility explosions: the next day price changes in both directions are bigger than after “normal” days. Oil prices (case of Brent) for the period from January 2000 till the end of 2016 (for the trading robot analysis the period is 2014–2016) are analyzed in this paper. To incorporate transactional costs in results a trading robot approach is used. Testing of two trading strategies based on detected anomalies shows that a strategy based on counter-movements after volatility explosions produces profits and the one based on so called “inertia anomaly” does not generate profits in oil market. An important result of this paper is that presence of statistical anomaly does not necessarily means anomaly in price behavior and inconsistency with the Efficient Market Hypothesis.

**STAKEHOLDERS APPROACH ON CORPORATE GOVERNANCE AND PERFORMANCE OF VIETNAMESE MANUFACTURING FIRMS**

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*Dao Thi Thanh Binh and Tran Thi Kim Anh*

In this paper, authors focus on manufacturing sector, one of the most important industries in Vietnam economy, which account for 41.2% of total GDP in 2012. By using stakeholder theory and Kitamura’s paper as a corner stone, a model using OLS regression and log functional form for production function, showing the relationship between some external factors and internal factors including corporate governance is built. From the result of the research, it has been found out that internal factors (corporate governance) significantly affect the firm’s performance, whereas external factors (market share) do not really show any influence. In term of production function, this manufacturing sector still benefits from an increase of capital but not that of labor.