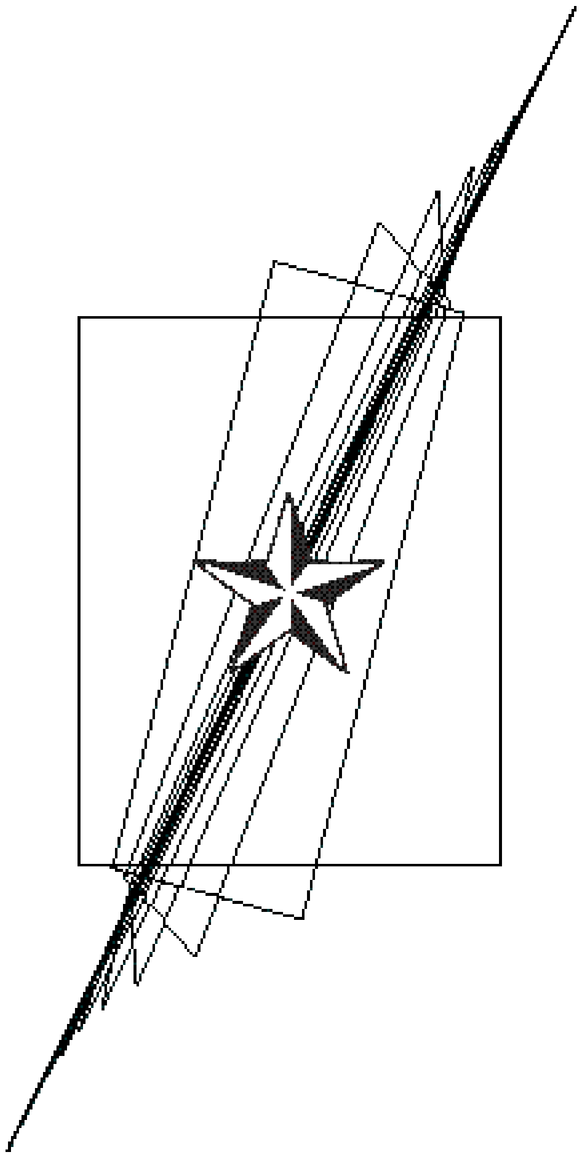

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From the Editor

Although the DLSU Business and Economics Review (DLSU B&ER) is an academic journal devoted to commercial and economic disciplines, the number of articles submitted and accepted in the field of finance has increased significantly in recent volumes. This is anticipated since financial development has become a crucial issue that researchers have extensively explored. The interest has been heightened in the light of rapid growth of economies in the ASEAN and East Asia, as well as the need for huge funds to finance the growth trajectories of the countries in the region.

Aside from efficiently linking the monetary sector with the real sector, financial development is likewise important in diversifying the sources of funds. The rising excess funds by vibrant economies in the region and the pursuit for financial stability will necessitate credit sourcing beyond banking institutions. However, developing the bond, equity, and other non-bank financial markets can be enhanced by addressing the uneven information between suppliers of funds and users of funds. To this end, researchers in the region have taken note of various studies in North America and Europe on how to address this information asymmetry. Thus, many studies have been undertaken to inquire on the factors predicting financial performance of firms.

This volume includes eight articles devoted to financial development. Aside from addressing information asymmetry, a number of studies have tested the effect on pursuing social, political, religious, and other non-commercial objectives on the financial performance of firms. Because of the social status attached to commercial establishments, governments have used its regulatory agencies to implement these objectives in the administration of commercial institutions. The other articles deal with insurance development, financial integration, and the role of financial review.

The article **Determinants of Cash Holding of Listed Manufacturing Companies in the Indonesian Stock Exchange** by Muhammad Arfan, Hasan Basri, Azimah Dianah, Risma Handayani, M. Shabri Abd. Majid, and Heru Fahlevi underscores the predictors of cash holding of listed companies. This topic is particularly significant since studies have shown that companies with high cash holding tend to be undervalued and have high returns. Because of this strong link, researchers have been trying to investigate factors that can affect the level of cash holding of firms. The authors confirm that growth opportunity as well as profitability has positive effects on cash holding while financial leverage and capital expenditures have negative consequences.

Meanwhile, linking social objectives with the performance of the firm is the topic of inquiry in the article **The Role of Gender and Ethnic Diversity on the Performance of Malaysian Private Companies** by Rayenda Khresna Brahmana, Mohd Waliuddin Mohd Razali, and Hui Wei You. The study reveals that promoting gender diversity in corporate governance has no significant impact while improving the racial composition of the board has a negative impact on financial performance. Thus, although improving ethnic and gender diversity are legitimate social objectives, promoting these targets in business may have adverse outcomes from a commercial perspective.

In a related study on the impact of loan diversification on financial returns, the uneven impact has been shown by Apriani Dorkas Rambu Atahau and Tom Cronje in the article **Does Diversification Lead to Better Loan Portfolio Returns? Empirical Evidence from Indonesian Banks.** Their study shows that diversifying on the basis of economic sectors in credit provision can improve loan returns. However, for other categories of diversification, this positive relationship is not verified. Thus, if the basis of diversification goes beyond non-commercial pursuits, the effect on financial returns may not be the most favorable.

Still on compliance based on religious consideration, the article **Financial Performance and Sharia Compliance: A Comparative Analysis of Indonesian and Malaysian Islamic Banks** by Heru Fahlevi, Irsyadillah, and Putra Randa evaluates Islamic banks using Sharia conformity measurements. The conclusion of their study shows that compliance with Sharia principles may not go hand in hand with enhanced profitability. Specifically, although Malaysian banks have improved financial performance, it is the Indonesian banks that exhibit higher conformity with the Sharia principles. Similar with the previous studies, the imposition of non-commercial benchmarks for financial institutions may not be optimally consistent with profit motivation.

Still on compliance, the article **Investigation of Sufficiency Economy Philosophy Reporting in Thailand** by Muttanachi Suttipun and Sureerat Saefu tracks the extent and level of sufficiency economic philosophy (SEP) in reporting annual company reports. The study shows that SEP report and degree of leverage are significantly related to firms' financial performance. This is expected since the core of sufficiency economy philosophy has business value that can enhance the firms' profitability. This outcome is consistent with the conclusions of previous studies showing that the integration of social, cultural, political, and non-economic objectives in the operation of companies, however noble, may not provide commercial value to the firms.

The article **Measuring Customers' Perception in Bancassurance Channel using Psychometric Scale** by Ranjit Singh and Mousumi Choudhury is another study addressing asymmetric information on the purchase of life insurance. Customers tend to perceive bank's adequacy of providing insurance services based on bank's tangible infrastructure and compliance with insurance rules and regulations.

Meanwhile, the subject of regional monetary integration, which is a component of financial development, is the topic of inquiry by Abdul Rafay and Saqib Farid in the article **Financial Integration in Money Markets: Evidence from SAARC Region**. The study shows that there is a long term relationship between the nominal interest rates in the countries in the South Asia region. In addition, the authors found a "strong bi-directional causal relationship between the money markets in Pakistan, India, and Sri-Lanka." However, this strong financial link is not evident for Bangladesh. More importantly, the authors conclude that the money markets contain the key requirements for the establishment of a monetary union in the region.

Still related to finance is the way auditors review financial statements. The article **Independence on Audit Ethical Decision Making Process: A Case of Indonesia** by Negina Kencono Putri , Wiwiek Rabiatul Adawiyah, and Bambang Agus Pramuka assesses the level of independence of auditors when exposed to pressure. The study revealed that auditors were not influenced by work pressure and other external threats to give an independent opinion on the financial statements that they have reviewed.

The other three articles in this issue cover a variety of topics. The article **An Econometric History of the Philippine Trade: 1810–1899** by Luisito C. Abueg uses econometric methods in tracing the structure and composition of trade in the Philippines during Spanish colonial period. Historiography is often used as the conventional methodology in the study of historical events of a country's past including its economic dimension. However, the article presents changes in the macro-economy and the structure of trade of colonial Philippines with an unorthodox investigation through econometric analysis.

Meanwhile, the article **Effects of Affluence on Rising Household Carbon Emission in the Philippines: An Application Using Quantile Regression Approach** by Moises Neil V. Seriño appraises the impact of changes in income on the carbon emission of households. Using quantile regression analysis, the author shows the impact of enhanced income at various income cohorts on carbon emission. The study concludes that although increase level of income may enhance carbon emission in general, the impact is higher on cohorts with initial higher emission level. As a consequence, the formulation of policies mitigating carbon emission will have to be flexible given the differential impacts on various income groups.

The research note **Another Look at Demand-Side Digital Piracy** by Andrea L. Santiago appraises the use of digital information for expansion of knowledge and other uses, on the one hand, while protecting the intellectual property of the creator, on the other hand. Given these conflicting interests, the author explores creative options towards a compromise.

The disproportionate number of articles on financial development in this issue is a good sign. I consider this as an indicator that the DLSU B&ER is in the process of maturation as an academic journal. It shows that a significant number of researchers, particularly the young scholars, in the region are using the journal as a venue for intellectual debate in issues pertinent to the economic development of the region. In subsequent issues, we will publish articles on special topics related to commercial and economic sciences.

At this point, I would like to thank all the contributors for submitting their papers to DLSU B&ER. I am humbled by your gesture of choosing the journal as an avenue for arguing your views, illustrating state of the art methodologies, and presenting your empirical evidence to support your perspectives. I also want to express my sincerest gratitude to a growing number of reviewers for their commitment to this academic pursuit. Your objective evaluation of the papers is well appreciated by the authors as it improves the quality of their papers. More importantly, your commentaries raise the level of critical discourse that contributes in enhancing the credibility, impact, and reputation of the DLSU B&ER as a regional journal of significance in commerce and economy.

Lastly, my heartfelt thanks to Dr. Marites Tiongco, our Associate Editor and Ms. Daisy Mojares, our Editorial Assistant, for ensuring that we get quality papers, we network with the emerging intellectuals as reviewers, and regularly publish the journal on time. A good journal will ultimately be gauged by the way it is managed. And these formidable women are excellent managers.

Tereso S. Tullao, Jr.
Editor-in-Chief