

# DLSU BUSINESS & ECONOMICS REVIEW

Volume 28 Number 1 • JULY 2018

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**Annual Subscription Rates:** Foreign libraries and institutions: US\$60 (airmail). Individuals: US\$50 (airmail). Philippine domestic subscription rates for libraries and institutions: Php1,800, individuals: Php1,300. Please contact Ms. Joanne Castañares for subscription details: telefax: (632) 523-4281, e-mail: [joanne.castanares@dlsu.edu.ph](mailto:joanne.castanares@dlsu.edu.ph)

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ISSN 0116-7111

Published by De La Salle University Publishing House  
2401 Taft Avenue, Manila, 0922 Philippines  
Telephone: (63 2) 523-4281 / 524-2611 loc 271  
Fax: (63 2) 523-4281  
Email: [dlsupublishinghouse@dlsu.edu.ph](mailto:dlsupublishinghouse@dlsu.edu.ph)  
Website: <http://www.dlsu.edu.ph/offices/publishing-house/default.asp>

*The De La Salle University Publishing House is the publications office of De La Salle University, Manila, Philippines.*

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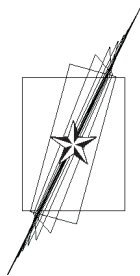
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## From the Editor

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This volume is a collection of research articles in financing and investment decisions, contemporary market strategies, and production and market efficiency. After a decade of the global financial crisis, issues linking financial market development and economic growth continue to gain interests as exemplified in the featured articles of this volume of the DLSU Business and Economics Review.

The first two papers lead intellectual discourse on the impact of financial shocks on economic growth. The paper by **Samsi, Yusuf, and Cheong** on “**The Effect of Global Financial Crisis on ASEAN Growth: Evidence From Stock Market Analysis**” examined the effect of global financial crisis on the variations of economic growth using an economic model that integrated sectoral stock market indices of the stock market, banks and real estate, and macroeconomic indicators in ASEAN-5 countries. It also analyzed the short-and long-term transmission effects of the global financial crisis to the ASEAN-5 countries. One of the key findings suggested that the stock market and banking sector provided the best leading information for economic activity, especially in the ASEAN-5. The study showed that the global financial crisis had an almost instantaneous negative impact on equity markets, particularly in the emerging economies of the ASEAN-5. During periods of slower growth rates, banks were able to continue to lend and capital flows relatively recovered quickly.

Another paper on financial shocks and economic growth is on “**Stability and Resilience of Equity Markets Amidst the 2008 Global Financial Crisis: Islamic Versus Conventional Markets**” by **M. Shabri Abd. Majid**. He examined both Islamic and conventional equity markets in Malaysia, Indonesia, Japan, U.S.A., and U.K. during the 2008 global economic downturn. Results indicate that the Islamic equity markets were more stable and resilient than the conventional equity markets amidst the crisis period. This was because Islamic stocks were characterized to be free from speculation, interest, gambling, and uncertainty. Majid also found that the long run equilibrium relationship only existed among conventional equity markets throughout the crisis period and that the benefits of global investment diversification tended to diminish.

Related to stock market returns and investment decisions is a paper by **Kristine Joy Carpio** on “**On the Existence of Calendar Anomalies and Persistence in the Daily Returns of the PSEi.**” She predicted the future of the local stock market by observing the behavior of the Philippine Stock Exchange index (PSEi) for almost three decades. Carpio noted that most stock market anomalies were present while persistent behavior was hardly observed. Moreover, when day ahead time domain forecasting method was used, daily returns tended to be a stationary series. It is also striking to note that, on average, the best day to trade is on Tuesday and to sell is on Thursday, although the differences of the averages in the first two days are equal, and for the last three trading days is quite small. She indicated that the dataset was quite sensitive that if more values were incorporated, the time series data would behave like a random walk, which means that past trends cannot be used to predict its future movements.

The next papers tackle innovative marketing strategies and market performance. The paper by **Claro Gañac** on “**Investing Consumer Optimum Stimulation Level (OSL) and Exploratory Online Buying Behavior**” attempts to explain the behavior of consumers to engage in buying through the Internet. He integrated the decision-

making process with exploratory buying behavior of consumers buying online. Results of the study showed that OSL traits of variety seeking, sensation seeking, and innovativeness have a significant statistical correlation with actual exploratory consumer behavior. These findings affirmed that exploratory buying behavior is also applicable to online markets. Also, the findings highlight the need to identify other extrinsic factors that can be included in a broader model of online consumer buying behavior such as multiple screen exposure, brand loyalty, word-of-mouth (in certain product and service categories), and the impact of digital influencers, for example, bloggers, in the spectrum of purchase behaviors.

The paper on **“Acculturative Products Uniqueness Antecedence for Successful Marketing Performance”** by **Gita Sugiyarti, Augusty Tae Ferdinand** and **Tatiek Nurhayati** used small and medium enterprises (SMEs) of batik, ceramic, and design interior products to develop and test the effect of market sensing capabilities on marketing performance. The authors incorporated the mediating factor of unique acculturative products as a mediation to improve marketing performance. Results showed that market sensing capabilities have a significant direct relationship on the uniqueness of acculturative products. The study also suggested that in order to improve marketing performance, it is important for SMEs to strengthen their ability to innovate their products by improving and revising the existing products and creating new products to provide satisfaction to customers, and also be technology ready through innovative marketing strategies such as setting up online shop to keep up with the trend.

Still related to marketing strategies are two papers on incentive mechanisms. The paper by **Reynaldo Bautista, Jr.** on **“Dynamics of Social Capital Among Fair Trade and Non-Fair Trade Coffee Farmers”** is about market incentives that would stimulate innovation and increase productivity. Bautista looked at the causal relationship between social capital and market-based incentives. The study used a mix of qualitative and quantitative methods to analyze the impact of fair trade on the dynamics of social capital like networks, trust and solidarity, collective action, social cohesion, and empowerment. Some key findings suggested that fair trade had a positive impact on the perceived economic performance of coffee farmers, which implied that fair trade could be a potential platform to improve farmers’ income through an upgrade in the quality of produce and increase productivity, and hence could contribute to poverty alleviation among coffee producers in the region.

The next paper looked at using financial incentive mechanisms to provide health professionals with the capacity to implement quality healthcare. The research article by **Renz Adrian Calub** on **“Physician Quality and Payment Schemes: A Theoretical and Empirical Analysis”** was an attempt to construct a choice model that determined the relationship of incentive mechanism and physician quality. His key finding was that physicians chose their optimal effort subject to income constraints that were defined by compensation schemes. Relative to fixed payment, fee-for-service and mixed payments yielded stronger incentive for physicians to work harder or provide higher quality healthcare.

Related to capital structure and incentive of ownership is a paper by **Tran Thi Xuan Anh, Le Quoc Tuan,** and **Bui Ngoc Phuong** on the **“Impact of Ownership on Capital Structure: Empirical Evidence from Listed Firms in Vietnam.”** The authors investigated how and to what degree did ownership structure, measured in terms of concentration and type of shareholder in the firm, affects the capital structure and financial decisions. Results showed that there was a stronger positive impact of ownership concentration on the overall capital structure of companies for short-term debt and bank debt compared with long-term debt. Furthermore, the authors also found that that managerial ownership had a non-linear effect on the capital structure of firms listed in Vietnam. The result that the ownership types have no significant effect on the decision of capital structure was expected since most of the listed companies were State enterprises. Thus, the State, being a major shareholder, played a major role in the decision of capital structure. These findings are important as Vietnam transitions itself to a market economy.

Related to capital structure and financial investment decisions is the paper on **“Diffusion of Hong Kong Office Property Prices Across Quality Classes: Ripple Down or Ripple Up?”** by **Ming-Te Lee, Shew-Huei Kuo,** and **Ming-Long Lee** as property prices would affect firm capital structure decisions. They examined the trend properties, cointegration, and diffusion of prices of Hong Kong office properties in three quality classes:



A, B, and C. Results showed that the trends in office property prices are stochastic and demonstrate significant price lead-lag relationships among office property classes. The lead-lag patterns are apparent in both the long run and the short run, which are useful information for financial institutions and investors. In addition, shocks from Class C prices have the strongest and longest-lasting impact on office prices in Hong Kong. The effects of commercial property prices of Class C can ripple out to other classes both in the long run and the short run. Class A's prices can have ripple effects in the short run given that it receives the most media attention. However, shocks from Class C have more prominent and lasting impacts than those from Classes A and B. These findings have implications for government authorities, investors, and financial institutions in terms of policy formation, the timing of office property investments, and the diversification of their office-property-related portfolios. More specifically, the Hong Kong government must identify trend shocks to effectively curb its soaring office property prices, thus, helping businesses.

The last two articles are related to the production process and efficiency. The paper on “**Effect of Institutions on Production Cost Efficiency of Organic Rice Farming in Indonesia**” by **Ignatius Suprih Sudrajat, Endang Siti Rahayu, Supriyadi, and Kusnandar** investigated the effect of institution variables on production cost inefficiency. Results showed that among the four institutional variables measured, the role of farmer groups and agricultural counselors had a significant positive effect on the production cost efficiency of organic rice farming. This implies that group meetings would help reduce production cost inefficiency since it will be a good venue to discuss proper farm management techniques, such as appropriate application of organic fertilizer, tillage practices, efficient irrigation, and good handling practices of harvesting and post-harvest.

To measure the degree of lean adoption in manufacturing companies, **Willy F. Zalatar and Anna Bella D. Siriban-Manalang** developed a composite lean index. Their paper on “**Development of Composite Lean Index (CLI) to Measure Lean Implementation in Philippine Manufacturing Companies**” computed the CLI using quantitative data such as the number of changeover activities analyzed, average production lot size per order, and the number of employees working in teams. The composite index developed resulted to a more accurate measure of leanness since it allowed for a number of performance indicators including process and equipment, manufacturing planning and control, human resources, and supplier and customer relationships process and equipment, manufacturing planning and control, human resources, and supplier and customer relationships. Computing the index every year could assist the firms in monitoring the progress of lean implementation through the years or to benchmark performance with other companies in implementing lean manufacturing.

On behalf of the editorial board of the DLSU B&ER, I would like to extend our gratitude to all contributors for choosing DLSU B&ER as a venue for publishing their research outputs. Our deepest appreciation also goes to the panel of reviewers who have generously volunteered their knowledge and time to provide critiques of manuscripts to enhance the quality of papers submitted for publication in the DLSU B&ER. Most importantly, we would like to thank the professional attitude and hard work of our Editorial Assistant for facilitating feedback to authors and overseeing manuscripts from submission to publication, and ensuring that this volume will be published in a timely manner.

**Marites M. Tiongco**  
*Associate Editor*

