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From the Editor

For several years now the DLSU Business & Economic Review (DLSU B&ER) has been an emerging forum for young scholars in the Asia-Pacific region. They have used it as an avenue in sharing their theoretical perspectives as well as empirical results on the role of business in advancing the economies in the region. This particular volume is no exception. Three major themes are being discussed in several articles in this issue – maintaining the stability of the financial sector, enhancing the performance of small enterprises through entrepreneurship, and the role of marketing in closing the gap between production and distribution processes.

The financial sector has been a major component in the economic progress of individual economies as well as the region as a whole. The role of intermediation between the suppliers of funds, on the one hand, and the users of funds, on the other hand, is crucial in the development of the real sector of the economy. However, beyond financial intermediation one pressing issue confronting the financial sector is how to secure its stability. This is particularly important in the light of the more recent crises that have emerged from unstable financial sectors and have affected various economic sectors nationally, regionally and globally. Thus, policy makers have crafted prudential measures to ensure that any untoward incident that affects banks and other non-bank financial institutions may be contained and prevent its migration to the real sector. Four articles deal with the development and stability of the financial sector.

The article **Macroprudential Regulation in a DSGE Model of the Philippines with Financial-Real Linkages** by Jesson A. Pagaduan and Ruperto P. Maja deals with prudential measures in maintaining financial stability. Using an open economy New Keynesian Dynamic Stochastic General Equilibrium (DSGE) model the authors traced the process of financial intermediation and the implications of prudential regulations of the banking system on the real economy. They have concluded that prudential banking regulations are effective in achieving financial stability, but caution that these measures can also have impact on short term business cycle fluctuations on the real economy. Their conclusion reinforced the need for a balancing act among policy makers in promoting stability and growth in the economy.

A related article on banking by Abdul Rafay and Usman Javed Gilani entitled **Banking Competition and Stability: Evidence from Inter-Continental Markets** estimated the speed of adjustment of the banking sector to its long-run equilibrium. Using the Nerlove (1956) partial adjustment model the authors summarized the speed of attaining long-run equilibrium of the banking sectors in the European Union, United States, Australia and New Zealand. Although there are variations in the speed of adjustment across regions, the authors have concluded that these adjustments are influenced by “profit deviation from the average market profits”.

Still on the financial sector but on the equities market, the article **Day-of-the week effects in the Philippine Stock Exchange: Do they exist amid modernization?** by Cesar C. Rufino and Neriza M. Delfino is an inquiry on the existence of calendar seasonality effect on stock returns. Using state of the art non-parametric procedures the authors have concluded that the returns of stocks traded in the Philippine Stock Exchange in more recent periods are not influenced by day-of-the-week effects. Their conclusion may mitigate the potential challenge caused by seasonality on the weak form market efficiency of the local stock market.

A related article on equity returns, **Audited Quarterly Accounts and Earnings Response Coefficients** by Mazrah Malek, Saidatunur Fauzi Saidin and Mohammad Noor Hisham Osman provided insights on enhancing earnings response of stocks of listed companies in Malaysia. Using OLS regression analysis, the results showed significantly higher earnings response coefficients for listed companies with quarterly audited accounts compared with those without. Although, the authors have found the importance of regular auditor's involvement in enhancing earnings response of stocks in listed companies the effect must be tempered in the light of additional costs of regular auditing of accounts of listed companies.

The second theme deals with the role of entrepreneurship in the development of small and medium enterprises. Many economies in the region including those in the Asean Economic Community (AEC) are pursuing the development of small and medium enterprises (SMEs) as a major avenue for development and regional integration. These SMEs are particularly relevant in pursuing inclusive growth in the light of their significant employment generation with the use of uncomplicated technologies and small financial requirements. However, crucial in the sustainability and development of SMEs is the role of entrepreneurs. Several articles in this volume trace the impact of entrepreneurship on

the performance of small and medium enterprises of selected industries.

The article **Entrepreneurial Motivation and Business Performance of SMEs in the Suci Clothing Center, Bandung, Indonesia** by Senen Machmud and Iwan Sidharta deals with assessing the gap in entrepreneurial motivation. Using multiple regression analysis on the responses of owners of SMEs in a clothing center in Indonesia the authors concluded that entrepreneurial motivation have the "most dominant influential effect" on self efficacy and have partial significant influence on SMEs business performance.

The conclusion in the previous article is reinforced in the article **Market Sensing Capability and SMEs Performance: the Mediating Role of Product Innovativeness Success** by Elia Ardyan. The author tested the effect of market sensing capability, entrepreneurial orientation, and speed to market on the performance of small and medium enterprises. Using structural equation model, the author has concluded that market sensing capability has a significant effect on product innovativeness success, but entrepreneurial orientation has no significant effect on product innovativeness. With the results of the study the discourse on entrepreneurship is expanded since product innovativeness emerges as the major factor on SMEs performance while entrepreneurial orientation can have secondary impact on SMEs performance.

Because of the relative importance of entrepreneurial motivation in the performance of SMEs, the article by Rajib Roy and Niladri Das on **Cultivating Evidence-Based Entrepreneurship Education (EBEE): A Review on Synchronization Process Behind Entrepreneurial Spirit** is relevant as it reviews the existing literature on entrepreneurship education. The authors argue for a need to implement evidence-based modeling since success of SMEs and entrepreneurship is contextual. Thus, any educational program on entrepreneurship may have limited universal application. This means that

researchers should be encouraged to document success stories of entrepreneurs in their localities that can be used as major inputs in crafting entrepreneurship education programs relevant to their environment.

The article on **Principal-Agent Compensation Practices in a Stakeholder-Oriented Smokey Mountain Cooperative** by Paz Esperanza T. Poblador pertains to the role of managers in small cooperatives as human resource managers. Although not an entrepreneur, the manager of a small enterprise like a cooperative has to balance the interests of various stakeholders. Using a survey method the author has evaluated the “effects of profitability, productivity, customer loyalty, and service quality, on compensation”. The author has found out that compensation practices implemented by managers as agents were more associated with increasing profitability instead of “stakeholder values congruent with cooperatives”.

The third theme revolves around marketing. In the light of information asymmetry between buyers and sellers, marketing initiatives have been implemented to narrow, if not close, these information gaps. Aside from addressing information asymmetry between producers and consumers, marketing is also being used as a promotional tool to enhance continued patronage and instill brand loyalty for a particular product or service. These informational and promotional objectives of marketing are answered in the two articles in this volume.

The article **Affective Responses in the Purchase of Consumer Eco Products** by Alma Maria Jennifer A. Gutierrez and Rosemary R. Seva investigates the role of affective attachment to ecological products. Results revealed that participants in the study have more positive feelings/emotions than negative feelings when buying eco-products while respondents have indifferent feelings/emotions on non-eco products. Because of this result, the authors have recommended the incorporation of ecological

components in the design of consumer products. More than narrowing the informational gap, the conclusion may imply the promotional qualities of ecological products. However, positive feelings may not translate to repeat purchase and the development of brand loyalty. This is an interesting research gap that should be answered by succeeding investigators.

The article **Toward a Model of Traditional Retailers and Sellers Empowerment in Improving Competitiveness Against Modern Markets in Banyumas Region, Indonesia** by Eko Suyono, Omar Al Farooque and Riswan provides insights on how traditional retailers and sellers are adjusting to competition posed by modern counterparts. Given the problems faced by traditional retailers the authors calls for support from government, business associations and community to empower these retailers and enhance their competitiveness. Moreover, the study provides an alternative model on how to optimize the potentials of traditional retailers and seller in the face of competition in a modern market environment.

The last article is on **A DEA-based Performance Measurement Mathematical Model and Software Application System Applied to Public Hospitals in the Philippines** written by Richard C. Li, Jazmin C. Tangsoc, Solomon L. See, Victor John M. Cantor, Martha Lauren L. Tan, Rachele Joy S. Yu does not fit into the three major themes discussed above. However, the article is significant in the sense that it provides an alternative methodology in addressing various data problems confronted by researchers. Given these several data inadequacies, the author used Linear Programming (LP) method and Data Envelopment Analysis (DEA) to develop a performance measurement procedure as well as a reallocation software and applied them to a number of public hospitals in the National Capital Region (NCR) in the Philippines.

Consistent with the thrust of the DLSU B&ER of providing a venue for theoretical and empirical

research the articles in this issue are expanding and hopefully deepening the regional discourse on the role of business and other economic sectors in the development process. We thank the authors for their contributions and also the numerous external reviewers who have patiently critiqued these articles to meet the standards that DLSU B&ER has set. As a regional journal in business and economics, we would like to thank the contributors from all over the region for their continuing interest in the journal. We are happy to note that we don't need to issue a call for papers for the more recent issues of the journal. We appreciate the significant contributions that these scholars in raising the awareness and presenting empirical evidence on the role of business and economy in the development process of the region.

Lastly, I would to thank Marites Tiongco, Associate Editor and Daisy Mojares, Editorial Assistant of the DLSU Business & Economics Review for their efficient management of the flows of articles that are regularly submitted to our journal. These two formidable women ensure that DLSU B&ER publishes quality articles that are released on time that in turn further enhance the reputation of DLSU B&ER as journal of note in the region.

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