EDITORIAL: New scenarios, growth paths and opportunities of emerging markets

Dear readers!

We are pleased to present the first issue of the journal *Corporate and Business Strategy Review* in 2022.

The recent global financial crises, as well as the spread of the COVID-19 pandemic, have made it necessary to rethink the basic principles of financial regulation. Nonetheless, financial development remains as strong as ever in emerging markets, although the focus is more on basic elements such as strengthening banking systems and widening the scope of the formal financial system, rather than sophisticated instruments and innovations.

In the last two decades, emerging markets have increased their role in the world economy (Ararat, Claessens, & Burcin Yurtoglu, 2020). Remarkably, emerging market financial systems have in general proved to be more robust and less affected by the global turmoil compared to their advanced economy counterparts (Kawai & Prasad, 2011). Recent financial crises have highlighted the need to strengthen financial systems to make them even more resilient to internal and external shocks, and emerging markets face major challenges in stabilizing their financial systems in front of imbalances and turbulence as they attempt to pursue sustainable high-growth paths.

Financial inclusion is a critical part of the financial development agenda for emerging markets. A significant fraction of the population in these countries lacks access to the formal financial system. This affects economic growth and welfare by limiting access to credit (for households and entrepreneurs), sharing risks, and diversifying financial savings (Rai, Ananth, & Mor, 2011). The new paradigms for financial development will need to be appropriately reformulated for emerging markets, which have several different institutional and capacity constraints. Low-income countries, where the breadth of formal financial systems is severely limited, pose an even wider range of conceptual and practical challenges.

Accompanying this financial development, also research on corporate governance in emerging markets has expanded rapidly, together with increasing recognition of its importance globally. At the firm level, the importance of corporate governance for access to financing, cost of capital, valuation, performance, and transparency has been documented for many countries using various methodologies, with better corporate governance, among other factors, leading to higher returns on equity and greater efficiency (Claessens & Burcin Yurtoglu, 2013). Notoriously, the issue of corporate governance is traditionally placed in a particularly interesting position in the theoretical domain of business economics, as it relates to the definition of causal variables that impact financial and economic performance such as, among others, the rules of behavior, the method of management of the organizational structure and relations between the various stakeholders. As proof of the importance of corporate governance in the field of economic and business studies, there is the growing interest that the topic has aroused in managers, also fueled by the proliferation of complex phenomena such as the globalization of markets, the growing financialization of the economy, the competition of companies and, in particular, the integration of emerging markets into global trade and finance networks.

The papers of this issue provide new insights and findings on financial systems, corporate governance, and new paradigms for the development of emerging markets.

Shariffah Hazirah S. Jainal Abidin, Suhaily Hasnan, Marziana Madah Marzuki, and *Alfiatul Rohmah Mohamed Hussain*'s work highlights the factors that lead to the occurrence of a liquid market in emerging countries. In line with a previous study conducted by Ding, Ni, and Zhong (2016), this study argues that firms are motivated to have liquid stock to enable them to raise funds at a lower cost, so as to exploit growth opportunities. In particular, the authors show that several factors have a significant relationship with the liquidity of the stock market, such as ownership concentration, foreign intermediaries, corporate governance, CSR, monetary policy, and global risk aversion.

Mohammad Salem Oudat's study aims to provide new evidence on the impact of COVID-19 on the financial market in one of the emerging markets (Bahrain) by analyzing the impact on both Bahrain all-share index (BASI) and the Bahrain Islamic Index (BII), during a peak period for COVID-19 in Bahrain. The study found that both indexes and daily retrieved cases exhibit a favorable correlation during the research period. Additionally, the analysis concluded that both indexes are roughly moving in the same way in reaction to the present epidemic.

May M. Fahmy and *Nada E. Ragab* demonstrate the ability of electronic word-of-mouth (eWOM) as a participatory web tool that enables enterprises to achieve profitable growth, resilience, business sustainability, and competitiveness, through developing operational strategy. The authors argue that firms must pay the highest attention to online reviews and comments on social media to enhance the brand's image and reach the highest potential. Furthermore, this study suggests that enterprises wanting to achieve strategic competitiveness must integrate social media into their marketing mix which would generate positive eWOM.

Nazmi Iballi, Liza Alili Sulejmani, and *Donat Rexha* conducted a study to investigate the effect of financial transparency as an important determinant of the level of financial constraints of the SMEs in the Western Balkan countries: Albania, Bosnia and Herzegovina, the Republic of Kosovo, Montenegro, North Macedonia, and Serbia. The authors argue that financial transparency is very important for creditors and investors to make their decisions regarding granting loans and providing finance for investments highlighting the need for the policymakers to address the potential reforms in achieving better financial and accounting regulations, efficient governance, and enforcing international accounting standards in emerging markets.

Rattaphong Sonsuphap shifts the focus on the illegal economy in Thailand and the relationship between money laundering and the three forms of the illegal economy (drugs, gambling, and corruption) according to McDonald (1984) and Piriyarangsan (2005), who categorized the outlaw economy according to their roles and functions in society. The author argues that Thailand's economy and reputation have been negatively impacted by an illegal economy for several decades and if these issues are resolved, Thailand may have a stronger economy and a better international reputation.

Sami Al Kharusi, Sree Rama Murthy Y., and *Alya Al Foori* aim to examine the performance and profitability of six local commercial banks in Oman using financial ratio analysis. The purposes of the research are to understand the differences in the financial performance of banks using ratios covering all aspects of performance beyond profitability and to check if the COVID-19 pandemic has resulted in a downfall in the performance of banks. The finding of this study demonstrates that given the recent challenges of COVID-19 and the economic and financial constraints, local banks could prosper when local banks in Oman remain resilient and is incorporated into effective policies financially.

Rasha Elbolok, Sara Elghateet, and *Engy ElHawary*'s work examines the impact of applying high-quality standards (IFRS) on earnings quality as a part of accounting information used by investors as an indicator of a company's performance and future cash flows and its implications on stock price volatility. In particular, this study aims to investigate how the new modifications of the Egyptian Accounting Standards affect the market volatility and earnings quality in such a developing country. The major findings of this study show that there is a significant negative impact of IFRS adoption on earnings quality, which is in line with Ahmed, Neel, and Wang (2013), Mahmoud (2018) in Egypt, and Osinubi (2020) in Nigeria. This paper provides a contribution to the previous literature by Iyer and Chakravarthy (2022), Ballas, Garefalakis, Lemonakis, and Balla (2019).

Amrie Firmansyah, Arditiya Fadlil, Suparna Wijaya, Ferry Irawan, Puji Wibowo, and *Azas Mabrur* deal with the effect of tax avoidance and derivative instruments on the value relevance of comprehensive income of non-financial companies listed on the Indonesia Stock Exchange (IDX). The authors argue that value relevance is more stable using the information on equity's book value than comprehensive income and net income and that tax avoidance can be considered one of the managers' strategies in supporting the positive response of investors.

Florije Miftari tries to reduce the gap existing in the literature by analyzing the relationship between public debt and economic growth for 16 emerging and developing upper-middle-income European countries for the period 2000–2020. The results of this study are in line with the empirical conclusions of most authors that a high level of debt slows down economic growth and that emerging economies have a lower threshold of positive debt impact than developed economies. Moreover, the findings of this study contribute to the literature regarding the public debt ratio and economic growth in emerging markets.

Blerta Haliti Baruti's work aims to understand the development and the role of the insurance industry in the development of the economic and financial systems in emerging markets with a special emphasis on Kosovo. This study highlights the need to implement incentives for insurance development because, according to the results, insurance has a positive impact and has an important role in increasing the economic activity of emerging markets. Furthermore, the author argues that it is essential that the relevant institutions advance techniques for risk management, implement institutional improvements to contribute to strengthening competition, enhance marketing efforts to increase citizens' awareness of new products, and create new distribution channels.

Thanya Duangthong and *Theerayuth Boonmee* conduct a study to evaluate the policies governing electronic waste (e-waste) management in Thailand, as well as the political interactions between interest groups that impact the country's e-waste management policies since e-waste management in Thailand continues to be a challenge as there are no procedures to regulate it from the manufacturing process to the return of electrical and electronic items. To achieve this aim, the relationship between interest groups and policy in Thailand's e-waste management was investigated using qualitative methodologies, an in-depth interview, and documentary research. The findings highlight that the current e-waste management bill may be advantageous to all sectors since it offers realistic rules and effective mechanisms for e-waste management.

Retnoningrum Hidayah, Dhini Suryandari, Trisni Suryarini, Sukirman, Ima Nur Kayati, Rahayu Dinassari, and *Fian Tri Rohmah*'s study aims to examine the role of firm size on the relationship between the type of industry and the audit committee on environmental performance. In particular, the analysis was conducted using descriptive analysis and ordinal regression on a sample of companies listed on the Indonesia Stock

Exchange and participated in PROPER in 2017–2019. The results show that the type of industry and the audit committee have a significant positive effect on environmental performance, even if the firm size cannot moderate the effect of audit committee activities on environmental performance. This study contributes to the previous literature by Prasad, Nandan, and Sharma (2022), Kostyuk, Braendle, and Capizzi (2017).

Deepika Gaur and *Paul Katuse*'s study investigates the dimensions of interpersonal needs and aspects of leadership behaviour. To conduct the analysis, the study uses a standardized fundamental interpersonal relations orientation-behaviour (FIRO-B) and situational leadership questionnaire. The specific objectives were to find out how directing relates to FIRO-B parameters, to establish the relationship between coaching and FIRO-B parameters, to find out how supporting relates to FIRO-B parameters and to establish how delegating is related to FIRO-B parameters. The results show that different leadership dimensions correlate with FIRO-B elements at different levels.

Ra'ad Ra'id Ibrahim Al Husban, Ghassan Falah Al-Matarneh, Ezzat Ghaidan, and *Ahmad Abed Alla Alhusban* aim to identify the effect of the rules of professional conduct on the quality of financial reports compiled on behalf of Jordanian industrial shareholding companies, as well as identify the effect of the quality of external audit as a modified variable in the relationship between the rules of professional conduct and the quality of financial reports in Jordanian industrial shareholding companies. The primary source of data is a questionnaire, and the study population consists of 402 Jordanian legal accountants practicing within the auditing profession according to the Jordanian Certified Public Accountants Association. The results show a strong relationship between the application of the rules of professional conduct and the quality of external auditing from the point of view of external auditors in Jordanian industrial shareholding companies.

All the papers presented here are a result of the fruitful work of the authors and the editorial board. Their current findings will support researchers with new ideas for future research. We hope that you will enjoy reading this issue of our journal.

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