

Editorial: 61st issue of the *Journal of Economics, Finance and Administrative Science*

Welcome to the 61st issue of the *Journal of Economics, Finance and Administrative Science (JEFAS)*. This issue continues our tradition of presenting rigorous, double-blind peer-reviewed research that joins academic excellence with practical application. The following papers address critical gaps in our understanding of financial decision-making, from the psychological biases of entrepreneurs and the capital adjustment dynamics of credit unions to the transmission mechanisms of monetary policy while also exploring option valuation under risk preferences and the strategic role of environmental management in emerging markets. Together, these contributions provide valuable insights for researchers, practitioners, and policymakers alike.

In their study, [Mongrut et al. \(2026\)](#) develop a theoretical framework to examine how overconfidence bias influences entrepreneurs' required rates of return. Departing from purely empirical approaches, the authors derive mathematical expressions using a hyperbolic absolute risk aversion (HARA) utility function with an ego component. Their simulations reveal important differences: confident entrepreneurs without overconfidence require average annual returns of 76.49%, those with moderate overconfidence require 20.80% and excessively overconfident entrepreneurs require only 1.77%. The findings demonstrate that moderate overconfidence can help entrepreneurs overcome fear of failure and properly assess business risk, whereas excessive overconfidence leads to systematic underestimation of startup risk and may precipitate bankruptcy. This research represents the first theoretical mapping of overconfidence onto required returns, opening fruitful avenues for behavioral entrepreneurial finance.

[Zancan and Moraes \(2026\)](#) analyze how Brazilian credit unions adjust their capital ratios under Basel III regulations, applying a systemic generalized method of moments (GMM-Sys) to 704 individual credit unions from 2014 to 2022. The results indicate that credit unions adjust their Basel ratio (regulatory capital) more quickly (23.3%) than their leverage ratio (21.9%), with half-lives of 2 years and 6 months versus 2 years and 8 months, respectively. Size significantly influences adjustment speed: larger credit unions demonstrate greater flexibility in adjusting leverage ratios (42.3%), while smaller ones adjust more slowly to the Basel ratio (18.1%). During economic crises, the speed of adjustment for the Basel ratio increases, likely due to more rigorous supervisory scrutiny and stakeholder expectations. These findings provide regulators with critical insights for designing differentiated capital policies based on institutional size and economic conditions.

[Bendezu and Rodriguez \(2026\)](#) evaluate how monetary policy rates influence bank lending rates in Peru from September 2010 to August 2022, employing the Bai and Perron (1998, 2003) methodology to account for structural changes. Using bank-level data across five loan segments – corporate, large, medium, small and microenterprise – the study reveals a heterogeneous and time-varying pass-through effect. Following the third quarter of 2019, median short-run pass-through coefficients reached 0.55 and long-run coefficients reached 0.87 for corporate, large and medium firms. However, small enterprises showed reduced pass-through (0.22 and 0.43), while microenterprises exhibited significantly higher coefficients (0.80 and 2.02). The introduction of COVID-19 dummy variables proved essential to reduce estimation bias, as confirmed by simulation exercises. Larger banks demonstrated higher rate responsiveness, particularly during periods of significant monetary policy changes.

[Neeraj and Trofimov \(2026\)](#) analyze the effects of currency depreciation and volatility on Japan's services trade balance and trade partner composition over the 2006–2023 period.



Applying linear and nonlinear autoregressive distributed lag (ARDL and NARDL) models alongside correlation analysis, the study finds weak evidence of J-curve and S-curve effects across most service categories (construction, financial services, intellectual property charges, other business services, telecommunications and transport), with limited asymmetry between appreciation and depreciation responses. Exchange rate volatility exerts negligible effects on trade balance except in telecommunications. Trade partner concentration ratios remain stable over time, and rank dynamics show slow adjustment. The authors explain these findings through the specific nature of services trade (where non-price factors dominate), competitive processes in Japan (oligopolistic structures, long-range planning and employment preservation over price adjustment) and the macroeconomic policies of the Abenomics era, where cross-border production networks weakened the link between yen depreciation and export competitiveness. The study suggests that exchange rate policy plays a limited role in correcting services imbalances, advocating instead for sector-specific competitiveness-enhancing policies.

Miyan *et al.* (2026) examine the role of green finance and green innovation in advancing environmental sustainability across seven South American countries from 2000 to 2020. Employing the method of moments quantile regression (MMQR) alongside robustness checks (bootstrap quantile regression, feasible generalized least squares and panel-corrected standard errors), the study reveals that green finance significantly reduces CO₂ emissions across all quantiles, with stronger effects at higher emission levels. However, green innovation shows a positive association with emissions at higher quantiles, suggesting rebound effects where efficiency gains lead to increased consumption. Renewable energy decreases emissions, while non-renewable energy, globalization, population growth and economic growth contribute to environmental degradation, with no evidence supporting the Environmental Kuznets Curve hypothesis. Dumitrescu–Hurlin causality tests reveal bidirectional causality between CO₂ and GDP, non-renewable energy and population and unidirectional causality from CO₂ to green finance, green innovation and renewable energy. The findings urge policymakers to promote accessible green finance, enhance innovation efficiency and invest in renewable energy infrastructure.

Pareja-Vasseur *et al.* (2026) develop a comprehensive discrete numerical model for option valuation that explicitly incorporates investor risk preferences, moving beyond the traditional risk-neutral paradigm. By embedding a constant relative risk aversion (CRRA) utility specification into a multiplicative binomial recombination tree (MBRT), the authors demonstrate how variations in the relative risk aversion coefficient shape option values for European, American and Bermudan options. Their key finding reveals that risk-loving investors systematically assign higher premiums to options, particularly as volatility, maturity or out-of-the-moneyness increases, while risk-averse investors discount option values due to heightened sensitivity to potential losses. The model, validated against a modified least squares Monte Carlo (LSM) approach, offers a flexible tool for portfolio managers and traders by aligning valuations with observed market behavior. The authors acknowledge limitations, including computational complexity and the absence of a closed-form solution and propose future research integrating Epstein-Zin preferences or machine learning techniques for empirical calibration.

Núñez *et al.* (2026) investigate the mediating role of innovation output in the relationship between green management and the performance of manufacturing small and medium-sized enterprises (SMEs) in Latin America. Using a dataset of 3,966 manufacturing SMEs and employing partial least squares structural equation modeling (PLS-SEM), the study finds that green management practices – such as environmental criteria in supplier selection, energy and water management and waste reduction – have a positive and significant direct effect on firm performance. Crucially, the results confirm that innovation output (changes or improvements to products, processes and equipment) partially mediates this relationship, acting as a strategic channel that transforms environmental efforts into competitive advantages. While the mediating effect

is significant, its modest intensity suggests that contextual factors, such as institutional instability or financial constraints common in Latin America, may limit the immediate benefits. The study provides actionable insights for SME executives and policymakers, advocating for financial and tax subsidies to promote green innovation as a driver of both sustainability and profitability.

[Yaman and Lozano \(2026\)](#) investigate how agency costs and country-level shareholder protection shape cash-holding policies in family firms. Using a sample of 2,159 European firms from 2010 to 2019 and estimating via the generalized method of moments, the authors find that agency costs exert a stronger influence than low shareholder protection on corporate liquidity decisions. Family firms hold more cash than nonfamily firms due to the absence of Type 1 agency conflicts (between owners and managers). Within family firms, those with a dominant shareholder hold more cash than those without, reflecting Type 2 agency problems (majority vs. minority shareholders). Young family firms also accumulate more cash than older ones. While firms in low-shareholder-protection countries hold more cash overall, this institutional effect does not override the impact of ownership structure. The study advances the literature by demonstrating that agency costs – particularly those arising from ownership-control structures – are primary determinants of cash holdings, with direct implications for policymakers seeking to design legal reforms that enhance transparency and protect minority shareholders.

[Berggrun et al. \(2026\)](#) analyze long-term return reversal in Latin American industry portfolios, examining both inter-industry (across industries) and intra-industry (within industries) contrarian strategies. Using data from 665 equities across ten industries from July 2001 to June 2024 and employing portfolio simulation approaches with rigorous multiple hypothesis testing adjustments (Benjamini-Yekutieli and Holm corrections), the study finds no evidence that loser industries outperform winner industries across 24 different formation-holding period combinations. This absence of reversal holds across value-weighted and equal-weighted portfolios, in both Brazil and the Latin American Integrated Market (MILA), before and after the 2008 global financial crisis and within segments defined by industry size and stock size. The results indicate that investors in Latin American industries would have been unable to profit from exploiting return reversion, a finding consistent with weak-form market efficiency at the industry level in the region. The study contributes original out-of-sample evidence from an often-overlooked market and highlights the importance of addressing multiple hypothesis testing – a methodological concern frequently neglected in the existing literature.

[Rios et al. \(2026\)](#) investigate the relationship between progress toward the Sustainable Development Goals (SDGs) and government financial sustainability, as measured by public debt. Using a balanced panel of 145 countries from 2016 to 2023 and estimating a dynamic model via the two-step system generalized method of moments (GMM), the study reveals a significant and positive association between SDG performance and general government gross debt as a percentage of GDP. A 10-point increase in a country's SDG Index score is associated with approximately a 0.94-percentage-point rise in its debt-to-GDP ratio. Robustness checks – including alternative specifications, fixed-effects estimation, replacement of gross debt with net debt and subsample analyses – confirm this finding. Notably, the effect is positive and significant only for non-OECD countries, while OECD members show no significant relationship. The study provides among the first empirical evidence that financing the 2030 Agenda may carry substantial fiscal consequences, particularly for less developed economies. The findings underscore the need for strategic fiscal frameworks that align SDG investments with long-term debt sustainability, including enhanced domestic revenue mobilization, innovative financing instruments such as SDG-linked bonds and stronger fiscal governance mechanisms.

These papers advance the theoretical and practical frontiers of economics and finance, and we anticipate these contributions will generate a robust global dialog among all those dedicated to advancing knowledge in our field.

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