The aim of the Journal of CENTRUM Cathedra (JCC): The Business and Economics Research Journal is to become an evergreen, favorable journal through disseminating high quality scholarly research articles to the pool of knowledge seekers in the field of business and economics; as well as play a vital role as a medium of exchange for transmitting and simulating the frontiers of thought and enhancing business and economics research between Latin American and non-Latin American countries with its well-balanced research framework.

This issue of the Journal of CENTRUM Cathedra (JCC): The Business and Economics Research Journal, includes seven research articles by authors from Mexico, Peru, Spain, Turkey, the United Kingdom, and the United States of America and spans a spectrum of research areas such as banking, microfinance, monetary policy, productivity and efficiency, public pension governance and portfolio management, trade expansion, and entrepreneurship. This issue of the journal, like its earlier issues, upholds its aim.

Reserve requirements play an important role as a defense against crises or negative aggregate shocks, especially for developing countries. In addition, reserve requirements can serve as a preventive measure against potential distortions in the financial system. Reserve requirements can complement and strengthen monetary policy schemes of the central banks that use short-term interest rates as the operating target. In “The Evolving Role of Reserve Requirements in Monetary Policy,” César Carrera reviewed the literature about reserve requirements over the last 30 years. The author discussed different modeling approaches in which reserve requirements can affect the banking system, improve monetary policy decisions, and help achieve a central bank’s macroeconomic objectives.

In the late 1980s, Latin America experienced financial liberalization in the banking sector, an action intended to improve banking efficiency. Evidence, however, shows that financial liberalization did not have the expected outcome. It developed neither an effective regulatory and normative framework nor nurtured effective monitoring of Latin American banking systems. In “Efficiency Determinants and Dynamic Efficiency Changes in Latin American Banking Industries,” Benito Sanchez, M. Kabir Hassan, and James R. Bartkus estimated and compared the efficiency and productivity of seven Latin American countries during the period 1997-2007 by means of data envelopment analysis. The results revealed that most Latin American countries confront either a regulatory framework that provides disincentives for economic efficiency or an unhealthy economic environment that forces managers to choose a suboptimal mix of inputs and banking services.

The performance of a bank can be revealed through many financial and profitability indicators; however, when reflecting on profitability, one should include in the analysis the risk associated with profitability indicators. A bank with continuously low risk efficiency should revise its position in order to either increase its profitability or decrease its risk level. Benchmarking banks with risk efficiency may provide an additional risk management approach because it allows management to identify the strengths and weaknesses and adopt potential improvements. In “Evaluating the Efficiency of Turkish Banks: A Risk and Profitability Approach,” Mehmet H. Eken and Süleyman Kale benchmarked the performance of 20 Turkish commercial banks in comparison to their risk-taking preferences under four different models with data envelopment analysis to evaluate whether the risks were reasonably priced. Results indicated that the profitability of banks does not necessarily parallel their risk-taking preferences.

It is believed generally that the high interest rates microfinance institutions charge reduce the effect of their financing. In “The Lending Interest Rates in the Microfinance Sector: Searching for its Determinants,” Pablo Cotler and Deyanira Almazan found that the lending interest rate is determined by the funding cost, the loan size, and the efficiency of the microfinance institutions. Data from 1299 microfinance institutions located in 84 countries throughout Africa, Asia, and Latin America for the period 2000 to 2008 were analyzed. Methods to reduce interest rates were also analyzed. The topic has potent social and economic relevance because microfinance institutions not only contribute to reducing poverty but also diminish inequality.

The governance and performance of public pensions is becoming one of the most significant issues in American public policy. The paper entitled “Public Pension Governance and Asset Allocation,” by Matt Dobra and Bruce H. Lubich, is focused on public policy implications beyond the United States of America. The authors make two main contributions: They qualify prior assertions in the literature that asset allocation is the primary determinant of investment returns, and they present evidence to show pension board allocation may have an effect on portfolio risk. The authors argue that governance influences investment decisions and
the risk profiles of public sector pension systems, creating the potential for agency problems to exist between decision makers, plan members, and taxpayers.

Market liberalization reforms include a wide variety of economic policies; however, the majority of research studies on the subject have been focused on the welfare effects brought about by trade policy. Motivated by the growing concern about the microeconomic effects of market-oriented reforms, the paper entitled “The Effects of Trade Expansion: Poverty and Inequality in Post-NAFTA Mexico,” by Rafael E. De Hoyos contributes to the ongoing trade-welfare debate by implementing a novel microeconomic technique to test NAFTA’s influence on Mexican household welfare using survey data for the years 1994 to 2000. De Hoyos developed an income-generating model, used to parameterize household incomes, described the microsimulation principles, and presented some macroeconomics trends for Mexico during the period 1994-2000, followed by the estimation results. The author concluded, given the present economic conditions in Mexico, that NAFTA does not represent a long-term development policy and that Mexico should enhance its sustainable competitiveness through an increase in productivity.

Intensive debate over the skills that an entrepreneur needs to be successful is apparent in contemporary business circles. In the final contribution, “Entrepreneurial Skills, Significant Differences between Serbian and German Entrepreneurs,” Carlos Morales and Percy S. Marquina performed an extensive literature review and then analyzed the level of development of entrepreneurial skills for potential entrepreneurs and the significant differences in skill sets across two countries, namely, Serbia and Germany. The findings suggest that entrepreneurial skills are perceived differently in different countries, and that tolerance to stress plays an important role in explaining the variance in the development of entrepreneurial skills in the two countries analyzed.

The many academics and researchers who contributed articles and the experts within the field who reviewed the articles have made this issue of the journal possible. We thank you. We further extend our gratitude to the administrative and editorial staff of the JCC: The Business and Economics Research Journal, CENGAGE Learning, and Language Online. Special recognition goes to Professor Fernando D’Alessio, the Director General of CENTRUM Católica, and Professor Beatrice Avolio, the Deputy Director General of CENTRUM Católica, for their extended support.

The articles published in this issue of the JCC: The Business and Economics Research Journal should be of considerable interest. We wish you, our readers, informative reading.

Vincent Charles