

# BULLETIN OF MONETARY ECONOMICS AND BANKING

Volume 23, 13<sup>th</sup> BMEB Call for Papers Special Issue (2020)



BANK INDONESIA

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# EDITORIAL

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## The 13<sup>th</sup> BMEB International Conference Special Issue

*Paresh Kumar Narayan* (Centre for Financial Econometrics, Deakin Business School, Deakin University, Melbourne, Australia)

The 13<sup>th</sup> BMEB international conference was held in Bali (August 2019). The conference marks the annual conference of the journal, positioning it as the premier conference in business and economics in Indonesia. The regional and global appeal of the BMEB conference has grown rapidly, reflected in the number and quality of submissions. A total of 433 submissions to the conference were received. These submissions came from 40 different countries, with a total of 253 international paper submissions, reflecting the global appeal of the conference. Of the international papers presented at the conference, I chose seven papers that I believe brings certain uniqueness not only to the issues domestically in Indonesia but also global issues which are important for us to debate and publish in BMEB. These seven papers have undergone a rigorous review process. First, they were read by me and authors revised in response to my comments. Second, each paper was presented at a BMEB special session during the conference and each paper had a discussant. The discussant report was then used to revise the papers further before they were submitted to BMEB. Third, upon submission to BMEB, each paper was reviewed by two expert reviewers, leading to a third round of revisions. The papers were then accepted following this process.

The coverage of the special issue is broad and is intentionally kept that way to have greater visibility and impact. The first paper by Deepa Bannigidadmath is about Indonesia's stock returns and how consumer sentiments influence returns. The evidence points towards the importance of consumer sentiment but only for a few industries. This has implications for investors in terms devising their portfolios. Overall, consumer sentiments in light of recent global events such as the COVID-19 are important for how stock markets react. This paper is therefore timely in what it does and what it finds.

The second paper by Hong Chen, Shamal Chand and Baljeet Singh examines the effect of remittances on private sector credit for Pacific Island Countries (PICs), exploring this relation from within a large sample of developing countries. They show that remittances have a much more important role in influencing private sector credit in PICs compared to other developing countries. This paper is useful because remittances have been a global phenomenon often seen as contributing to consumption. That it is seen as contributing to economic growth for PICs where remittances can be considered as an alternative source of foreign exchange will add to the value of remittances for developing countries such as the PICs.

The third paper is on the housing market, covering Indonesia and Brazil, two of the emerging markets where property prices have risen over the last decade or so. Huson Ali Ahmed shows that improved income expectations have fueled rising property prices. This paper is important because property market has been one of the more attractive investment assets in the emerging markets over the last decade or so. The middle class in emerging markets has grown both population wise and wealth wise. Growing income expectations, therefore, as this paper finds, has been an instrumental factor in rising property prices.

The fourth paper is equally topical. Chun-Ping Chang and Wan-Li Wang analyze the effect of natural disasters on financial risks for a global sample of 136 countries. They show the dynamic effects of disasters on risk, that the effect is long term and that it affects financial risks of high-income countries relatively more. This study is important because the incidence of natural disasters has increased and so has all types of risks (from financial to health risks).

The fifth paper by Mohsin Ali and Mudeer Ahmed Khattak investigates Indonesia's bank performance and shows that when it comes to non intermediation income and its effect on bank performance there is no difference between Islamic and conventional banks. This is an important study which adds to a rather voluminous literature on Islamic bank performance (for a survey, see Narayan and Phan, 2019).

The sixth paper by Keshmeer Makun and T K Jayaraman examines the impact of information and communications technology (ICT) on economic growth for PICs. They identify an influential role for ICT in economic growth. This paper is important because for long it has been argued that ICT development in PICs lags behind those of developed countries. An equally important concern has been lack of access to ICT and the high costs associated in accessing ICT. That ICT contributes to economic growth implies that those concerns with ICT are no longer issues for debate.

The last paper by Zhichao Yin, Lei Meng and Yezhou Sha explores the determinants of agricultural loan default for Chinese state-owned banks. They find that the default rate on agriculture-related loans is significantly higher than non-agricultural loans. From a banking system sustainability point of view this paper enters the debate nicely showing the default nature of agriculture-based loans.

This special issue connects with multiple literatures and carries important messages. The finding that consumer sentiments influence Indonesia's stock return predictability complements Sharma et al. (2019). On the international literature on stock return predictability it connects to studies such as Bannigidadmth and Narayan (2016) Devpura et al. (2018, 2019), Narayan and Bannigidadmth (2015, 2017), Narayan and Gupta (2015), Narayan et al. (2017), Narayan et al. (2016), and more closely resembles the idea in Narayan (2019).

Mohsin Ali and Mudeer Ahmed Khattak's work questions a large body of earlier literature arguing that Islamic banks are more efficient and profitable compared to conventional banks; see Narayan and Phan (2019) too.

The last two papers on PICs emphasize the need for greater empirical research on small island states in understanding key issues, such as the role of remittances and ICT developments, on economic growth. The results tend to shed light on the importance of remittances and ICT development for growth and development of small states and perhaps dispels the notion that access to ICT is costly in small states.

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