
Guest editorial: Maintaining stability amidst global uncertainties (Part I)

Guest editorial

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This special issue of the *Studies in Economics and Finance* (SEF) consists of papers presented at the 15th and 16th Bulletin of Monetary Economics and Banking (BMEB) international conference – an international conference of the central bank of Indonesia – namely, Bank Indonesia. The BMEB conference is the most popular central bank conference in the region and annually attracts over 400 submissions.

SEF is pleased to be associated with this regional conference from where selected papers are invited for submission to SEF. These papers went through multiple rounds of review and, hence, enhancement. Two stages are noteworthy. Firstly, each paper presented at the BMEB conference has an assigned expert discussant. This discussant report is comprehensive. Post-conference, authors are given four weeks to revise their papers. Post-revision, these papers are read by me for suitability for submission to SEF. Where papers are found suitable, they are officially submitted to SEF where those papers undergo double blind review. In other words, two reviewers of SEF read the paper, providing additional feedback. At this stage, papers are either rejected or invited for further revisions. Post-revisions, the accepted papers make up this special issue.

Because the BMEB conference theme is broad so are the papers included here. This diversity is considered important given the growing regional role played by the BMEB conference as the leading platform for applied economics researchers to connect and contribute to regional and global policy discourse. The first paper by Syahfitri and Risfandy, for instance, investigates the effect of female directors on dividend policy of ASEAN banks. They find that while female directors tend to pay higher dividends, their influence on dividend policy is weak in countries with strong institutional environments.

The second paper by Lestari, Ma and Jun tests how bank service expansion (measured by revenue diversification activities and digital strategy) contributes to bank stability in ASEAN countries. They find no role for revenue diversification activities but a strong role for digital facilities. The paper by Yasin and Esquivias examines how, if at all, FDI inflows to Indonesia benefit local firms. They find that FDI spillover effects are beneficial for the export sector only.

The fourth paper by Akram, Singh and Sahoo examines financial integration convergence. They find evidence of convergence clubs for different degrees of financially integrated countries.

In the fifth paper, Sharma, Padhi and Dhal examine the issue of policy coordination or lack of it and attempt to identify the form monetary policy should take. They model these issues using a DSGE model. Several findings emanating from their model will be useful for understanding monetary policy setting and policy coordination issues.

The paper by Ali, Khattak, Khan and Khan revisits the popular decoupling hypothesis and argues that the COVID-19 pandemic has had different effects on the Islamic markets compared to conventional markets of ASEAN. They show that the volatility of Islamic markets is less impacted compared to conventional markets.

The seventh paper by Heriqbaldi, Esquivias, Handoyo, Rifami and Rohmawati examines whether Indonesian cross-border trade responds asymmetrically to exchange rate volatility. They find that exports to five main countries do respond asymmetrically to exchange rate volatility.



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The paper by Sinha, Tirtosuharto, Ray Chaudhury and Basu examines the impact of FDI inflows on employment opportunities in 70 developing countries. The authors find that FDI has positive effects on employment.

The last paper in this issue by Akram takes issue with the state-level disparity in science, technology and environment (STE). He shows that STE does not converge to a single steady state. He identifies three convergence clubs allowing one to draw implications.

This special issue, with its nine papers, has implications for future research. Firstly, there are two papers on convergence clubs. These papers provide an empirical framework for testing convergence to different steady states and identifying convergence clubs. Other policy questions can be framed using the approach in these papers. One such possibility is that convergence clubs can be used as thresholds to understand the impact of policies and or shocks on its performance, such as for instance in the econometric model of [Karavias et al. \(2022\)](#).

Secondly, there are two papers on FDI inflows. FDI is something that was immensely impacted due to the COVID-19 pandemic. These papers, by showing the importance of FDI, beg the question: how best can FDI's be maximized or its effects due to crises be minimized? Policy should focus on this question, given global trade and economic stability implications, as we have seen due to the pandemic. While some research has been done ([Fang et al., 2023](#); [Sharma and Sha, 2020](#)), there is scope for more innovative work.

In addition, one of the papers shows how exports react to exchange rate volatility. The implication is, given that volatility increased due to the pandemic, how does volatility due to the COVID-19 pandemic re-shape exports. While some work on this has been done by [Sharma \(2020\)](#), there is a lot more that we do not yet understand about export recovery in a post-pandemic setting.

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Further reading

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- Phan, D.H.B. and Narayan, P.K. (2020), "Country responses and the reaction of the stock market to COVID-19 – a preliminary exposition", *Emerging Markets Finance and Trade*, Vol. 56 No. 10, pp. 2138-2150, doi: [10.1080/1540496X.2020.1784719](#).