

1-31-2021

MAINTAINING STABILITY, PROMOTING SUSTAINABLE GROWTH AMIDST GLOBAL CHALLENGES

Paresh Kumar Narayan
Monash University, Australia, pareshkn@yahoo.com

Solikin M. Juhro
Bank Indonesia, Indonesia, solikin@bi.go.id

Follow this and additional works at: <https://bulletin.bmeb-bi.org/bmeb>

Recommended Citation

Narayan, Paresh Kumar and Juhro, Solikin M. (2021) "MAINTAINING STABILITY, PROMOTING SUSTAINABLE GROWTH AMIDST GLOBAL CHALLENGES," *Bulletin of Monetary Economics and Banking*: Vol. 24: No. 0, Article 8.

DOI: <https://doi.org/10.21098/bemp.v24i0.1588>

Available at: <https://bulletin.bmeb-bi.org/bmeb/vol24/iss0/8>

This Article is brought to you for free and open access by Bulletin of Monetary Economics and Banking. It has been accepted for inclusion in Bulletin of Monetary Economics and Banking by an authorized editor of Bulletin of Monetary Economics and Banking. For more information, please contact bmebjournal@gmail.com.

EDITORIAL

Maintaining Stability, Promoting Sustainable Growth amidst Global Challenges, The 14th BMEB International Conference Special Issue

Paresh Kumar Narayan (Monash Business School, Monash University) and
Solikin M. Juhro (Head, Bank Indonesia Institute)

The 14th BMEB international conference was held virtually on 27-29 August 2020. The theme of this conference was “*Maintaining Stability, Promoting Sustainable Growth amidst Global Challenges*”. Through this broad theme, and in-light of the ongoing unprecedented global economic challenges posed by the COVID-19 pandemic, this conference encouraged the rethinking of: (i) economic policy priorities amidst the global pandemic; and (ii) the economic policy mix for maintaining stability, sustaining growth, and promoting equitable welfare in the post-pandemic era.

The annual BMEB conference attracts research from all over the world that focus on key macroeconomic/monetary policy and economic growth issues. Over the years the BMEB annual conference has become the premier conference in business and economics in Indonesia. The global popularity of the conference has grown immensely boosted by BMEB’s SCOPUS accreditation in 2019.

The 14th conference received around 250 submissions. These submissions came from 30 different countries, with a total of 146 international paper submissions, reflecting the global appeal of the conference. These high volume of high-quality submissions at the height of the pandemic reflects the global standing of the BMEB annual conference. Of the international papers presented at the conference, we the guest editors chose seven papers that we believe bring diversity on coverage of topics and can inspire more research.

These papers were selected based on the journal’s rigorous review process. First, they were read by the guest editors and authors revised in response to our 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.

In addition to these seven papers, we decided to also publish the keynote speech entitled “*Rethinking Macroeconomy and Central Banking in the New Normal*” given at the conference by the Governor of Bank Indonesia, Dr. Perry Warjiyo. The keynote speech is an important policy document because it discusses key issues for central bank policy mix and maps the potential challenges that the world economy is likely to face in light of the COVID-19 pandemic.

The coverage of the special issue is broad and is intentionally kept that way to have greater visibility and impact with a focus also on issues emanating due to the

COVID-19 pandemic. Following the Governor's keynote speech as the first article, the first academic paper by Chinmaya Behera and Badri Rath is about COVID-19 and the pharmaceutical industry. Against a growing body of literature that shows that COVID-19 has negatively impacted most industries and sectors, Behera and Rath show that stock returns of the Indian pharmaceutical sector were positive during the COVID-19 pandemic.

The second paper by Ali, Anwar and Haseeb is also on COVID-19 but focusses on Islamic and conventional markets using Indonesia as a case study. They find that COVID-19 negatively impacts returns of both Islamic and conventional markets including their volatility. They also show that the Islamic stock market is more volatile compared to the conventional market during the COVID-19 outbreak.

The third paper by Haldar and Sethi also covers COVID-19 but from a different perspective. The authors focus on the 10 worst-hit countries due to COVID-19 and show that in these economies market speculations lead to negative returns and higher volatility in the stock market.

The fourth paper is on Indonesia's banking stability. Khatkhat, Hamid, Islam and Ali examine the impact of competition and portfolio diversification on banking stability for conventional and Islamic banks in Indonesia. They show that the Islamic banking sector is less stable compared to the conventional banking sector and that competition in the banking sector reduces stability, while diversification enhances it. Overall, in their analysis, it is found that competition negatively impacts the Islamic banks, but diversification has no impact on these banks.

The fifth paper by Shamal Chand and Baljeet Singh is about understanding lending-deposit rate behavior in Fiji. Their analysis provides evidence of asymmetric adjustment process in the sectorial lending-deposit rate spread among Fijian commercial banks.

The sixth paper by Charumathi Balakrishnan and Mangaiyarkarasi Thiagarajan develops a credit risk model for Indian debt securities. They show that the model's accuracy can be significantly improved by using machine learning techniques, such as the artificial neural networks, support vector machines and random forest.

The last paper by Tastaftiyan Risfandy, Timotius Radika and Leo Wardhana focusses on women on dual boards, specifically asking whether female presence on firms' board of commissioners and board of directors is associated with a higher dividend policy. Using Indonesia as a case study, they show that female directors are negatively associated with cash dividend payments, while female commissioners are positively associated with dividend payments in the case of only family-controlled firms.

The main highlight of this special issue is the three papers on COVID-19. These papers stand out because they are on the topical issue of the pandemic. Naturally, global research focus has been dominated by the pandemic; see Phan & Narayan (2020) Sharma & Sha (2020); Sha & Sharma (2020) and Yang and Deng (2021). Central banks and policy makers globally have been grappling with innovative policies to counter and mitigate the negative repercussions of the pandemic, which have impacted both exchange rates and oil prices thus impacting domestic prices (see Appiah-Otoo, 2020; Devpura, 2020; Fang and Zhang, 2021; Hoang & Syed, 2021; Lan, Huang & Huang, 2020; Narayan, Devpura and Wang, 2020; and Salisu & Akanni, 2021) .

Given this evolving literature, we are pleased to see that BMEB's special issue is contributing to this policy discussion on COVID-19 and its effects on the financial system. These issues have been well covered by the Governor's speech

including his recommendation for the diversification of the global supply chain amid the pandemic. What is unique in these three papers is that the pharmaceutical industry has been positively impacted while most other sectors seem to have been negatively impacted. The evidence also points to greater financial market volatility (Sharma, 2020; Devpura & Narayan, 2020) and perhaps heterogeneity in the manner in which Islamic markets have been impacted by the pandemic compared to conventional markets. These are preliminary findings at best and, as more data become available, greater effort should be made on cementing the robustness of these outcomes with respect to COVID-19.

Several recent studies have also examined how specific industries have reacted to the pandemic (see He Sun, Zhang, & Li, 2020; He, Niu, Sun, & Li, 2020; Fu & Shen, 2020; Prabheesh, Padhan & Garg, 2020; Wang, Zhang, Wang & Fu, 2020; Wang & Su, 2021; and Yan & Qi, 2020). This area of research needs to be developed further to confirm the robustness of the effects of COVID-19 on different sectors and segments of the economy and the financial system. In this pursuit, we believe that the works of Gil-Alana & Claudio-Quiroga (2020), Iyke (2020), Liu, Choo, & Lee (2020), Liu, Wong & Lee (2020), and Salisu & Sikiru (2020) have set the foundation for further research.

REFERENCES

- Appiah-Otoo, I. (2020). Does COVID-19 Affect Domestic Credit? Aggregate and Bank Level Evidence From China. *Asian Economics Letters*, 1. <https://doi.org/10.46557/001c.18074>
- Devpura, N. (2020). Can Oil Prices Predict Japanese Yen? *Asian Economics Letters*, 1. <https://doi.org/10.46557/001c.17964>
- Devpura, N., & Narayan, P.K. (2020) Hourly Oil Price Volatility: The Role of COVID-19. *Energy Research Letters*, 1, 13683. <https://doi.org/10.46557/001c.13683>
- Fang, X., & Zhang, Y. (2021). An Analysis of the Dynamic Asymmetric Impact of the COVID-19 Pandemic on the RMB Exchange Rate. *Asian Economics Letters*, 1. <https://doi.org/10.46557/001c.18644>
- Fu, M., & Shen, H. (2020). COVID-19 and Corporate Performance in the Energy Industry. *Energy Research Letters*, 1, 12967. <https://doi.org/10.46557/001c.12967>
- Gil-Alana, L. A., & Claudio-Quiroga, G. (2020). The COVID-19 Impact on the Asian Stock Markets. *Asian Economics Letters*, 1. <https://doi.org/10.46557/001c.17656>
- He, P., Sun, Y., Zhang, Y., & Li, T. (2020) COVID-19's Impact on Stock Prices Across Different Sectors—An Event Study Based on The Chinese Stock Market. *Emerging Markets Finance and Trade*, 56, 2198-2212. <https://doi.org/10.1080/1540496X.2020.1785865>
- He, P., Niu, H., Sun, Z., & Li, T. (2020). Accounting Index of COVID-19 Impact on Chinese Industries: A Case Study Using Big Data Portrait Analysis. *Emerging Markets Finance and Trade*, 56, 2332-2349. <https://doi.org/10.1080/1540496X.2020.1785866>
- Hoang, T. H. V., & Syed, Q. R. (2021). Investor Sentiment and Volatility Prediction of Currencies and Commodities During the COVID-19 Pandemic. *Asian Economics Letters*, 1. <https://doi.org/10.46557/001c.18642>
- Iyke, N. B. (2020). Economic Policy Uncertainty in Times of COVID-19 Pandemic. *Asian Economics Letters*, 1. <https://doi.org/10.46557/001c.17665>

- KP, P. (2020). Dynamics of Foreign Portfolio Investment and Stock Market Returns During the COVID-19 Pandemic: Evidence From India. *Asian Economics Letters*, 1. <https://doi.org/10.46557/001c.17658>
- Lan, C., Huang, Z., & Huang, W. (2020). Systemic Risk in China's Financial Industry Due to the COVID-19 Pandemic. *Asian Economics Letters*, 1. <https://doi.org/10.46557/001c.18070>
- Liu, M., Choo, W-C., & Lee, C-C. (2020) The Response of the Stock Market to the Announcement of Global Pandemic. *Emerging Markets Finance and Trade*, 56, 3562-3577. <https://doi.org/10.1080/1540496X.2020.1850441>
- Liu, L., Wang, E. Z., & Lee, C. C. (2020). Impact of the COVID-19 Pandemic on The Crude Oil And Stock Markets In The US: A Time-Varying Analysis. *Energy Research Letters*, 1, 13154. <https://doi.org/10.46557/001c.13154>
- Narayan, P. K. (2020a). Did Bubble Activity Intensify During COVID-19? *Asian Economics Letters*, 1. <https://doi.org/10.46557/001c.17654>
- Narayan, P. K. (2020b). Has COVID-19 Changed Exchange Rate Resistance to Shocks? *Asian Economics Letters*, 1. <https://doi.org/10.46557/001c.17389>
- Narayan, P.K., Devpura, N., & Wang, H. (2020). Japanese Currency and Stock Market— What Happened During The COVID-19 Pandemic? *Economic Analysis and Policy*, 68, 191-198.
- Phan, D.H.B., & Narayan, P.K. (2020). Country Responses and the Reaction of the Stock Market To COVID-19— A Preliminary Exposition. *Emerging Markets Finance and Trade*, 56, 2138-2150. <https://doi.org/10.1080/1540496X.2020.1784719>
- Prabheesh, K.P., Padhan, R., & Garg, B., (2020) COVID-19 and the Oil Price— Stock Market Nexus: Evidence from Net Oil-Importing Countries. *Energy Research Letters*, 1, 13745. <https://doi.org/10.46557/001c.13745>
- Salisu, A.A., & Akanni, L.O. (2020). Constructing a Global Fear Index for COVID-19 Pandemic. *Emerging Markets Finance and Trade*, 56, 2213-2230. <https://doi.org/10.1080/1540496X.2020.1785424>
- Salisu, A. A., & Sikiru, A. A. (2020). Pandemics and the Asia-Pacific Islamic Stocks. *Asian Economics Letters*, 1. <https://doi.org/10.46557/001c.17413>
- Sha, Y., & Sharma, S.S. (2020). Research on Pandemics Special Issue of the *Journal Emerging Markets Finance and Trade*, 56, 2133-2137. <https://doi.org/10.1080/1540496X.2020.1795467>
- Sharma, S.S., & Sha, Y. (2020). Part A: Special Section on COVID-19 Research. *Emerging Markets Finance and Trade*, 56, 3551-3553. <https://doi.org/10.1080/1540496X.2020.1858617>
- Sharma, S. S. (2020). A Note on the Asian Market Volatility During the COVID-19 Pandemic. *Asian Economics Letters*, 1. <https://doi.org/10.46557/001c.17661>
- Wang, Y., Zhang, D., Wang, X., & Fu, Q. (2020). How Does COVID-19 Affect China's Insurance Market? *Emerging Markets Finance and Trade*, 56, 2350-2362. <https://doi.org/10.1080/1540496X.2020.1791074>
- Wang, K.-H., & Su, C.-W. (2021). Asymmetric Link Between COVID-19 and Fossil Energy Prices. *Asian Economics Letters*, 1. <https://doi.org/10.46557/001c.18742>
- Yang, H., & Deng, P. (2021). The Impact of COVID-19 and Government Intervention on Stock Markets of OECD Countries. *Asian Economics Letters*, 1. <https://doi.org/10.46557/001c.18646>
- Yan, L., & Qian, Y. (2020). The Impact of COVID-19 on the Chinese Stock Market: An Event Study Based on the Consumer Industry. *Asian Economics Letters*, 1. <https://doi.org/10.46557/001c.18068>