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## Editorial: Synergy and innovation in strengthening resilience and economic revival The 17th BMEB International Conference Special Issue

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## EDITORIAL

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### **Synergy and Innovation in Strengthening Resilience and Economic Revival The 17<sup>th</sup> BMEB International Conference Special Issue**

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

The 17<sup>th</sup> BMEB international conference was held on 17 September 2023 in Bengkulu (Indonesia). The theme of this conference was “*Synergy and innovation in strengthening resilience and economic revival*”. Over the years, this BMEB international conference has become a prominent feature in the conference calendar of economists and policy makers from the region. The conference provides a forum for cutting-edge research and public policy deliberations that are perceived in high esteem by conference participants. It is a forum that also provides new insights and thought-provoking themes and sub-themes for not only emerging researchers but for well-established researchers to explore those themes in greater depth and detail. The conference is also famous for collaborating with respected journals in the field to publish the best papers presented at the conference. All these features of the BMEB conference have graduated it to a leading regional and international gathering of academics and policy makers.

The annual BMEB conference, over the years, has produced many influential policy and academic papers that have motivated additional (new) research and/or influenced policy rethinking and design. This trend has persisted and is well reflected in the annual keynote address at the conference by the central bank’s (Bank Indonesia) Governor, Dr. Perry Warjiyo. For the important role that BMEB plays, its reputation and international standing occupies an important space such that it has become a journal that is not only accredited by the ADBC rankings of journals but also by the august body, SCOPUS.

The 17<sup>th</sup> conference received 198 submissions. These submissions came from 20 different countries covering five continents. Of the 198 papers, 41% of submissions were from authors based in foreign universities while the balance was local author submission. The conference’s acceptance rate was 21%; that is, we selected, through a rigorous review process, only 42 papers. Twenty papers were from foreign authors and 22 from local authors. As is conventional with this BMEB special issue, we (Prof. Paresh Narayan and Dr. Solikin Juhro), the guest editors, have chosen seven papers. Our choice of papers is motivated by three facts: (a) that the papers reflect the eclectic topics covered, (b) that the papers will help stimulate further research, and (c) that the papers can provide frontier macroeconomic policy perspectives. The goal of the special issue is to allow readers an understanding of the popular topics of research that matter to central bank research strategy and vision and, as a result, stimulate further policy discussions. In publishing this special issue, as we have done in the past years, we encourage readers and researchers to advance and

enhance the themes covered in the conference consistent with their expertise and the demands of the global economy.

These seven papers once selected undergo several stages of review. It is worth discussing this briefly. In the first step, the Guest Editors read those papers and provide feedback. Authors then respond with a revision. Second, each paper presented at the conference is assigned a discussant, thus there is a discussant report, which results in a further round of revisions. Post this revision, papers are officially submitted to BMEB. In the third step, when the papers are submitted 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, as we did in the previous years', we also publish the keynote speech entitled "*Synergy and innovations in strengthening resilience and economic revival*". In his Keynote speech, the Governor of Bank Indonesia, Dr. Perry Warjiyo, outlined five key issues that stand as obstacles for macroeconomic stabilization and economy recovery; namely, the risk emanating from the changing economic and financial cycles; the multi-polarization that sees India and Indonesia emerging as global sources of growth aside from USA and China; challenges due to changing demographics which would have implications for the labor market and productivity; adoption (or lack of) of technology and digitalization; and a transition (or lack of) to a low carbon economy. A feature of the Governor's speech is about how countries can respond with appropriate policy mix strategy to deal with these challenges.

Following the article in the form of the Governor's speech, the first article is a survey paper by Panigrahi and Prabheesh on the spillover effects of capital controls and their welfare effects. This survey article is fitting because a lot of the strategic foresight discussed by the Governor has implications for capital flows and resulting welfare implications. The survey article points to the fact that the composition of capital controls should be both flexible and competitive and should take into account the domestic conditions and circumstances. This is an important feature of the survey article because we have witnessed how different types of shocks such as the COVID-19 have different effects on the local economy in terms of recovery at least (see Phan and Narayan, 2020; Narayan *et al.* 2021).

The second paper by Ali, Anwar, Khattak and Islam also source motivation from the Governor's speech highlighting the role of digitalization. The Ali *et al.* paper shows that digitalization is an important source of economic growth for the Organisation of Islamic Countries. A related paper by Jallow, Sahoo and Mahapatra examine the relationship between financial inclusion and economic growth for sub-Saharan African countries. They show that the number of bank branches, automated teller machines and savings, all, contribute to economic growth.

The fourth paper by Behera, Priyadarsini and Patnaik consider the issue of geopolitical risk—something that the Governor's speech alluded to and discussed in the context of the growing multi-polar world. The Behera *et al.* paper demonstrates how geopolitical risk, including risk from oil prices (which itself carries geopolitical connotations) influence the returns from investments in stock markets.

The fifth paper is again an analysis of the Governor's foresight on the transition to a low carbon economy. Climate change stands as a major challenge in this regard. Additionally, the bond market will play an important role in raising funds

for a successful transition to a low carbon economy. In the paper by Muhajir, the focus is on understanding how climate risk impacts Environmental, Social, and Corporate Governance (ESG) and non-ESG bond yields. His work shows that in the case of Indonesia, the climate risk negatively impacts ESG bond yields.

The last two papers take issue with inflation targeting (the Ali paper) and the role of forecasting and nowcasting in light of structural shocks, such as the COVID-19 pandemic (the Kaustubh, Bhadury and Ghosh paper). Ali studies whether inflation targeting anchors households and professional forecasters expectations in India. He finds that food inflation assists in anchoring expectations but not non-food inflation. The Kaustubh et al. paper takes issue with the nowcasting methodologies which have been questioned in light of the COVID-19 structural shock. They consider granular/sectoral nowcasts and combination approaches that incorporate high frequency data and suggest its usefulness in forecasting and nowcasting gross value added.

These seven papers, in general, have features consistent with the Governor's speech. These research papers at best are preliminary. As a result, there is scope to do more research on all the issues identified in this special issue. The published issue is special precisely for this reason that it lays an agenda for future research. We the Guest Editors believe that issues raised by the Governor such as the role of the multipolar economy, the speed of digitalization, the transition to the green economy and climate change, and the risks and uncertainty arising from geopolitical power shifts and trade wars will all have significant impacts on how the authorities implement the policy mix strategy, which involves integrated policy instruments in the area of monetary, financial system, and payment system, as well as fiscal discipline. These are areas and subjects on which additional research is needed to understand policy mix effectiveness in the face of a very rapidly changing global economic environment. While Bank Indonesia aims to undertake research on all these issues and its next conference (the 18<sup>th</sup> BMEB conference in 2024) will continue to provide a forum for sharing of such research ideas and outcomes, we hope other central banks and research institutions will join this research agenda. Bank Indonesia, as in previous years, will continue to play a leadership role in leading research agenda on these themes and sub-themes.

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