
From the Editor

The South East European Journal of Economics and Business in its Volume 11, Issue 1, brings us six interesting and diverse empirical papers from the field of economics and business. This issue includes research in the areas of monetary economics, industrial economics, financial economics, marketing, international trade and banking. All of the papers are based on empirical research and applied methodologies, and in most cases including data covering the latest crisis and post-crisis periods. In that respect, these contributions are up-to date and as such interesting to a broader audience. A short introduction to these articles follows.

The first article by Duran investigates “Inflation differentials across regions in Turkey” over the period 2004-2015. Methodologically, the paper relies on sigma convergence and distribution dynamics approaches. The conducted empirical investigation implies that inflation disparities in Turkey tend to decline over time, and in particular during the latest post-crisis period, i.e. after 2010. Moreover, the investigated regions change their relative inflation rate positions quite often. The author concludes that that regional inflation behaviour is random and non-structural, as relatively high and low inflationary regions tend to change their quintiles frequently. The research implies that achieving inflation convergence is a harder task than was initially believed, as it seems to have random behaviour. Consequently, the authors argue that trade integration can be an option to foster regional price convergence.

Leitner brings us an interesting investigation focused on “Financing constraints and firm growth in emerging Europe.” The paper focuses on the effects

of different types of financing constraints on firm sales and employment growth in Emerging Europe before and after the onset of the financial crisis. The sample includes firm-level data from a group of emerging NMS-10 economies (plus Turkey) and the group of economically and financially backward Western Balkan countries. The paper demonstrates that financing constraints significantly obstruct firm growth, particularly in the Western Balkans, which calls for policy intervention to ensure swifter job-rich growth. In addition, the research emphasizes the importance of the state of the economy as well as the institutional environment in which the businesses operate.

“An investigation into the impact of service quality, frequent flier programs and safety perception on satisfaction and customer loyalty in the airline industry in Southern Africa” by Sandada and Matibiri identifies the factors that make passengers loyal to an airline in Southern Africa by investigating the impact of service quality and safety perception on customer satisfaction and how satisfaction and frequent flyer programs (FFP) subsequently influence customer loyalty. The obtained results imply that service quality positively relates to customer satisfaction, and that satisfaction was an important antecedent of customer loyalty. In addition, the authors note that safety perception and frequent flier programs positively influence customer loyalty. In the next stage of the analysis, the authors find that satisfied customers may still switch to other airlines.

“Economic structure and regional economic performance in advanced EU economies” by Stojčić, Bezić and Galović provides an interesting empirical investigation of the relationship between economic structure and regional growth in ten Western European EU member states in the post-crisis period. A spatial panel econometric technique is used in order to differentiate between the intra-regional and inter-regional effects of economic structure, yielding recommendations for policy makers. The authors conclude that the fastest growing regions across the analyzed countries are also those with the fastest growing share of manufacturing in their value added. The findings suggest repositioning by European industries towards sophisticated industries characterized by high value added, knowledge and technological intensity.

“The Gravity model approach: An application on the ECOWAS trading bloc” by Afolabi, Nor Aznin,

Mukhriz Izraf focuses on bilateral trade flows across ECOWAS-15 nations for the period of 1981-2013. The methodology involves the use of various techniques of estimation for the gravity model, including both static and dynamic techniques. The authors conclude that ECOWAS members should design and implement a robust industrial policy in order to expand the industrial capacity of countries and improve competitiveness. In addition, a sound trade policy should be put in place in order for countries within ECOWAS to gain more from trade, which involves moving to another stage of integration. One of the implications of the research is that diversification of the economy within ECOWAS should be encouraged.

The final paper in this issue is focused on Bosnia and Herzegovina. “The influence of macroeconomic trends on the repayment of loans by households: evidence from the Federation of Bosnia and Herzegovina and policy recommendations” by Pašić and Omerbegović-Arapović explores the effect of the main macroeconomic indicators, namely GDP growth, the Consumer Price Index and the unemployment rate, on the quality of loan repayments by households in the Federation of Bosnia and Herzegovina (FBH). Potential effect is observed over a period of fourteen years at the level of nonperforming household loans. The author concludes that the unemployment rate and CPI movement do not influence the level of nonperforming loans in the banking sector of FBiH. However, GDP growth has a fairly strong impact on the level of nonperforming loans: higher GDP growth correlates with fewer nonperforming loans. Based on this finding, the author concludes the destiny of loan repayments does not depend solely on good customer assessment by the banks. The concluding section is rich in providing policy implications for both government and banks in FBiH.

On behalf of Editorial Board
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