
From the Editor

The papers that we publish in Volume 12, Issue 1, cover both of the fields that are the focus of this journal – economics and business – and are mainly focused on the SEE region. It is worth mentioning that the last three papers are reports from the ICES2016 conference, traditionally organized and hosted by the School of Economics and Business, University of Sarajevo.

The first paper by Nyasha and Odhiambo, titled “Bank versus stock market development in Brazil: an ARDL bounds testing approach,” investigates simultaneously the impact of bank-based and market-based financial developments on the growth of the Brazilian economy. The period in focus is 1980-2012, thus covering the structural brake that occurred over the last global economic downturn. The authors report a positive relationship between market-based financial development and economic growth in the long run, while the short-run positive effect is not identified. Contrary, there is no positive effect from bank-based financial development on economic growth. The paper concludes that it is the stock, rather than bank-based financial market development, that is important for the long-run trajectory growth of Brazilian economy.

In their paper “Critical mass in the boardroom of Croatian banks,” Pavic-Kramaric and Miletic analyze the influence of gender diversity in the boardroom of Croatian banks and its effect on the banks’ performance. Using critical mass theory as a conceptual underpinning for their research, the authors estimate static panel models for the period 2002-2014 and report a gendered finding. The main implication is that when a critical mass of 20%-40% of women on the management board is reached, bank performance improves. The policy implication is quite strong, emphasizing that gender discrimination towards women in the boardrooms of Croatian banks might lead to the lower economic performance of these banks, and the banking sector overall.

“Social transfers and income inequality in Bulgaria” by Mihaylova and Bratoeva-Manoleva focuses on the distributional effects of social transfers in Bulgaria in the period 2000-2014. The author finds that in general social transfers help in reducing inequality, but this effect is different when different types of transfers are analyzed. As its policy implication, the paper concludes that government should not use social transfers as an isolated remedy for reducing inequality, but this should be accompanied by active labour market policies.

Hsing investigates the question “Is real depreciation or more government deficit expansionary? The case of Slovenia”. The research is based on an empirical macroeconomic model that examines how real GDP is affected by the real exchange rate and fiscal policy, including additional macroeconomic influences. The main finding and policy implication is that the real depreciation of the Euro should help Slovenia’s macroeconomic output to grow, while expansionary fiscal policy would not be effective in stimulating the Slovenian economy.

Williams and Yang are authors of the paper “Evaluating the use of personal networks to circumvent formal processes: A case study of vruzki in Bulgaria”. This empirical paper contributes to the advancement of knowledge on informal institutions in Bulgaria by investigating the distribution of the use of personal connections (vruzki) to circumvent formal procedures by soliciting favors for and from others. In a survey conducted in 2015, some 30% of respondents had relied on vruzki, while this probability is higher for respondents whose norms, values and beliefs are not in symmetry with formal laws and regulations, perceiving the penalties and risk of detection as higher, and those who are unemployed, younger, higher income groups and living in larger households. The paper ends with theoretical and policy implications.

“The unemployed workers’ perceptions of stress and employment prospects in Macedonia: the role of alternative adjustment mechanisms” is written by Nikoloski and Pechijareski. The authors use survey data among unemployed workers in Macedonia to investigate the psychological implications of unemployment, with a focus on stress and employment prospects. Because this is a country where unemployment has remained a key macroeconomic problem over the last twenty years of transition, the research angle in this paper provides useful policy implications.

Bilas, Bosnjak and Novak bring us a paper focused on “Explaining the relationship between financial development and international trade in Croatia”. The paper relies on time-series (ARDL) quarterly data over the period of 1997-2015. The research results indicate that the link between financial development and international trade is different if investigated over different time horizons. There is a positive relationship between financial developments and international trade in Croatia, but a negative long-run relationship.

Balas Rant and Korenjak Cerne publish an interesting report titled “Becoming a hidden champion: from selective use of customer intimacy and product leadership to business attractiveness”. The authors focus their research on SME sector of Central and Eastern Europe and investigate determinants of hidden champion type of companies. The business attractiveness of hidden champions seems to be primarily affected by product leadership and customer intimacy, including combination of factors that are nicely elaborated in the paper.

“A nutritional analysis of the food basket in BiH: A linear programming approach” is written by Arnaut-Berilo, Delalic and Huseinbasic. The authors rely on linear and goal programming optimization models for analyzing the food basket in Bosnia and Herzegovina (BiH). The focus of the research is on nutritional needs and the authors report information about the minimal value and the structure of the food basket for an average person in BiH based on nutrient needs. As such, the paper provides policy implications with a link to poverty analysis.

Babic-Hodovic, Arslanagic-Kalajdzic and Imsirpasic offer their “Perceived quality and corporate image in mobile services: the role of technical and functional quality,” which relies on the Gronroos service quality model and survey data among customers of the telecommunication operators in BiH. The paper finds that corporate image mediates the effects of both quality and technical dimensions.

“Portfolio diversification in the South-East European equity markets” by Zaimovic, Arnaut-Berilo and Mustafic investigates how SEE equity markets are integrated in the region by looking at the relationships between the returns of companies traded in these markets. The paper is empirical in its nature, while the findings have practical implications. The authors report that national capital markets are quite inefficient, while the SEE market efficiency frontier performs much better than national markets. Hence the main implication is that more integration should bring benefits.

We hope that the available portfolio of papers will reach its audience and provide useful inputs to current knowledge, as well as motivation for future research.

On behalf of Editorial Board
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