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Introduction to Symposium: Recent Development in Finance and Banking in Emerging Markets

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This symposium issue of *Emerging Markets Finance and Trade* contains selected articles from the 4th Sebelas Maret International Conference on Business, Economics and Social Sciences (SMICBES) organized in August 2017 and the joint conference of the 5th Sebelas Maret International Conference on Business, Economics and Social Sciences (SMICBES) and the 2nd International Conference on Finance, Banking and Financial Stability (SMARTFAB) organized in July 2018. There were more than 550 articles presented in those conferences. Finally, nine articles are selected for this special issue.

The special issue focuses on the recent development in finance and banking in emerging markets with particular emphasis in the context of Indonesia and Malaysia. Indonesia, the fourth most populated country in the world and the world's largest Muslim population, is an emerging market with a relatively steady economic growth since the 1997/1998 Asian financial crisis. On the other hand, Malaysia is also an emerging market that has been an upper–middle-income economy and integrated with other countries in terms of trade and financial markets. Therefore, finance is expected to play a significant role in both the countries to support the economic growth.

Starting with financial markets, there are two articles in this particular field. Aaron, Koesrindartoto, and Ryuta, by studying all intraday trades in the Jakarta Stock Exchange during 2003–2004, find that there is an indication that more than half of trades are "manipulated" by principal stockbrokers. In the second article, Anggitawati and Ekaputra investigate the dynamic relationship between Indonesian Rupiah (IDR)/USD exchange rate and foreign portfolio investment flows using the daily foreign transaction data in both stock and bond markets. Their findings indicate that the bond market confirms the bidirectional relations between net foreign inflows (NFI) and IDR/USD returns. Therefore, foreign participation in the bond market appears to yield more impact on the exchange rate than its participation in the stock market.

As banking is still the major locomotive of financial development in emerging markets, three articles focus on financial markets and institutions. Rokhim and Min study the impact of funding liquidity on bank risk-taking behavior in four developing countries in Southeast Asia over the 2002–2016 period. Their empirical results demonstrate that banks with lower liquidity risk indicated by higher deposit ratios tend to take lower risks. Abdul Hamid, Azmi, and Ali empirically investigate the effect of financial development on bank capitalization and bank income diversification, which measure the level of bank risk-taking using the bank-level data from countries with dual banking systems over the period of 2000–2014. Their findings reveal that the effect is heterogeneous across Islamic and conventional commercial banks. In addition, the result of listed and unlisted banks yields different finding. On average, the response of income diversification to financial development is similar across most specifications. The bank risk is found to be countercyclical, suggesting that bank risk increases in good times. With a macro-level data, Tang, Tan, and Chua study the long-run determinants of private savings in Malaysia over the 1980–2016 period employing cointegration and

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variance decomposition methods. The findings demonstrate that disposable income, the gender ratio, financial sector development, and macroeconomic uncertainty are relatively more important determinants of private savings in Malaysia.

The raise of Islamic finance in emerging markets has also been considered in this symposium issue. Therefore, the next three articles concern the recent issues of Islamic finance and banking. Risfandy, Harahap, Hakim, Sutaryo, Nugroho, and Trinugroho examine the impact of market competition and bank fundamental factors on equity financing (profit and loss sharing) of Islamic banks in Indonesia using a monthly dataset for the 2009–2014 period. The findings indicate that competition significantly increases Islamic banks' profit and loss sharing financing activities, which suggest that Islamic banks use this mode of financing to attract more entrepreneurs. Al Arif, Mufraini, and Prabowo investigates the difference in efficiency between Islamic banks resulted from spin-off and non-spin-off Islamic banks in the context of Indonesia following the regulation in 2008. The result shows that there is a difference in efficiency between spin-off banks and non-spin-off banks. Wardani, Viverita, Husodo, and Sunaryo study the pricing of *Sukuk* (Sharia-based bond) in Indonesia with a particular focus on its role in financing research and development activities. They find that sukuk are ideal for financing through the government's budget; therefore, the use of sovereign sukuk is the right choice.

Lastly, as financial technology (fintech) has also been growing significantly over the last few years, the last article uses a large dataset at the loan level of fintech lending in the context of Indonesia. In this article, Santoso, Trinugroho, and Risfandy estimate the determinants of loan rate and default status of online direct lending. The empirical results reveal that loan and borrowers' specific factors are significant determinants of loan rate and loan default, although the relation could differ from one platform to another. They also show that platforms focused on very small loan for microbusiness increase their interest rate after the introduction of formal regulation.