



Editorial Note

This Volume 30, No. 2 (July-December 2023) marks the inaugural online-only publication for the Asian Journal of Applied Economics (AJAE), formerly known as the Applied Economics Journal (AEJ). This alteration in nomenclature serves to sharpen its focus, endowing it with greater distinctiveness, and aligning it with the novel ISSN criteria outlined by the TCI, designed to raise Thai journals to a global standard. Our web presence remains unaltered, accessible via <https://so01.tci-thaijo.org/index.php/AEJ/index>, along with our Facebook page at <https://www.facebook.com/AEJournal>. However, kindly note that our contact email address has been updated to ajae.eco@ku.th. Please don't hesitate to reach out if you have any inquiries regarding our journal. Kindly note that our focus and scope have undergone slight modifications, outlined below:

The Asian Journal of Applied Economics is dedicated to the application of economic theories, concepts, and methodologies in analyzing well-defined research issues. It encourages empirical analysis, simulation, prediction, and forecasting research. While its primary focus is on Asian economies, the journal also welcomes articles that address global issues. The journal seeks submissions in applied economics and related fields that are pertinent to policy decisions and provide practical solutions to real-world problems. This includes, but is not limited to, topics such as agricultural productivity and innovation, climate change and climate risk, population and human health, poverty and inequality, sustainable development, trade and commerce, banking and financial innovation, as well as all other micro and macro aspects of applied economics.

In this July-December 2023 issue, a collection of seven articles presents a range of empirical findings within the field of applied economics. The initial four articles delve into significant research matters employing cross-country panel data, carrying intriguing ramifications for policymakers in Asian economies. For instance, they explore methods to manage the scope of the shadow economy, examine how trust can mitigate financial service expenses, analyze the impact of financial development on income inequality, and investigate the relationship between foreign direct investment (FDI) and CO2 emissions. The remaining articles adopt case-specific empirical analyses, spotlighting vital implications across diverse subjects such as consumer preferences, human capital and financial development, and the basketball no-fan policy and referee bias. The summaries of these articles are as follows:

1) Fiscal Policy Effects on Shadow Economy: Empirical Evidence from Developing Countries

This study empirically investigates how fiscal policy affects the informal economy in developing nations. Using a yearly dataset covering 127 chosen developing countries from 2002 to 2018, the study employs various methods for panel data analysis, such as fixed effects and system GMM. The overall findings indicate that when fiscal policy aims to boost economic activity, it generally leads to a decrease in the informal economy's size, while policies aimed at economic contraction increase it. Specifically, higher tax revenues are associated with a larger informal economy, while increased government expenditures lead to a smaller informal economy. Moreover, the study highlights that the impact of tax revenue on the informal economy is more pronounced than that of government expenditure. The research implies that developing country governments can influence the informal economy's size by implementing expansionary fiscal policies, especially by considering their tax structure. Additionally, effectively managing government spending also proves to be an effective approach for controlling the informal economy's size.

2) Does Trustworthiness Matter for the Actual Lending-Deposit Spread and Perceived Financial Service Affordability?

This study delves into the impact of trustworthiness on financial markets, investigating its effects on both perceived and actual financial system costs. It utilizes an eleven-year panel dataset covering 136 countries from 2007 to 2017. The results reveal that trustworthiness holds an inconsequential negative correlation with the bank lending-deposit spread. However, trustworthiness in financial systems does positively influence the perception of financial service costs across the entire sample, leading to cost reductions in financial transactions and an increase in the accessibility of financial services. Evidently, bolstering trustworthiness within financial systems can effectively mitigate the perceived financial service costs. It is advisable for policymakers to concentrate on cultivating trustworthiness in financial systems by enacting measures that prioritize transparency and accountability practices.

3) Financial Development and Income Inequality: A U-shaped Relationship

This study explores the impact of changes in financial development on income inequality, using on a global panel dataset covering 195 countries from 1990 to 2021. The research identifies a U-shaped pattern in the connection between financial development and income inequality. Initially, the growth of financial institutions leads to a reduction in income inequality. However, once societies cross a certain threshold of equitable distribution, further financial development exacerbates income inequality. This finding is noteworthy because prior research has discussed varied relationships - positive, negative, or inverted U-shaped - between financial development and income inequality. Examining subsets of strong versus weak democracies and high- versus

low-income countries, the U-shaped relationship remains robust for strongly democratic and high-income nations.

4) Dependence Between Foreign Direct Investment and Carbon Dioxide Emissions in East Africa: Bivariate Distributional Copula Regression Technique

To better understand the conditional link between FDI and carbon dioxide emissions, this study adopts distributional copula models. Focusing on six East African nations between 1989 and 2020, the research examines their impacts. The outcomes suggest that FDI associates with lowered CO₂ emissions. Moreover, the study explores how economic growth moderates this link using the feasible generalized least squares (FGLS) approach. The findings uncover that East Africa's carbon emissions rise with economic growth, while FDI exhibits a negative correlation with CO₂ emissions. These results underscore the significance of promoting investments that prioritize environmental sustainability, including those in renewable energy and energy-efficient infrastructure.

5) Preferences and Consumer Choices: A Case of Polish Markets for Goods and Services

The research seeks to analyze the preferences of Polish individuals within both goods and services markets. The study draws on data from 694 participants surveyed during November and December 2021. The findings reveal notable shifts in Polish consumer behavior, attributed to changing societal attitudes, economic uncertainties, and a heightened emphasis on ethical consumption. Essential factors influencing consumer decisions and shaping market trends encompass evolving social attitudes, economic uncertainties, heightened online shopping, focus on innovation and product variety, customer experience, sustainability and ethical considerations, digital marketing and engagement, as well as the value of market research and consumer insights. In essence, the study offers valuable insights into the evolving consumer behavior of Polish individuals, shedding light on the factors molding their preferences in the goods and services markets.

6) Does Human Capital Reinvigorate the Relationship Between Financial Development and Economic Growth: Evidence from Pakistan

This study investigates the minimum level of human capital required for the relationship between finance and economic growth in Pakistan, employing a threshold regression model spanning from 1980 to 2018. The results reveal that economic growth experiences a negative response to overall financial development when human capital surpasses a threshold level of 1.489. Similarly, if financial market development falls below this threshold, it negatively affects economic growth, indicating that financial market development does not promote economic growth. However, the development of financial institutions has a positive and significant impact on economic growth, contingent on the level of human capital. Other factors such as physical capital, trade openness, and government expenditure positively influence economic growth, while the inflation rate has an insignificant

impact. The findings suggest the need for a reevaluation of financial sector policies aligned with international best practices, with a focus on enhancing human capital skills to stimulate the finance-growth relationship.

7) Home Court Advantage and Referee Bias: Evidence from NBA Games Amid the COVID-19 Pandemic

The objective of this study is to examine whether home-court advantage and referee bias were affected by the implementation of the no-fans policy. Using NBA game-level data from the 2015-16 to the 2020-21 seasons and leveraging the COVID-19 outbreak as a natural experiment, the results show both home and guest teams achieved higher scores in a single game after the implementation of the no-fans policy. However, home teams earned fewer points, indicating that the no-fans policy reduces home-court advantage. Additionally, in games played without an audience, referee bias decreases, and home teams' fouls increase. These results have implications for the influence of social pressure and crowds on the neutrality of decisions.

I trust that the various papers featured in this issue will prove valuable to both interested audiences and policymakers alike. Additionally, I extend my heartfelt gratitude to our authors and numerous reviewers for their dedicated time and contributions. A special acknowledgment goes to the director and the dedicated staff at the Center for Applied Economics Research (CAER), Faculty of Economics, Kasetsart University, for their unwavering support and sponsorship throughout the journal production journey.

AJAE remains committed to enhancing our standards, and we extend an open invitation for more articles within the realm of applied economics, particularly those offering pragmatic solutions to real-world challenges in the Asian context. For those considering publication in AJAE, we encourage you to submit your manuscripts via our online journal system (ThaiJo). All articles remain accessible through open access, and there are no associated fees throughout the entire process. For detailed author guidelines and submission instructions, please visit our website.

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Editor-in-Chief