

# IMESS DISSERTATION

**Note: Please email the completed mark sheet to Year 2 coordinator (cc Chiara Amini [chiara.amini@ucl.ac.uk](mailto:chiara.amini@ucl.ac.uk) and fiona.rushworth@ucl.ac.uk)**

Please note that IMESS students are not required to use a particular set of methods (e.g. qualitative, quantitative, or comparative) in their dissertation.

<b>Student:</b>	Yunqiao Xu
<b>Dissertation title:</b>	Examining Innovation-Growth View and Innovation Fragility View: A Case of European Countries

	70+	69-65	60-61	59-55	54-50	<50
	A	B	C	D	E	F
<b>Knowledge</b> <i>Knowledge of problems involved, e.g. historical and social context, specialist literature on the topic. Evidence of capacity to gather information through a wide and appropriate range of reading, and to digest and process knowledge.</i>	71					
<b>Analysis &amp; Interpretation</b> <i>Demonstrates a clear grasp of concepts. Application of appropriate methodology and understanding; willingness to apply an independent approach or interpretation recognition of alternative interpretations; Use of precise terminology and avoidance of ambiguity; avoidance of excessive generalisations or gross oversimplifications.</i>		67				
<b>Structure &amp; Argument</b> <i>Demonstrates ability to structure work with clarity, relevance and coherence. Ability to argue a case; clear evidence of analysis and logical thought; recognition of an argument's limitation or alternative views; Ability to use other evidence to support arguments and structure appropriately.</i>		65				
<b>Presentation &amp; Documentation</b> <i>Accurate and consistently presented footnotes and bibliographic references; accuracy of grammar and spelling; correct and clear presentation of charts/graphs/tables or other data. Appropriate and correct referencing throughout. Correct and contextually correct handling of quotations.</i>			60			
<b>Methodology</b> <i>Understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.</i>	70					

<b>ECTS Mark:</b>	B/67	<b>Charles Mark:</b>	B/86	<b>Marker:</b>	Petr Hanzlík
<i>Deducted for late submission:</i>			<i>No</i>	<b>Signed:</b>	
<i>Deducted for inadequate referencing:</i>			<i>No</i>	<b>Date:</b>	09 June 2022

## MARKING GUIDELINES

**A (UCL mark 70+) = A (Charles mark 91-100 - excellent):** *Note: marks of over 80 are given rarely and only for truly exceptional pieces of work.*  
Distinctively sophisticated and focused analysis, critical use of sources and insightful interpretation. Comprehensive understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.

**B (UCL mark 69-65) = B (Charles mark 81-90 – very good)**  
**C (UCL mark 64-60) = C (Charles mark 71-80 – good):** A high level of analysis, critical use of sources and insightful interpretation. Good understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research. 65 or over equates to a B grade.

**D (UCL mark 59-55) = D (Charles mark 61-70 – satisfactory)**  
**E (UCL mark 54-50) = E (Charles mark 51-60 – sufficient):** Demonstration of a critical use of sources and ability to engage in systematic inquiry. An ability to engage in sustained research work, demonstrating methodological awareness. 55 or over equates to a D grade.

**F (UCL mark less than 50) = F (Charles mark 0-50 - insufficient):** Demonstrates failure to use sources and an inadequate ability to engage in systematic inquiry. Inadequate evidence of ability to engage in sustained research work and poor understanding of appropriate research techniques.

## Please provide substantive and detailed feedback!

### Comments, explaining strengths and weaknesses (*at least 300 words*):

Overall, I like the thesis, it is a nice piece of work. The author has shown that she has good understanding of the banking business as well as the econometric techniques used in the empirical part of the thesis. What I see as a slight drawback of the thesis and where I see a potential for further improvement is the language used. I am aware that it is not authors native language and hence I do not take this as a reason to significantly downgrade the proposed grade. However, if the author attempts to publish the results as an article in a certain journal, I recommend to do English proofreading before publishing it.

As an example, I would recommend being more careful in using words "significance" and "significant" because these are on multiple places in the thesis used improperly. On page 41 author states "Model 2 indicates that ... using the cost method and bank asset growth at a 1% significant level." In this case "significance" should be used instead. Similarly, on page 63 instead of "In model 5, ... leads to insignificance coefficient of financial intensity value added." there should be said "leads to insignificant coefficient".

In the empirical part, the author presents three sets of estimated models. In the first set author assesses the impact of research & development (R&D) and other factors on the bank growth represented by asset growth rate, loan growth rate and profit before tax growth rate. In the second group of models, the impact of the same set of explanatory variables on the bank fragility represented by bank Z-score and its logarithm is analysed. Finally, in the third set of models the change in return on assets (ROA) is regressed on the R&D and other variables.

Some results are quite unsurprising, e.g. that tighter capital regulation or higher market concentration proxied by Herfindahl index has significant positive impact on the bank resilience (higher Z-score). On the other hand, I was somewhat surprised by the significant positive impact of Tier 1 capital ratio and loan-to-asset ratio on the asset growth. For the capital ratio, it would perhaps make sense to analyse possible endogeneity whether the relation does not go in the opposite way that the higher asset growth requires the bank to maintain higher capital buffer. For the loan-to-asset ratio, it is surprising that banks with already high exposures seek to expand their balance sheet even further. There might be interesting further discussion on this phenomenon, especially on the possible impact on liquidity position of the bank.

To sum up, I recommend the thesis for defence after responding to the questions and remarks I raised in this report.

### Specific questions you would like addressing at the oral defence (*at least 2 questions*):

- 1) I would recommend that the author further explains the concept of "high security market depth". I do not fully understand whether it is meant as a certain market for "high securities" and if so, what exactly belongs to the category "high securities".
- 2) I understood that the "high security" includes also shares. I am not sure whether using the variable based on volume of issued shares is a good approximation for financial innovation, particularly in case of banking. I suppose that much better would be to focus on volumes of derivatives which are really used for securitization or hedging purposes, such as interest rate swaps (IRS), credit default swaps (CDS), mortgage or asset backed securities (MBS/ABS) or collateralized debt obligations (CDO). Hence, I propose this as another question for the defence, if the author can comment more on this.