

Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University

Student:	Bc. Pavla Mikulíková
Advisor:	prof. Roman Horváth, Ph.D.
Title of the thesis:	Natural Catastrophes and Financial Development

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.

Short summary

The thesis investigates the impact of natural catastrophes on financial development, in particular on depth, efficiency, access, and stability employing the database from the Centre for Research on the Epidemiology of Disasters. This is done via a panel regression using fixed effects and system GMM estimators. The study further aims to investigate the differences between high vs. low income countries. The obtained results suggest that natural disasters negatively affect depth and stability of financial systems. This results is more pronounced for low income countries. For the other factors, the robust and statistical significant results were not obtained. In addition, the author also investigates more granular data capturing different type of natural disasters. However, there was no any natural disasters found that would have a statistical negative impact on all mentioned types of financial developments.

Contribution

Overall, it is the topic that is not widely explored in the literature. It use data sources not extensively explored by economists. The literature is well elaborated by the author and data extensively described. However, what is perhaps less clear is the practical usefulness of the findings. It is not surprising that natural catastrophes with some victims negatively affect economies as well as financial systems. However, the question is how policy makers could avoid/mitigate the negative implications of natural catastrophes. One interesting findings provided in the study is that the impact is stronger on low income countries. However, the useful topic to explore could be to which extend e.g. more developed financial systems could help to reduce the impact of natural catastrophes. In particular, the role of insurance is crucial here.

Methods

A panel data are employed. Due to inclusion of the lagged dependent variable, the author uses a GMM estimator. Moreover, a fixed effects estimator with country and time effects are used. The author employs multiple specifications to address the hypotheses. Standard econometric methods are employed and the assumption described properly.

Literature

The author uses the relevant existing literature. Perhaps, it could be more linked to the topic of a protection gap that is rather neglected in the thesis.

Manuscript form

The thesis is well drafted and formatted.

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Overall evaluation and suggested questions for the discussion during the defense

The thesis deals with a very up-to-date topic not largely explored in the literature. It is well written using the relevant existing literature supported by the conducted own empirical analysis. However, the overall contribution of the topic for practical economic policies is rather limited. It is probably not surprising that natural catastrophes has a negative impact on economies. However, it could be investigated how the regulators/policy makers could mitigate the negative impact of natural catastrophes. One way to address this could be via deepening financial system, especially insurance sector to provide a protection against such events. The topic of protection gap is currently widely discussed and it is rather neglected in the thesis. Nevertheless, in my view, the thesis fulfils the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University, therefore I recommend it for the defence and suggest a grade B. The results of the Urkund analysis do not indicate a significant text similarity with other available sources. During the defence, the author could elaborate on the following points:

- How policymakers, supervisors and regulators could mitigate the impact of natural catastrophes on economies?
- What are the practical implications of the thesis and what could be the follow-up research?

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Contribution (max. 30 points)</i>	22
<i>Methods (max. 30 points)</i>	26
<i>Literature (max. 20 points)</i>	16
<i>Manuscript Form (max. 20 points)</i>	19
TOTAL POINTS (max. 100 points)	83
GRADE (A – B – C – D – E – F)	B

NAME OF THE REFEREE:

doc. PhDr. Ing et Ing. Petr Jakubík, Ph.D., Ph.D.

DATE OF EVALUATION: 26.1.2023

26.1.2023, Petr Jakubík
digitally signed

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F