

# Report on Master Thesis

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

Student:	Ahemaitijiang Reyisha
Advisor:	PhDr. Petr Teplý, Ph.D.
Title of the thesis:	The globalisation of the Chinese financial sector

## OVERALL ASSESSMENT:

The thesis examines the relation between economic performance and foreign exposure (using different definitions of both variables). From the Student Information System I can see that this is the second time the thesis has been submitted for defense; apparently the first referee's report on the thesis was quite harsh, so the author decided to revise the thesis and submit it once again. I haven't read the previous report, because I want to give the author an independent evaluation. Nevertheless, I compared the two versions of the thesis and see substantial changes in the writing style (and portions of the literature review), but few (if any) changes in the substance of the analysis (this information might be potentially interesting for the committee if it wants to take the previous report into account). I urge the author to start her defense by summarizing the revisions done in her thesis.

The empirical analysis presented in the thesis is extensive and consists of three parts. In the first part the author regresses bank performance on a country-level measure of globalization of the financial system. The author has panel data and uses GMM (which, I believe, is not a standard technique taught at the MA level, so the author should be congratulated on her effort). From the discussion in the thesis it is apparent that the author is familiar with GMM and employs the technique correctly. Nevertheless, there are many problems with macro panel data, and GMM addresses only some of them. The biggest issue here is that the variable the author is interested in, globalization, is only defined at the country level. Because the author has ten years of data, she effectively uses merely 10 observations for this exercise (the standard errors should be clustered at the level of individual years to take this into account). The cross-bank variation in the data set is not informative for the author's main hypothesis.

In the second part of the empirical analysis the author uses regional instead of bank-level data on the profitability of the financial sector. This would have merit if the author was able to obtain regional values of globalization (and, therefore, was able to extend the effective number of observations from 10 to 210). From the text presented in Section 4.2, however, I'm not sure whether this is the case. Obviously, if the author still uses country-level data on globalization, then the value added of this section is not large (but can still be thought of as a robustness check of the first part of empirical analysis).



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In the final part of the thesis the author moves into a more mainstream territory by examining the relation between GDP and FDI. She uses a VAR model for this exercise, which is a valid choice (but then I don't understand the section devoted to the testing of cointegration; I'd expect the author to employ a model that actually uses cointegration, like VECM – clearly, if the variables are not stationary, VAR can't be chosen, and the author should clarify this issue). The author finds a negative effect of FDI on GDP. I have to admit I had troubles finding this result in the presented tables; I'd prefer if impulse responses were presented, as is the norm in the literature.

Overall, the thesis shows that the author is familiar with several empirical tools used in modern macroeconomics and is able to apply them. Nevertheless, I have hinted on several problems with the analysis, and the author should be able to respond to all of my comments during the defense.

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

CATEGORY	POINTS
Literature (max. 20 points)	15
Methods (max. 30 points)	20
Contribution (max. 30 points)	10
Manuscript Form (max. 20 points)	10
<b>TOTAL POINTS</b> (max. 100 points)	<b>55</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>3</b>

**NAME OF THE REFEREE:** PhDr. Zuzana Havránková

**DATE OF EVALUATION:** January 18, 2015



Referee Signature

**EXPLANATION OF CATEGORIES AND SCALE:**

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

Strong            Average            Weak  
20                10                0

**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.*

Strong            Average            Weak  
30                15                0

**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.*

Strong            Average            Weak  
30                15                0

**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.*

Strong            Average            Weak  
20                10                0

**Overall grading:**

TOTAL POINTS	GRADE		
81 – 100	<b>1</b>	= excellent	= výborně
61 – 80	<b>2</b>	= good	= velmi dobře
41 – 60	<b>3</b>	= satisfactory	= dobře
0 – 40	<b>4</b>	= fail	= nedoporučuji k obhajobě