

# Report on Master Thesis

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

<b>Student:</b>	<b>Mimi Hoxha</b>
<b>Advisor:</b>	<b>Doc. Roman Horvath, PhD</b>
<b>Title of the thesis:</b>	<b>Interest rate pass-through in the Eastern Europe Case of Albania – An empirical analysis</b>

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

The thesis is quite balanced in terms of the subject's introduction, review of the literature and methods, as well as the applied analysis. The empirical work itself is first well performed and presented, albeit with some places ready for improvement, especially in the later part. The language of the thesis could be improved a lot as well as the style of the presentation. Overall, this is a well written thesis with ample room for improvement. Comments below point at some critical issues that should be accounted for.

The abstract is not very informative when related to the subject and key results of the thesis.

For the sake of accuracy, the concept of the interest rate pass-through should be properly defined right in the introduction. As of now, the introduction contains only a passing remark that is sufficient for informed reader. For example, the picture presented on p. 10 would be a very good starting point to discuss the issue of the interest rate pass-through in the introduction.

Hypotheses are stated in a very clear manner and point at the goal of the thesis itself. However, there is some inconsistency. In the Master's thesis proposal, four hypotheses are stated. At the end of the introduction, two hypotheses are formulated.

Section 3 contains an extensive review of the central bank, its monetary policy, banking sector and economic development in Albania. Right in the first sentence of the section is an error, though. If the thesis was written in 2015 and submitted in 2016, the Bank of Albania could not be established „almost twelve years ago“ (since it was established in 1992).

References to support various claims related to the time series properties and analysis are chosen from number of various sources. A standard time series text-book would serve as more appropriate reference source. References in the bibliography section should be ordered alphabetically.

Extensive work on the employed data was performed on testing for their stationarity. This was certainly correct despite the fact that it was safe to assume that variables used were not stationary (I(0)). It is then a serious weakness that residuals from the error-correction model (ECM) are not tested for stationarity to verify the accuracy of the model specification, and consequently that of the results. Instead, the residuals are only plotted in Figures 5.4.1, 5.5.1.1 and 5.5.1.2 and claim about their stationarity is made verbally based on the appearance of the plot.

Similarly, inaccuracy is present on p. 67, where it is claimed that “the correlograms of the autocorrelation functions ... confirm once again that there is no remaining autocorrelation in the residuals from error correction models before and after the crisis”. ACF is just an indicative tool and proper test should be performed instead. Moreover, in many instances ACF values in the 5.6.3 are quite high and positioned on edges of the confidence interval.

Because of the two points above, the conclusions should be taken with some doubt.

Year 2008 is chosen as a border year for a sub-sample analysis. The choice was made at a discretion and most probably it is a correct choice. It would be more appropriate and quite easy to verify the border year via an endogenous break test, though.

Results presented in the Appendix are just copy/paste from the computer printouts and it is hard to orient within.

# Report on Master Thesis

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

<b>Student:</b>	<b>Mimi Hoxha</b>
<b>Advisor:</b>	<b>Doc. Roman Horvath, PhD</b>
<b>Title of the thesis:</b>	<b>Interest rate pass-through in the Eastern Europe Case of Albania – An empirical analysis</b>

In the case of successful defense, I recommend the grade "velmi dobře" (good, 2).

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Literature</i> (max. 20 points)	20
<i>Methods</i> (max. 30 points)	17
<i>Contribution</i> (max. 30 points)	21
<i>Manuscript Form</i> (max. 20 points)	10
<b>TOTAL POINTS</b> (max. 100 points)	<b>68</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>2</b>

**NAME OF THE REFEREE:** *Evžen Kočenda*

**DATE OF EVALUATION:** *January 29, 2016*



**Referee Signature**