

Report on Bachelor / Master Thesis

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

Student:	Aneta Mohylová
Advisor:	Doc. Roman Horváth, M.A. Ph.D.
Title of the thesis:	Does Financial Development Alleviate Poverty?

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

Contribution

The thesis analyzes the relationship between financial development and poverty. It considers different poverty measures – relative and absolute, as well as various measures of financial development. Although there has been written many studies exploring this issue, the main contribution to the current stream of literature is the complex point of view, the author provides in the thesis. The author uses a method of Bayesian Model Averaging which allows her to test for effects of many determinants. As stated in the thesis, this method has not been used in this literature so far.

Methods

As mentioned above, the author applies the Bayesian Model Averaging, which allows her to test for many model specifications. In addition, the author runs an exhaustive series of interesting robustness checks to get further support of the results. She also copes with potential endogeneity.

Literature

The author gives an exhaustive list of studies dealing with the poverty-financial development nexus. She also compares her results with results of other studies, which is highly valuable.

Manuscript form

The thesis is well structured, the used style and language is appropriate for an academic thesis. Throughout the thesis, only a few mistakes in grammar appear. I only missed a table with descriptive statistics for other control variables.

I still have several points to discuss. If financial development also means better access to credit, how important are credit companies that lend money to people, who would never get a loan from a bank, for a high interest rate? May existence of these companies even deepen poverty? Poor people may be those who are less educated and hence may have higher probability of default in this case. Is the existence of these companies perceived as a higher financial development? May this be a reason why the access to credit does not seem to alleviate poverty?

To test indirect effect of financial development upon poverty, the author uses economic growth, as she argues that financial development affects economic growth, which as a consequence affects poverty. Would it be relevant in such a case to test a conditional effect using the interaction of economic growth and financial development variables?

As far as I understand, the author carries out a cross-sectional analysis, where data are averaged over a very long period 1981-2014. I think this approach has its limitations which should have been mentioned in the thesis. When dealing with the endogeneity issue, dependent variable was averaged over period 2010-2013, financial indicators over 2000-2005 because of the data availability, while other explanatory variables were averaged over 1981-2005. Why were not other explanatory variables averaged also over 2000-2005 to keep it consistent?

Why did not author use a panel data, where she can control for country specific effects? BMA method for panel data has been already developed (León-González, Montolio 2015).

Overall, the thesis is of a very high quality and it has a clear contribution, so I suggest the grade "excellent".

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

CATEGORY	POINTS
Contribution (max. 30 points)	30
Methods (max. 30 points)	26
Literature (max. 20 points)	20
Manuscript Form (max. 20 points)	18
TOTAL POINTS (max. 100 points)	94
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: *PhDr. Lenka Šťastná, Ph.D.*

DATE OF EVALUATION: 14.6.2017



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	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě