



Zuzana Fungáčová  
Senior Adviser  
Institute for Economies in Transition (BOFIT)  
Bank of Finland  
Snellmanin aukio, PO Box 160  
00101 Helsinki  
Tel. +358 9 183 2334  
[zuzana.fungacova@bof.fi](mailto:zuzana.fungacova@bof.fi)

July 17th, 2017

## **Evaluation Report of the PhD Thesis**

### **by Iuliia Kuntsevych**

The dissertation investigates two phenomena that play an important role in the emerging markets. The first two essays deal with remittances that significantly influence the development of these markets. They serve as a substantial source of financing in these countries and therefore impact also their financial systems. The empirical research concerning remittances is dependent on good and reliable data sources that are scarce and not easy to find. The dissertation contributes to the literature on remittances by exploiting the data from distinctive datasets on Ukraine, one of the countries strongly dependent on remittances. The research benefits from a unique setting and explores the effect of a period of political instability in Ukraine. The third paper of the dissertation examines another phenomenon typical for emerging markets – bribery. It studies why firms bribe in the Czech Republic and to do that it utilizes a large firm-level dataset where information on bribery is included.

Overall, this dissertation provides new evidence concerning the remittances and bribery in emerging European countries. The topics covered are analysed consistently.

The first paper is entitled “Remittances, Spending and Political Instability in Ukraine”. It investigates the relationship between remittances and an individual’s spending on human capital, savings and donations while accounting for political preferences of an individual.

Different specifications of the models are estimated using an appropriate methodology which in this setting is the probit model. Some of the estimations are focused on estimating the probability of receiving remittances. However, this does not seem to be necessary to estimate in this

particular paper as it does not provide the answer to the main research question. Moreover, the second paper of the dissertation is dealing with similar topic: it explores the probability of obtaining remittances and their amount. In fact it might also be a good idea to switch the order of the papers and first investigate the probability of obtaining remittances that is currently done in the second paper and only afterwards analyse how remittances influence spending.

The literature review proves author's good knowledge of the literature on remittances. Nevertheless, it would be good to focus the survey more towards the main research question. This would also help provide better motivation for this research and stress its contribution to the literature.

The paper relies on the uniqueness of the situation in Ukraine that is exploited to answer the main research question. Ukraine undoubtedly provides suitable setting to study these issues but it is necessary to explain it to the reader clearly by e.g. providing information on the level of remittances in Ukraine in comparison to other countries by relating it to GDP, describing the situation related to the Orange Revolution and making sure that it is not confused with more recent events that took place in Ukraine. It needs to be clarified why supporters of Orange Revolution are assumed to be more optimistic about the future or why the emigrants from different parts of Ukraine (West or East) might have different expectations about the future as by their decision to emigrate they have clearly signalled their view on the future of the country. Timing of the events and the survey is important as well but it is not described in the paper.

The dataset employed in the estimations seems to be quite unique. If so, I would recommend to stress it already in the introduction. Are there any other papers where this dataset is used for studying remittances?

The estimated models are built based on the previous literature but some new variables are added as well. When presenting the methodology it is necessary to provide justification for inclusion of the specific variables in the model. Also, some of the variables included in the estimations might be correlated (e.g. language and political views), therefore it would be good to include correlation table. There might be some additional variables considered for the regressions explaining savings, donations and investment in education. They include measure of household income (in addition to satisfaction with monthly income) or wealth but also dummy variables for different oblasts, not only distinguishing between eastern and western part of Ukraine. Maybe interactions of certain variables might provide interesting insights as well.

The results section is relatively short as the results are not explained in detail and the magnitudes of the estimated effects are not commented either. Tables 3a – 4b confirm significant effects of remittances in all the cases, nevertheless, the signs of the effects differ. It needs to be explained why this is the case.

The title of the second paper is “Remittances in Ukraine using household data”. It focuses on the determinants that influence the probability of obtaining remittances and their amount by utilizing yet another unique dataset. This topic is very interesting and policy relevant and that

is why it might be worth to consider adjusting the title to uncover what exactly are the issues concerning remittances that are going to be investigated in this article.

If I understand correctly, this paper considers the determinants of obtaining remittances by taking into account the characteristics of the household that receives the remittances as well as the characteristics of the migrant that sends the remittances. This seems to be a good addition to the current literature, so if it is the case, I would recommend to discuss it clearly in the paper. Concerning current literature, I would recommend to add the paper by Raggl (2017)<sup>1</sup> as it provides a good background for comparing Ukraine with other CESEE countries.

The estimations are done carefully by implementing both linear probability model and the probit model. The estimations using probit are however only mentioned in the footnote. It could be useful to show some robustness checks in the paper, maybe even have a small subsection on robustness checks where these estimations might be presented. Further robustness checks could include additional control variables about the household (e.g. if the members are unemployed or retired, possible nonlinear effect of the size of household, exact time of the interview) or about the migrant (his/her education, age, years abroad expressed in years instead of categorical variable). In the tables with estimation results it is necessary to report some measures of goodness-of-fit.

When interpreting the results it is mentioned that they are “only partially in line with the previous research on the topic of received remittances and it may indicate that Ukraine does not conform to the standard remittance model”. This statement deserves more explanation. First, what exactly are the results that are and are not in line with the previous studies. Second, why Ukraine might be different.

The topic studied in this paper is clearly policy relevant, therefore it would be useful to provide policy implications in the conclusions.

The third paper investigates the main factors that influence the decision of Czech firms to bribe, focusing especially on firms’ financial performance. It uses the dataset created by merging BEEPS survey data and firm financial data from Amadeus database. This is a very good idea that provides the author with both data on bribery and financial data.

The literature review provides evidence about negative influence of corruption on growth, investments, inequality, etc. There is however also literature that investigates so called ‘grease the wheels’ hypothesis which states that corruption might in some circumstances be beneficial. I suggest to add discussion on this hypothesis to the paper.

The main results confirm that bribery is not related to firms’ financial performance which is not completely in line with the expectations. How this results can be explained? How can we put these results into perspective with other literature on corruption?

---

<sup>1</sup> Raggl, A. K. (2017). The Relevance of Remittance Inflows to CESEE countries: Evidence from Macro- and Micro-level Data. OeNB, FOCUS ON EUROPEAN ECONOMIC INTEGRATION Q2/17.

Similar to my comments to the other parts of the dissertation, I would suggest to conduct robustness checks e.g. with alternative calculation of bribery variable, different measures of firms' performance, alternative estimation methods, etc.

The  $R^2$  measure reported in the tables with the estimation results is well above 80% which seems to be rather high. It would be good to add discussion on this issue in the section dealing with the results.

### **Overall evaluation**

The dissertation of Iuliia Kuntsevych constitutes an interesting collection of papers on remittances and bribery. The selected topics are analysed using unique data and by implementing appropriate empirical methods. Based on my evaluation of the manuscript I conclude that this dissertation is carefully written and satisfies all the requirements for a PhD thesis in economics. I recommend the dissertation for a defence.