

## **Iulia Kuntsevych, PhD dissertation**

Assessment by

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The thesis consists of three essays that are focused on empirical analysis of microdata on households and firms. The first two essays provide interesting insights into the savings/investment behaviour of Ukrainian households with regard to the use of remittances. The third essay examines bribery phenomena among Czech firms. The essays provide interesting empirical findings. In my comments I will focus on some outstanding questions and on suggestions regarding possible improvements and extension of the analysis that the researcher can eventually use in her future work.

### **Essay 1 "Remittances, Spending and Political Instability in Ukraine"**

The construction of the hypothesis would deserve a more profound discussion. Firstly, it is not explained why the political views of individuals should influence their propensity to donate. In particular if the donations are perceived as a charitable activity, i.e. driven by certain characteristics, such as empathy, compassion, etc., it could be assumed, for example, that these characteristics depend on personality, but it is not obvious why the donations by individuals should be linked to their political orientation. Therefore, the finding of no relationship between the two may not be surprising.

Secondly, it is not clear why it is taken for granted that the individuals who supported the Orange Revolution would be more optimistic about the future of Ukraine, as this is the impression from reading the main hypothesis: "The main hypothesis to be explored is whether the individuals who supported/were involved in the Orange Revolution (\pro- orange") **and** were optimistic about the future of Ukraine, saved/donated more money than those who did not support the Revolution (\pro-blue-white)." Eventually, if the hypothesis was meant to be a conjuncture of the two states (being pro Orange and being more optimistic), then an interaction term could have been used in the regressions to shed more light on the hypothesis.

The empirical analysis is based on ULMS individual data. The equations used in empirical part are assembled on an ad-hoc basis, with a reference to similar type of equations used in other academic papers. This may be acceptable; however, it would have been good to motivate the empirical model by some assumptions explaining why the used variables could be significantly related to the dependent variable.

It is interesting that the savings and donations were represented only in terms of a binary variable (either there were any, or none), which may limit the scope of analysis. Perhaps the richness of the data could have been explored more by allowing for other types of variables capturing the size of savings/donations (standardized by total income or other suitable aggregate variable). The absence of significant relationships could be to an extent due to the error of measurement (simplification).

When a binary variable is used for donations and savings, the interpretation that individual tend to donate more is misleading, as the magnitude of donations is not taken into consideration. Rather, the interpretation could say the probability of the individual to make any donation is higher, etc.

It would be interesting to discuss whether the higher probability of receiving remittances in the case of White-Blue voters could be explained by some underlying factor or simply by convenience. For example, the fact that the White-blue voters tend to be concentrated in the Eastern part of Ukraine and they have the possibility to emigrate for work to Russia, which may be much easier than to emigrate to work in the West (EU) for their pro-Orange counterparts from the Western part of Ukraine.

It would be also interesting to discuss whether the donations include intra-household or intra-family transfers (as the ULMS variables include the information about pecuniary aid to a relative).

## **Essay 2 “Remittances in Ukraine using household data”**

The essay focuses on a broader macroeconomic picture of remittances as a source of income and investment for the national economy.

Survey of literature provides a solid overview of similar studies dealing with the remittances in selected developing countries.

A minor technical point is that Figure 1 does not have vertical axis denominations, so it is impossible to understand the magnitude of the depicted variables.

As regards the empirical part, some minor technical issues are linked to the method of data collection and sampling issues. For example, the sampling scheme used by the IOM for data selection could be described in more detail in order to provide an idea about the sample representativeness, possible biases, etc. Figure 3 shows that for majority of households receiving remittances the sending countries are EU Member States (204 cases) as compared to the CIS countries (95 cases). This shows that the sample may be simply a convenience sample highly skewed towards households oriented on migration to the West / EU.

Similarly, Footnote 7 deals with the issue of dropping a part of the sample due to the missing values of some variables – the statement that this has not significantly influenced the results is not well justified.

Likewise, the statement about the potential oversampling of households with or without migrants (page 7) is not clear – the oversampling should be measured by the proportion of certain type of households in the population rather than by the equal size of the two sub-samples.

Some statements would deserve fine-tuning - for example, “It should be noted that migrants tend to support smaller households rather than larger households. Since larger households are less popular in Ukraine.” where the latter sentence seems to “derail” the argument suggested by the former one.

Some inconsistencies can be found in the text. For example, Section 5 at p. 9, second sentence states: “All three models (1), (2), (3) and (4)...”

When interpreting the results of empirical models, some discussion of causality issues could be included. For example, the significant and negative relationship between remittances and investment intentions could be explored in this regard.

For the third model (dependent variable total amount of remittances received) it is not clear whether the aggregate variables (total remittances, total income, total expenditure) were standardized (e.g. by dividing by the HH size or eventually using equivalence scales).

In the overall conclusion the author states that Ukraine might not conform to the standard remittance model – an interesting general conclusion that could have been more explicitly elaborated in the concluding section.

### **Essay 3 Why Do Firms Bribe? Evidence from the Czech Republic**

In the third essay the BEEPS and Amadeus datasets for the Czech Republic are merged and used to investigate the bribing behaviour of the Czech firms.

As documented by the presented survey of literature, the corruption behaviour is determined by a wide array of factors at the company level, as well as country/sector level, thus each country and sector can be considered as a unique case.

The presented analysis is inspired by two similar papers – Svensson (2003) and Hanousek & Kochanova (2015). Given that the presented analysis differs in several points, it could be more explicitly discussed how these differences could affect the results. For example, what would be the implications of using average growth rates of the main explanatory variables rather than levels (the latter were used by Svensson), using rescaled categorical variable of corruption rather than incidence and level (the latter two were used by Svensson). It could be also more explicitly discussed what is the main difference between the Hanousek & Kochanova paper and the presented analysis.

The potential endogeneity problem would also deserve a more profound discussion, including why it has been solved by merging the two data sets (the statement is made only in a footnote). Likewise, the Hausman test, the potential to use instrumental variables, etc., could be discussed in a greater detail.

The author states that after merging Amadeus with BEEPS the sample shrank, as it was not possible to assign bribe ratios to some Czech firms. Why this was the case and what effect could this potentially have on the data representativeness?

A minor technical point – Figure 1 is difficult to understand – the legend is confusing.

The figures imply that the construction is among the most corrupted sector, while manufacturing is the least corrupted one. Similarly, Prague is found to be the most corrupted area. Given these interesting features, it would be good to try and revisit the survey of literature in the light of these findings and make some suggestions/conclusions about the behaviour of

Czech firms. Overall – given the results, what policy recommendations could be developed for the Czech Republic? For example, the suggestion to use the finding of negative relationship between the size of market share and bribery can be only applied up to a point, as increasing market share can have negative consequences in terms of monopolistic behaviour, etc.

Overall comment:

Despite the need for clarifications, the series of papers provides interesting insights into important topics and uses interesting empirical data sets in an attempt to shed more light on complex social and economic relationships in Ukraine.

**The thesis satisfies formal and content requirements for a PhD thesis in economics, and I can recommend it for a defence.**

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