

Report on Bachelor / Master Thesis

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

Student:	Muhammad Ali
Advisor:	Jaromír Baxa
Title of the thesis:	Role of Foreign Capital Inflows in Economic Development of Pakistan

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

The aim of the study is to find determinants of foreign inflow in Pakistan, and to show their effects on various macroeconomic variables. The key results of the thesis are as follows. Economic growth has positive and significant impact on foreign inflows and the positive effect is found for the effect of foreign inflows and growth. Furthermore, foreign inflows seem to decrease the unemployment rate, however and somewhat surprisingly, their effect on inequality and poverty seems to be negligible. Such result, if being robust, is quite important for policy makers.

The thesis starts with description of foreign capital inflows in Pakistan and shows that their amount is substantial given the country's GDP. Then the thesis consists of three independent papers. All three papers contain well elaborated literature reviews, my small objection goes to citations – they contain not only surname, but also initial of the family name, which is rather irritating. With respect to the structure, introduction either to the thesis as a whole or to each chapters, should contain not only motivation, but also some of the main findings and method, that was used. Otherwise, the thesis is well structured., however the manuscript form is a little bit weaker with occasional mistakes in spelling, numbering of pages ends with conclusions and pages are not numbered in appendix at all.

The first paper on the effects of foreign capital inflows uses 2SLS in order to account for possible endogeneity and choice of the method is supported by the Hausman test. However, the section 3.2.2 that describes choice of the method is not easy to read, as the author tries to explain “why not cointegration” in few sentences. Instead, the author could easily write that he uses a similar model to Ang (2008), that was published in Journal of Policy Modeling, which is quite respected. Interestingly, similar section in ch. 4 (4.2.2) is much better. The other objection goes to the fact that the author does not write, which instruments were chosen and the reader needs to go into detailed results in Appendix. On the other hand, the results are reasonable and supported by conventional statistical tests.

The final section on the impact of foreign inflows on unemployment and poverty utilizes the ARDL model in the spirit of Pesaran and Shin (1995,1998) and others, which follows the approach by Karanassou et al. 2008, Cambridge Journal of Economics, who studied the determinants of unemployment in several countries. What do I miss in this chapter, which is otherwise the most interesting part of the thesis, is the explanation of counter-intuitive findings. I recommend to discuss the question why the foreign capital inflows might not decrease poverty and inequality during the defense.

Overall, Muhammed Ali wrote a solid piece of empirical work. He did not mastered the most sophisticated methods of the field, but he asks important questions, tries to find answers using adequate tools and works with up-to-date literature. From my point of view, his thesis fully deserves grade A.

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

CATEGORY		POINTS
<i>Literature</i>	<i>(max. 20 points)</i>	20
<i>Methods</i>	<i>(max. 30 points)</i>	30
<i>Contribution</i>	<i>(max. 30 points)</i>	30
<i>Manuscript Form</i>	<i>(max. 20 points)</i>	10
TOTAL POINTS	<i>(max. 100 points)</i>	90
GRADE	(1 – 2 – 3 – 4)	1

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NAME OF THE REFEREE: *Jaromír Baxa*

DATE OF EVALUATION: 7.6.2012



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