# IMESS DISSERTATION

**Note: Please email the completed mark sheet to Year 2 coordinator**
**(cc Julia Korosteleva j.korosteleva@ucl.ac.uk and Marta Kotwas m.kotwas@ucl.ac.uk**

Please note that IMESS students are <u>not</u> required to use a particular set of methods (e.g. qualitative, quantitative, or comparative) in their dissertation.

| | |
|---|---|
| **Student:** | Anja Köthe |
| **Dissertation title:** | Foreign Banks and Financial Development – Foreign Bank Lending in CEE Countries |

| | Excellent | | Satisfactory | | Poor |
|---|---|---|---|---|---|
| **Knowledge**<br>*Knowledge of problems involved, e.g. historical and social context, specialist literature on the topic. Evidence of capacity to gather information through a wide and appropriate range of reading, and to digest and process knowledge.* | | x | | | |
| **Analysis & Interpretation**<br>*Demonstrates a clear grasp of concepts. Application of appropriate methodology and understanding; willingness to apply an independent approach or interpretation recognition of alternative interpretations; Use of precise terminology and avoidance of ambiguity; avoidance of excessive generalisations or gross oversimplifications.* | x | | | | |
| **Structure & Argument**<br>*Demonstrates ability to structure work with clarity, relevance and coherence. Ability to argue a case; clear evidence of analysis and logical thought; recognition of an arguments limitation or alternative views; Ability to use other evidence to support arguments and structure appropriately.* | | x | | | |
| **Presentation & Documentation**<br>*Accurate and consistently presented footnotes and bibliographic references; accuracy of grammar and spelling; correct and clear presentation of charts/graphs/tables or other data. Appropriate and correct referencing throughout. Correct and contextually correct handling of quotations.* | | x | | | |

| **ECTS Mark:** | A | **UCL Mark:** | 71 | **Marker:** | PhDr. Michal Hlaváček, PhD. |
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| *Deducted for late submission:* | | | | **Signed:** | |
| *Deducted for inadequate referencing:* | | | | **Date:** | |

**MARKING GUIDELINES**

**A (UCL mark 70+):** *Note: marks of over 80 are given rarely and only for truly exceptional pieces of work.***(Charles mark = 1)**
Distinctively sophisticated and focused analysis, critical use of sources and insightful interpretation. Comprehensive understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.

**B/C (UCL mark 60-69):**
A high level of analysis, critical use of sources and insightful interpretation. Good understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research. 65 or over equates to a B grade. **(Charles mark = 2)**

**D/E (UCL mark 50-59):**
Demonstration of a critical use of sources and ability to engage in systematic inquiry. An ability to engage in sustained research work, demonstrating methodological awareness. 55 or over equates to a D grade. **(Charles mark = 3)**

**F (UCL mark less than 50):**
Demonstrates failure to use sources and an inadequate ability to engage in systematic inquiry. Inadequate evidence of ability to engage in sustained research work and poor understanding of appropriate research techniques.

# CONTINUES OVERLEAF

**Comments, explaining strengths and weaknesses (_at least 300 words_):**

The master thesis of A. Köthe covers important topic of the role of the foreign bank ownership in the selected CEE countries. Strength of the thesis comes from its analytical focus, where the thesis uses not easily available data and appropriate econometric techniques. Though there are some small inaccuracies in the interpretation of the developments of the banking sectors of relevant countries prior economic transformation (see bellow), overall the interpretation of the results shows is appropriate and intuitive. I like the interpretation of the result "Profitability and market power have a larger impact on the loan growth of domestic banks than on foreign banks." (p. 46) By the better access to funding structures of the foreign banks and also other results. I enjoyed both stylised facts part discussing developments of the aggregate figures of the relevant banking sectors (chapter Economic and Financial Context) and especially the microeconomic analysis using the panel data (Chapter III).

On the weaknesses part, I found some duplicities in argumentation and notation (fig. 2-7 have 3 headings that overlap), and some other rather formal imperfections that show that the thesis was being finished in a relative hurry. For some of them see below. Generally I find the master thesis of high analytical quality and I suggest to grade as A.

Specific comments:

1) On page 16 author argues that "The socialist banking system before the liberalization process in the early 1990s is often associated with a lack of incentives for banking efficiency…"- in fact virtually no banking system existed in those countries prior 1990ties, as the traditional banking system functions were conducted by state monobank that was part of central planning procedures that had nothing to do with efficiency.

2) On page 18 I think that the author is overly optimistic about Vienna initiative, the fact that banks "promised to keep their credit supply to certain south Eastern European countries stable" does not have much to do with CEECs banks.

3) It would be nice if the author would keep the same colours of the countries across different charts.

4) When interpreting the Net Interest Margin (fig 2 on page 21) author should mention role of the zero lower bound of the monetary policy rates that was relevant for the CR (and that lies behind drop of the NIM in the CR). Also role of the unconventional monetary policies could be mentioned here. Interpretation of the high NIM as inefficiency (page 22) could be easily switched to high profitability (and thus stability) of the CEECs banking sectors.

5) Interpretation of the number of the bank branches as banking sector development indicator (fig. 3 on page 22) should at least mention the role of the internet banking. Author should comment why this indicator dropped for the EA since 2012.

6) For the data part, I was astonished by the collected data on the foreign owned banks, but I was less confident on the data of the domestically controlled banks that serve as a reference group. According to the table A.5 in appendix this group consists of quite heterogeneous types of banks ranging from standard commercial banks to specialised governmental credit institutions and even central banks. Quite big part underlying of the indicators volatility could be thus just due to this heterogeneity. This should be commented somewhere and I am convinced that at least central banks should be replaced from the analysis as they follow completely different features than commercial banks (e.g. they participate in monetary policy operations and FX interventions). How would this influence the results?

7) Some comment on the role of the country FX regime would be also nice (e.g. Slovak banks have access to the EUR market).

8) When author discusses the aggregated data based on the micro data from Bankscope (e.g. fig. 9 on the loan growth) it should be compared with the official country aggregates (e.g . fig 7). This should illustrate representativeness of the sample used for the analysis.

9) In table 5 on p. 38 and in table 3 on p. 3 I was surprised by the minimum value for the loan growth (-100%). This looks rather as some mistake as it in fact means that some bank lost all its loans. I was not convinced by the argument of the author that the foreign bank ownership decreases volatility of the loan growth (comment to table 5) as this could be rather due to smaller size of the domestically owned banks. Or did author control for the size of the banks in her analysis?

**Specific questions you would like addressing at the oral defence (_at least 2 questions_):**

See the specific comments above. Especially, author could discuss in more detail how were the results influenced by the heterogeneity of the types of domestically owned banks and also their lower average size. Also she could comment on the representativeness of the Bankscope sample relative to the aggregated whole country figures.