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 *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 *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 *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 *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:	B	**UCL Mark:**	66	**Marker:**	Julia Korosteleva
Deducted for late submission:				**Signed:**	JK
Deducted for inadequate referencing:				**Date:**	08/09/2017

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 dissertation explores the role of the foreign bank participation on financial development focusing on the sample of banks from Czech Republic, Hungary, Poland and Slovakia during 2005-2015. The research question is well-motivated. Overall, the dissertation should be commended for its knowledge of the literature, both in part of general literature on financial development, and articulation of the channels through which foreign bank participation may affect financial development, and the knowledge of the specifics of the region. The literature review would benefit from better organisation, especially in part of the discussion of the impact of foreign bank entry on financial development, clearly distinguishing, for example, between positive and negative effects.

There is good use of macro-level financial development data presented in the comparative perspective with the selected country cases and the Eurozone overall. A more detailed discussion of the case study of Czech Republic is informative, but should be better motivated, or compared with another country in more details (e.g. Slovakia). But overall, the exploratory analysis provides good introduction to the region.

The dissertation should be credited with a good effort to clean the micro-level bank data.

My critical points and suggestions include the following:

(1) The definition of foreign bank ownership should be clarified further. Foreign banks are defined as having greater than 50% of ownership, being coded as a binary variable. I understand it is time invariant as you run FE model separately for two sub-samples of foreign and domestic banks. If so, this needs to be clearly states in providing the definition of the foreign bank ownership variable. Why not to track down the changes in ownership over the period of investigation?

(2) The choice of the FE model is well justified, but in general the paper would benefit also from addressing the issue of endogeneity attributed to reverse causality between DVs and some regressors (e.g. profitability measures; liquidity etc.). The endogeneity bias is not acknowledged in the paper as part of its limitations, though the Conclusion mentions that the paper would benefit methodologically from the use of GMM model, but it is not explained why this would be to the benefit.

(3) I wouldn't spend too much time on speculating on the positive effect of the 2008-08 crisis dummy on a loan growth in the case of foreign-owned banks as it is not statistically significant.

(4) The results on the domestic banks' sub-sample should be interpreted with caution given a very small No of obs that taking in mind the 10 years of a time span gives you only observations on 10 banks for the whole sample of four countries.

(5) Have you checked your data for stationarity? The time span is fairly large and looking at some graphical data presentation, there may be an issue with a unit root.

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

(1) Based on your results what specific recommendations could you make for policy-makers of the CEE region in formulating their policy on FDI in the banking sector?

(2) If you are to carry on this line of research further, what would be the potential directions for extending it?