XXX

Coordinator Graduate Research

Department of Management Sciences

XXX, Islamabad

Subject: **Research Report Evaluation of XXX**

I feel honored to serve in the role of an external examiner of the MS thesis entitled, “*Stock Market Development and Economic Growth: Evidence from Asian Markets*” by XXX. I have examined the thesis. Following are my concerns, which are duly categorized as major, moderate and minor.

## Major concerns

**1.1 Typo in the title**

The thesis uses data of six Asian markets, but it has referred to them as ‘Asian Market’, not as “Asian Markets”.

**1.2 Statistical techniques**

The thesis uses economic data of 23 years for six countries. The thesis has used panel data techniques while ignoring the time series properties of the data. There is an abundant literature available that such a long timer series might suffer from non-stationarity of the data and OLS might result in spurious relationships (see, for example Granger and Newbold, 1973; Phillips 1986). Even when one looks at the literature cited in the thesis, the use of panel data is rare for such type of data (see for example the cited papers in the thesis that have used different variants of the time series regressions.)

1. Demetriades and Hussain (1996) used Engle-Granger cointegration
2. Luintel and Khan (199) used cointegration
3. Caporale, Howellsn and Soliman (2004) used VAR
4. Riman, Esso and Eyeo (2008) used VECM
5. Nowbustsing and Odit (2009) used Engle-Granger cointegration
6. Gritsaki and Bargiota (2005) used VAR
7. Regmi (2012) used cointegration
8. Hou and Cheg (2010) used VECM
9. A, R, and Jayasingha used Granger Causality

And so on….

In light of the above, it is suggested the data should be investigated using time series methodology to see robustness of the results. In doing so,  the author can examine cointegration on country by country basis by using time-series techniques, like Dickey-Fuller tests, and Johansen's maximum likelihood cointegration methodology. However, given the short span of the data, the author can also utilize information in the most efficient way, and make use of panel-based unit root and cointegration tests as well (see for example, Christopoulos and Tsionas (2004) [[1]](#footnote-1))

**1.3 Econometric model**

The thesis has neither given any rationale for the selection of the given model nor any reference of the previous work wherefrom the model has been borrowed. One wonders how the GDP equation can miss many important variables that have been frequently used as determinants of economic growth in cross-country studies such initial GDP, human stock of capital or education, government consumption, foreign exchange and trade distortions (Eduardo , Gregorio and Lee, 1998[[2]](#footnote-2), Baro, 1996[[3]](#footnote-3) ) inflation and investment (Christopoulos and Tsionas 20041 ; Baro, 19963). Missing relevant variables from the equation can cause the omitted variable bias.

Therefore, it is suggested to include all possible relevant variables from the Solow model of economic growth or the endogenous growth models in the GDP equations where the data is available.

**1.4 Abstract**

The abstract of the thesis is carelessly written. It suffers from many spelling and grammatical mistakes which I have highlighted in the print copy of the thesis. Moreover, it fails to tell the reader about the main findings of the thesis. Instead, it has sweeping statements which have not been tested and proven in the thesis. For example, consider the line “*the highly developed stock markets attract the investment, allocate resources to highly profitable projects, expand the scope of investment opportunities, reduce the risk of the investment….”*. Similarly, another line reads “*as a result the improvements in all these activities will be led the economic growth*”. Such hypotheses were neither tested nor were found true in the thesis. Hence they can be replaced with the actual findings of the thesis.

## 2. Moderate concerns

**2.1 Incorrect conclusions/statements**

* On page 42, first paragraph, last line needs revision because the text “*the researchers for further studies guidelines in the same context are suggested*” is not correctly written.
* On page 42, third paragraph, the sentence “*it is concluded that the stock market should be effectives especially in those countries which is analyzed in the particular cram in order to bring success in the economic situation*” seems like a suggestion, not a conclusion. Second, the line is not readable and need revision.
* On page 42, third paragraph, the sentence “*Data supports the argument that is effectiveness in business world, may bring ornaments in the development of countries economic perfection*” suffers from the same issue as highlighted above. This calls for the revision of the conclusion section as present one does not clearly reflect the findings of the study and their importance.
* On page 43, in the recommendation section, line 12 the text reads “*..because maturity in this field led to improve banking, manufacturing and industrial sectors”* suffers from grammatical and logical mistakes. The thesis has not tested the relevance of stock market with banking and industrial sectors, instead it has tested the relevance of stock market with overall GDP which includes all sectors including services. Hence the claim is not justified.
* On page 43, in the recommendation section, line 14 reads that “*regulators should focus on financial intermediaries*…” is not clear as what types of intermediaries are being referred to that can help establish better stock markets.
* On page 43, in the recommendation section, line 16 “*the third recommendation is that political environment, macroeconomic environment, accounting, taxes, and supervisory systems affect the liquidity of the market and at last the whole market are damaged*…” again suffers from grammatical and logical mistakes. The thesis has not tested any of the above in relation to the stock market liquidity and hence such a sweeping statement is not justified.
* On page 44, second paragraph discusses the limitation of the common effects model. This paragraph itself tries to weaken the basis upon which the statistical model is selected for the thesis. The limitation will hold true only when one selects common effect model without testing for its appropriateness. Once you have tested and the F-test shows support for the common effects model, then it is already proven that each country can be given equal weight.

**2.2 Chapter heading/formatting issues**

On page 42, Chapter 5 heading needs revision as presently the title of the thesis is written instead of the chapter title.

## 3. Minor concerns

**3.1 First person pronouns**

1. The thesis has used ‘we’ (e.g, second last line on page 35 and in the abstract) which is not appropriate in research reports. Instead the thesis can use the term ‘this study’.

**3.2 Grammatical mistakes/confusing statements**

* On page 29, last line “*support the previous studies of pioneer authors which have*…” is not clear and needs revision
* ‘China’ has been written in several places as ‘*china’*, page 31, 33,
* On page 42, first paragraph, the starting line is not appropriate and either should be removed or replaced with more meaningful one.

**3.3 Formatting issues**

1. Tables do not have proper descriptions with regard to data used and symbol explanation.
2. Second, in some tables the headings are bold, in others they are not. They need to be uniformly formatted.
3. On page 42, first paragraph, it is not clear why the thesis has used ‘italic’ style for the opening paragraph

**3.4 Heading and subheadings**

The thesis has used sentence style capitalization (where only first letter of the sentence is capitalized) for subheadings. However, in some sub-headings the thesis has capitalized each word. For example, see on page 10, heading 2.5, 2.6, and 2.8; on page 25 subheading 4.1; on page 28, subheading 4.3; and on page 35, subheading 5.1.3.

**3.5 References**

Ant the following references have incorrect style of format problems

* Todda and Yamamonot (year missing) page 22
* A, R, and jayasingha (year missing, and last author names is not capitalized) page 20 and page 29
* Hausman has been incorrectly spelled as ‘Houseman’ page 27
* Et al, has been used without using the APA style of giving full reference of more than two authors in their first appearance and using et al after that.
* Allen in 1993 should be corrected as Allen (1993) on page 12, and similar corrections are needed in the rest of the thesis
* ‘Demirgig-Kunt’ as has been misspelt as ‘Demirgiig-Kunt’, page 29

**3.5 Missing references**

The following references exist in the text, but are not given in the bibliography.

* Berkaert, Harvey, and Lundblad (2001), on page 23
* Olweny and Kimani (2011), page 22
* Deb and Mukherjee (2008), p. 22
* Tuncer and Alovsat (1998)
* Hausman (1978) page 27
* Nasir and Hassan (2011)
* Shaw (1973), page 3
* Creane, et al. (2004), page 4
* Hou and Cheg (2010), page 20
* Demirgig-Kunt and Levine (1996), page 29
* Capasso (2006), page 29
* Mohtadi and Agarwal (2001), page 29

And many other referencing are missing.

In my opinion, if the above corrections are incorporated in the research report, they would add significant value to report which then would merit public defense and award of MS degree.

Regards

------------------------------------------

**DR. ATTAULLAH SHAH**

Assistant Professor

Institute of Management Sciences  
1-A, Sector E / 5, Phase – VII, Hayatabad, Peshawar  
**Personal Website:** [www.opendoors.pk](http://www.opendoors.pk)

1. Dimitris K Christopoulos, Efthymios G Tsionas, Financial development and economic growth: evidence from panel unit root and cointegration tests, Journal of Development Economics, Volume 73, Issue 1, February 2004, Pages 55-74 [↑](#footnote-ref-1)
2. Borensztein, Eduardo, Jose De Gregorio, and Jong-Wha Lee. "How does foreign direct investment affect economic growth?." Journal of international Economics 45.1 (1998): 115-135. [↑](#footnote-ref-2)
3. Barro, Robert J. Determinants of economic growth: a cross-country empirical study. No. w5698. National Bureau of Economic Research, 1996. [↑](#footnote-ref-3)