



Inspiring Excellence

**Review of the PhD Dissertation by Kalizhan Kaliyev Titled  
“Analysis of Bank Risks and Performance across Transitional Economies”  
Submitted to Fulfill Requirements for PhD Degree  
(December 16, 2021)**

### **Relevance**

Due to the existence of asymmetry of information in the market, banks are dominant players in the financial markets of developing and emerging economies including transition economies. Capital market intermediation is rather weak and nascent under the problems of adverse selection and moral hazard along with underdeveloped financial market infrastructure and lack of liquidity. Bank’s role of channeling financial resources to the market becomes a major monetary policy tool helped by bank’s advantage in reducing problems induced by asymmetry of information. Well-functioning of bank operation requires appropriate governance structure of banking system and prudent regulations. Banks also need to satisfy shareholders demand to be sustainable whether they are owned by public or private entities.

The author investigates the performances of banks in transitional economies which experienced major restructurings of ownership, governance, and regulations as well as several economic and banking crises in global scale in the past. Banks normally pursue both stability and profitability, which are often conflicting objectives. In this regard, the theme of the dissertation using the dependent variables of these two objectives and analyzing the relevant factors influencing them is highly relevant and important. The study is timely considering the fact that the global regulators raised concerns on the issues of pro-cyclicality of banking operations under crisis and recommended banks to adopt the Basel III standard.

### **Novelty**

The author investigates banks’ performance in terms of risk and profitability in the transition economies during 2008 – 2017 in which these banks experienced several economic and financial crises. The study attempts to find main factors affecting the risk and profitability of banks. The uniqueness of this study is to find banks behavior upon crisis in the transition economies where financial market infrastructures are still at developing stages and the problems of asymmetry of information could be relatively severer than banks in developed market.

### **Structure and Coherence**

The author provides extensive literature reviews and careful application of empirical model to analyze the bank performance in transitional economies upon environmental and ownership changes during the transition period. The draft was constructed mainly by five blocks, starting with analysis on overall 17 transition economies, literature reviews towards empirical model building, applying the similar empirical model for narrowly focused on Kazakhstani banking sector, followed by literature review on Kazakhstani banking studies, and the regulatory impact on bank performances.

## Content

- The main methods of analysis are the comparisons: comparisons between different regions, comparisons between crisis vs post-crisis period, and comparisons between transition vs. emerging or developed markets.
- The “*Crisis*” seems to be the major element in shifting the impacts of various variables in the statistical results of this thesis. Therefore, at least some theories and empirical studies of financial crisis and its impact on the economy or financial market or banking industries should be provided in the content. Then, comparisons of the impact of crisis in this analysis and previous studies will be useful.
- In the introductory remarks, the author explained that the final beneficiary of the bank performance is social welfare that the countries are willing to maximize. The author argued that different arrangement of financial market and institutions toward efficiency and social welfare are needed. In addition, the author explained that the implementation process of interest income earnings and efficient credit allocation is vital for sustainable development. I think these points are important and need further elaboration

## Key Findings

The study finds that:

- The *Crisis* factor on risk is positive, indicating that there is an increase in vigilance towards the need to capitalize more
- The *Liquidity* factor has positive effects on the performance and stability, indicating that banks in transition economies rely more on core banking business of lending
- Banking business models are heterogeneous among banks in transition economies and the best approach is observe and adjust the business model upon environmental changes

## Overall Assessment

The scope of the study is extensive with complete list of relevant literature reviews. The findings can be an important addition to the existing previous studies which are scant. The author may deserve a PhD degree and recommended to the official defense.



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