

Report on Master Thesis

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

Student:	Bc. Zuzana Meteláková
Advisor:	doc. PhDr. Adam Geršl, Ph.D.
Title of the thesis:	Does Bank Regulation and Supervision Impact Income Inequality? Cross-Country Evidence

Short Summary

This thesis investigates the impact of microprudential regulatory and supervisory policies on income inequality across 70 countries from 1996 to 2013. It fills a crucial gap in the literature by examining how these policies influence income distribution, differentiating between advanced economies (AE) and emerging market and developing economies (EMDE). The study finds that tighter microprudential policies generally lead to lower income inequality, though the effectiveness of these policies varies by country type and specific regulatory instruments. Furthermore, the study suggests that the effectiveness of macroprudential policies in reducing income inequality is contingent on the strength of the underlying microprudential framework. These findings have important implications for policymakers aiming to design regulatory frameworks that promote both financial stability and social equity.

Contribution

The thesis makes several important contributions to the field of financial regulation and income inequality. Firstly, it provides a pioneering evaluation of the relationship between microprudential policies and income inequality, an area that has received little attention in existing research. Secondly, it offers a detailed analysis of how specific regulatory instruments, such as supervisory powers and independence, affect income distribution differently in AE and EMDE. Thirdly, the study explores the interaction between microprudential and macroprudential policies, demonstrating that the effectiveness of the latter is significantly enhanced when implemented within a robust microprudential framework. Fourthly, the thesis uses a comprehensive dataset spanning 70 countries over 17 years, ensuring a broad and representative analysis.

However, the examined period is until 2013 and does not reflect the period of negative interest rates in the Eurozone in 2014-2019. Lastly, the robustness of the findings is tested through various methodological approaches, including the use of alternative dependent variables and different time intervals, adding to the credibility of the results.

Methods

The methodology employed in this thesis is robust and well-suited to address the research questions. The author uses a comprehensive dataset covering 70 countries, with the market Gini coefficient as the primary measure of income inequality. Various regulatory instruments of microprudential policy, such as supervisory powers, independence, and site supervision, are analyzed for their impact on income inequality. The study employs the GMM system to estimate these effects, controlling for potential confounding variables. The analysis is further strengthened by multiple robustness checks, including changing the set of control variables and using income shares as an alternative dependent variable. Additionally, Zuzana differentiates between AE and EMDE, providing a nuanced understanding of how economic context influences the effectiveness of regulatory policies.

Literature

A 17-page literature review in the thesis is comprehensive and well-organized, situating the study within the broader context of financial regulation and income inequality research. The review identifies a gap in existing research regarding the impact of microprudential policies on income inequality, as most studies have focused on macroprudential policies. The author references key studies that discuss the spillover effects of financial regulation on economic stability and income distribution, providing a solid theoretical foundation for the analysis. Furthermore, the literature review engages with ongoing policy debates about the benefits and potential drawbacks of financial sector regulations post-global financial crisis, highlighting the relevance of the research questions addressed in the thesis. Based on the literature review, three central hypotheses are tested.

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Manuscript Form

The manuscript is well-structured and clearly written, making it easy to follow the complex arguments and analyses presented. Zuzana's thesis meets standard format requirements on bibliography, notes, figures and tables well illustrate discussed issues. However, the numbers in some figures should be written with dots rather than commas (commonly used in Czech).

Summary and Suggested Questions for the Discussion During the Defense

Zuzana has developed a solid academic approach, reviewed the existing literature, identified open questions and drew relevant conclusions from that. This thesis represents a significant contribution to the understanding of how bank regulation and supervision impact income inequality. It addresses a crucial gap in the literature by focusing on the often-overlooked microprudential policies and their interaction with macroprudential measures. In my view, the thesis fulfills the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a **grade A**. I believe that with some adjustments, a part of the thesis could be published in a journal with an impact factor.

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

- 1) Can you elaborate on the specific mechanisms through which supervisory power and independence reduce income inequality?
- 2) How might the inclusion of more recent data, post-2013, affect your findings?
- 3) How do you propose future research could further explore the interaction between monetary policy and microprudential regulation?

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

CATEGORY	POINTS
Contribution (max. 30 points)	28
Methods (max. 30 points)	28
Literature (max. 20 points)	19
Manuscript Form (max. 20 points)	17
TOTAL POINTS (max. 100 points)	92
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: *prof. PhDr. Petr Teplý, Ph.D.*

*Digitálně podepsáno (10. 6. 2024)
Petr Teplý*

DATE OF EVALUATION: *June 10, 2024*

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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

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

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

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	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F