

Review of: "Conundrums of the Liquidity Determinants of Commercial Banks in Ethiopia"

Mohsen Mohammadi Khyareh¹

¹ Gonbad Kavous University

Potential competing interests: No potential competing interests to declare.

Abstract:

Recommendations for Improvement:

- Replace "conundrums" with a clearer term. Consider "Challenges" or "Determinants."
- Briefly state the research gap and most impactful findings.

Introduction:

Recommendations for Improvement:

- Clearly state the study's objective and narrow the scope to the Ethiopian context.
- Update references on bank liquidity determinants in developing economies (e.g., reference the 2022 studies mentioned previously).

Literature Review

Suggestions for improvement:

- While covering general theories, tailor the discussion to research on bank liquidity specifically in developing economies and/or studies conducted in Ethiopia (mention studies from 2022 as suggested in previous reviews).
- Combine repetitive discussions (e.g., bank profitability) and present the findings for each factor in a more concise manner (e.g., positive/negative/mixed impact on liquidity, with citations).
- Don't just list findings, but analyze and synthesize the research. Identify areas of agreement and disagreement in the literature. Are there any research gaps or limitations identified in previous studies?
- Ensure all references are recent and relevant. Consider including some of the 2022 studies mentioned in the previous reviews.

Methods

Suggestions for improvement:

- Briefly explain the Arellano-Bond tests (serial correlation and Sargan test) and how they are used to assess the validity of the instruments.

- Briefly explain why the data from 2011 to 2021 was chosen. Were there any specific economic events during this period that might be relevant?
- Mention any steps taken to prepare the data for analysis, such as checking for outliers or missing values. How were missing values handled (if any)?
- Use a table (like the one provided) to define all variables with their symbols, computation methods, and expected signs. This will improve readability and avoid repetition.

Here's an improved example for the GMM diagnostics section:

Study Results

Suggestions for improvement:

- Instead of repeating the direction of effects (positive/negative) for each variable, focus on the most statistically significant and economically relevant findings.
- Discuss the magnitude of the coefficients to understand the strength of the relationships. Are some effects larger than others?
- Address the counterintuitive results (e.g., negative deposit effect on L2). Are there any theoretical explanations or potential data issues?
- Acknowledge that focusing solely on statistical significance can be misleading. Briefly discuss the concept of effect size and its importance.

Discussion

Suggestions for improvement:

- Instead of listing all results, focus on the most significant and surprising findings.
- For variables with mixed results, discuss potential reasons for the differences observed in your study compared to others. Consider factors like sample period, methodology, or specific contexts (Ethiopia vs. other countries).
- Discuss the limitations of the study (e.g., data availability, model choices) and suggest avenues for future research to address the remaining questions and contribute to the ongoing debate.
- Briefly summarize the key findings and their implications for bank liquidity management in Ethiopia.

Conclusion

Suggestions for improvement:

- Instead of generic advice, suggest targeted policies based on the study's findings. For example, consider recommending capital adequacy requirements that take into account bank size to address the "too big to fail" issue.
- The link between exchange rate depreciation and domestic savings is not straightforward. Consider revising it to acknowledge the potential for increased import costs and capital flight.
- Restate the paper's main contribution and its importance for understanding bank liquidity in Ethiopia. Briefly mention

the limitations without dwelling on them.