

Review of: "Exploring the Convergence of Macroeconomic Variables and Market Capitalization in an Emerging Economy: An Empirical Analysis Using Arbitrage Pricing Theory"

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Potential competing interests: No potential competing interests to declare.

Recommendations for Improvement:

• Abstract:

- Briefly mention the use of APT as the pricing theory.
- State the expected findings (e.g., positive correlation between IDR and MAKTCAP).
- Emphasize the contribution (e.g., first study to examine IDR's impact in Bangladesh).

• Introduction:

- Refine the first paragraph to focus on the specific research question and context (emerging market, Bangladesh, IDR).
- Briefly discuss CAPM vs. APT, highlighting the advantage of APT for this study (multiple risk factors).
- Strengthen the literature gap by referencing recent studies on emerging markets and the impact of IDR on market capitalization.

Literature Review

Recommendations for Improvement:

- Condense the review by focusing on the most relevant studies and avoiding unnecessary details.
- Briefly highlight the limitations of CAPM and emphasize how APT addresses those limitations in the context of your research.
- Review more recent studies on IDR's impact on market capitalization, particularly in emerging markets.
- Include more recent studies (within the last 5-10 years) to strengthen the review's foundation.
- Consider structuring the review thematically. For example, dedicate sections to:
 - Impact of macroeconomic variables on market capitalization (focusing on relevant studies)
 - Discussion of CAPM and APT limitations in the context of your research
 - Studies on the relationship between IDR and market capitalization (highlighting the gap in research)

Research Design

Recommendations for Improvement:

- Clearly state the research hypotheses (H1, H2, H3) related to the impact of each independent variable on market capitalization.
- Explain why the Arellano–Bover/Blundell–Bond GMM estimator is the most suitable method for this study, considering potential endogeneity issues.
- Briefly explain each variable and its expected impact without repetition.
- Discuss the potential for endogeneity between variables and how TLS addresses this issue.
- Consider adding a section outlining the specific research questions the study aims to answer.
- Briefly mention the software used for data analysis (e.g., Stata, EViews).

Empirical Results

Recommendations for Improvement:

- Since GMM is the main method for addressing endogeneity concerns, dedicate more space to discuss its results and compare them to the OLS findings. Highlight any significant differences.
- Summarize the key findings for each model without repeating the same interpretations for coefficients across all models.
- Discuss the potential reasons for higher standard errors in the TLS model, such as its focus on reducing bias rather than minimizing variance.
- Include the residual plot for visual inspection and discuss any patterns that might suggest heteroskedasticity or other issues.
- Consider presenting the results for all models (OLS, GMM, WLS, TLS) in a single table with separate columns for each method, making it easier for comparison.
- Briefly mention how the issue of heteroskedasticity might be addressed (e.g., using robust standard errors).

Findings and Recommendations

Recommendations for Improvement:

- Discuss the key findings from the GMM analysis and how they compare to the OLS results.
- Provide more specific and actionable policy recommendations based on the study findings. For example, instead of simply saying "favorable interest rates," suggest a target range or policy tools.
- Clearly explain the relationship between inflation and market capitalization, acknowledging potential for both positive and negative effects depending on the context.
- Discuss potential reasons for the unexplained variance and suggest directions for future research to explore these factors.

- Consider structuring the findings section thematically, focusing on each variable (MKTINT, CPI, IDR) and its impact on market capitalization.
- Briefly mention the limitations of the study and how they might affect the generalizability of the findings.