

November 5, 2024

**Report on PhD thesis**

**“Foreign Direct Investment, Financial Sector Development, and Economic Growth in the Republic of Ghana”**

**by Joseph Yaw Abodakpi**

**PhD Supervisor: prof. dr hab. Stanisław Owsiak**

**Referee: Prof. Jan Fidrmuc, Université de Lille, France**

**Summary**

Joseph Abodakpi’s PhD thesis presents a detailed analysis of Ghanaian economy generally, and the impact of foreign direct investment (FDI) and financial development specifically. It consists of four chapters. Chapter 1 presents a broad review of the literature on economic growth, its determinants and implications. Chapter 2 combines a discussion of the literature on the effects of FDI on economic growth with a detailed overview of the Ghanaian economy and its experience with FDI. Specific attention is devoted to the discussion of the Chinese participation in FDI inflows into Ghana. Chapter 3 then proceeds by discussing financial development in Ghana, its measurement, and its economic impact. Finally, Chapter 4 comprises an empirical analysis of the impacts of financial development and FDI on economic growth in Ghana.

**Assessment**

The PhD thesis demonstrates the candidate’s profound knowledge of the broad body of literature in economics generally and economic growth in particular, a detailed familiarity with the Ghanaian economy, as well as high level of competence in economic and econometric analytical methods. The thesis constitutes an original and novel contribution to the literature on the impact of FDI and financial development of emerging economies. The thesis incorporates material that was previously published in respectable Polish journals, which further attests the quality of the material included in the thesis. Therefore, I am fully satisfied that the thesis meets the legal requirements for awarding the degree of PhD in economics as stipulated by the Polish Law on Higher Education and Science.

## Comments

The thesis would benefit from the addition of a short introductory chapter, summarizing the objectives and scope of the thesis and briefly outlining the contribution of the individual chapters. Likewise, it would be advisable to add a concluding chapter that would identify the main contributions of the thesis to our understanding of the subject matter. In particular, the concluding chapter should highlight a few lessons learned from the thesis as a whole rather than from the individual chapters.

Chapter 1 contains a discussion of the general economics literature, as well as of the macroeconomic development and institutional background of Ghana's economy. I believe the latter (i.e. current sub-sections 1.4 and 1.5) would be better placed in Chapter 2, which would thus present a broad overview of Ghanaian economy, its institutional environment, as well as its FDI record and financial development.

The research objectives and hypotheses (sub-sections 1.6 and 1.7) could be likewise placed at the end of Chapter 2. Alternatively, they could be incorporated into the introductory chapter that I recommended above.

The literature review states repeatedly that the evidence on the positive spillover effects of FDI is weak and that the evidence on the FDI impact on growth is mixed. This deserves more careful elaboration. The FDI impact can be insignificant or weak either because FDI in fact does not have any impact, or because some FDI inflows have a positive impact on the recipient country's economy while other FDI inflows have a negative impact. For example, the latter could be the case if some FDI projects are associated with knowledge transfer and technology spillovers (positive effect), but others lead to increased competition with, and displacement of, domestic firms (negative effect). The resulting overall impact would then be ambiguous and dependent on the prevailing type of FDI.

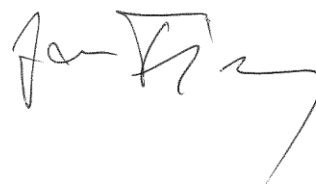
Some of the tables in the thesis are confusing. For example, Tables 4 and 5 both supposedly show the top 10 source countries of FDI to Ghana in 2017, but the countries and numbers listed in these two tables are very different. How is this possible? Why does Table 11 only cover the first nine months of 2009? Surely, the information for the whole year must be available by now. Table 20 contains two rows with information on Total Bank Credits to GDP ratio but the numbers in the two rows are very different.

Chapter 4 constitutes the main empirical contribution of this thesis. Yet, the discussion of the results of the empirical analysis (Tables 29 to 34) is somewhat superficial and brief. Only four models have the full estimates reported (Models 4, 8, 10 and 12). This is explained by the statement that these are the only models that display a long-term relationship. Yet, the remaining models should be reported too, at least in an appendix. The main differences between these four models (and with respect to the remaining models that are not reported) should be discussed in more detail. What do these models tell us about the effects of FDI and financial development on economic growth? Do we learn anything from this analysis about the potential relationship between FDI and financial development?

The thesis deals with a single country: Ghana. This raises the issue as to whether the findings and results can be also generalized and applied to other emerging economies – in Africa and beyond. The thesis should explicitly address this question, either in the individual chapters, or in the final concluding chapter that I recommended above.

In conclusion, I would like to congratulate the candidate on completing and submitting his PhD thesis. You have produced an impressive body of work, of which you should be duly proud. Well done!

Jan Fidrmuc  
Professor  
Université de Lille, France

A handwritten signature in black ink, appearing to read 'Jan Fidrmuc', with a long, sweeping flourish extending to the right.