

Reviews of ECONJOURNAL-D-23-00182R3

The Impact of Geographic Factors on Credit Risk: A Study of Chinese Commercial Banks

Round 1

Reviewer 1

I have carefully reviewed the article titled "Model Credit Risk and Financial Sustainability - The Impact of Spatial Organizational Structure of Chinese Commercial Banks". The article contributes to the literature; most sections are very well written. However, the following minor modifications will improve the quality of the article:

1. The objective of the research is not clearly stated in the abstract or in the introduction.
2. The contribution of the article is not expressed specifically in the introduction.
3. Authors should follow a better structure of the document; I suggest that they review the Journal's instructions on how to structure a paper.
4. It is also recommended to improve the analysis of the Tables 5 (mediating effects) for better understandability. The idea is that the authors discuss the findings with the results of similar recent research.
5. Please provide the limitations of the study, as well as the future directions of research.
6. The sentence structure, grammatical issues and spell check is required to avoid errors in the manuscript.
7. During the explanation of the results, it is not clear whether it clearly verifies or rejects the hypotheses.
8. Authors should improve the contribution in the introduction. In this context, some papers published in Journal of the Economics can be followed.
9. Please discuss the future research direction at the end of the conclusion section.

Reviewer 2

Credit Risk and Financial Sustainability - The Impact of Spatial Organizational Structure of Chinese Commercial Banks

After reviewing this paper, I have some comments below:

- The way the title is put makes me confused. The author's title mentions two issues: credit risk and financial sustainability, but the abstract doesn't mention financial sustainability at all. The authors must agree on financial sustainability or financial stability. Obviously, this research article only focuses on credit risk, so the title should not mention financial sustainability.
- The abstract part needs to be rewritten. In this part, the authors need to

clarify what the goals of this research are and what the results are. The current version presents itself as very difficult to follow.

- Author citations must comply with the journal's regulations.
- The literature review section needs to be edited. The studies reviewed by the authors are quite old and need to be updated with more recent research. I suggest the author review and cite the following studies:

<https://doi.org/10.1016/j.frl.2021.102369>

<https://doi.org/10.1016/j.ribaf.2021.101575>

<https://doi.org/10.1016/j.resglo.2022.100105>

- For the research model, the control variables need to be clearly explained.

Why did the authors use these variables in the model?

- The estimation method part needs to be explained immediately after setting up the model. The authors must explain why it is necessary to use the GMM method. I find that the author applies the GMM method quite arbitrarily, the authors must explain why GMM is suitable for the authors' model. Authors must choose system GMM or diff-GMM, not both. Similarly, they must explain why they chose FE over RE.

- For the GMM method, the authors please provide information about the number of instruments and how to select instruments for each model. I am skeptical about this result. I will reevaluate the results when the author provides complete information.

- There are many spelling and typographical errors that the authors need to review carefully

Reviewer 3

Thank you for submitting your research titled "Credit Risk and Financial Sustainability - The Impact of Spatial Organizational Structure of Chinese Commercial Banks". The research introduces a promising topic; however, there are several areas that require attention in the following revision:

* Clear Articulation of Research Gaps and Contributions: In the background section, please provide a more explicit and thorough delineation of the research gaps your study addresses and the contributions it makes to the existing literature. This will help readers better understand the context and significance of your work.

* Use of References and Examples: When presenting background information, consider using references or examples to support your statements. For instance, the statement "Since China's reform and opening up, the banking industry has been in a dominant position in the Chinese financial system" may be familiar to Chinese scholars but may require evidence or context for readers less acquainted with the subject matter. Similar attention to evidence and context is needed in the second paragraph of the background section.

* Logical Flow: There appear to be some logical issues in the paper. Please ensure that the flow of the paper is coherent and that each section logically connects to the next. This will enhance the overall readability and understanding of your research.

* GMM (Generalized Moment Models) and Spatial Relations: It would be beneficial to elaborate on the use of GMM in your analysis, particularly in the context of spatial relations. Explain how GMM is applied to your study and its relevance to your research questions. The decision to use GMM, Diff-GMM, or Sys-GMM depends on the nature of your research question and data. These methods are often employed in econometrics to handle specific challenges like endogeneity (you mentioned), heteroscedasticity, or serial correlation. However, for spatial analysis, If your research involves spatially dependent data or spatial econometrics, then creating and incorporating a spatial matrix may be necessary. If not, you need to clearly explain your rationale.

Reviewer 4

Dear authors,

I hope that you are fine.

I have the honor to revise your paper.

After review of the paper titled "Credit Risk and Financial Sustainability - The Impact of Spatial Organizational Structure of Chinese Commercial Banks" which submitted to the Economics Journal, I think that this paper is suitable for publication in this journal but after minor revisions:

- The authors revise equations which have mistakes such as 15b and 16b and others.
- The authors revise all tables
- The authors can add the economic and financial implications of their paper
- The authors can add the references from each variable used in their model
- The authors revise some grammatical mistakes.

After the authors makes all these revisions, I think that the editor can accept this paper for publication

All the best

Round 2

Reviewer 1

The quality is better.

Reviewer 2

I'm satisfied with this version. This paper can be published. Congratulation.

Editor

While this study introduces an important topic, there are several major issues that require attention:

Comment 1: Missing Methodological Details

The methodology employed is not adequately explained and justified. Critical details regarding model specification, variable selection, and estimation technique are lacking. Why were these specific variables and model chosen? How were potential endogeneity issues addressed?

Comment 2: Incoherent Literature Review

The literature review does not establish a clear theoretical background and lacks logical flow. References appear disconnected from the concepts discussed. How does the prior work contextualize the research questions and hypotheses?

Comment 3: Weak Empirical Analysis

The empirical analysis lacks rigor. What are the hypotheses being tested? How was the data analyzed? Expected relationships between variables are not clearly presented. What statistical software was used?

Comment 4: Absent Data Sources

No information is provided about the data sources and time period, sample characteristics, or variable definitions/measurements. How can the results be interpreted and evaluated without this context?

Comment 5: Formula Errors

Several formulas contain typographical and logical errors that need correction (e.g. equations 3, 7, 15). Are the formulas even used correctly in the analysis? This undermines the reliability of the study.

Major questions that need clarification:

Q1. What specific research questions/objectives does the study aim to address?

Q2. Upon what theoretical framework is the study based? Which hypotheses are being tested?

Q3. What econometric techniques were employed and why are they appropriate for this analysis?

Q4. What data sources and time period were used? How was the sample constructed?

Q5. How were the variables defined and operationalized? What unit of analysis is used?

Round 3

Reviewer 1

Dear authors,

After review of the revision 2 file, I think that this paper is suitable for publication in the Economics Journal.

All the best

Editor

There are several major issues that require attention before the manuscript can be considered for publication.

The methodology section lacks crucial details about the model specification, variables used, and estimation technique. It is unclear why these specific variables and model were chosen and how endogeneity concerns were addressed. The model requires more explanation and justification.

The literature review could be more cohesive and logical in its structure. Several references appear disconnected from the concepts discussed. The theoretical background and context need to be more clearly established to link prior work to the research questions and hypotheses.

Important elements of the empirical analysis are missing. The hypotheses being tested are not explicitly stated. Details about the data, variables, and statistical software/methods used for analysis need to be provided to properly evaluate the results.

No information is available about the data sources, time period, sample characteristics, or how the variables were defined and operationalized. This lack of context makes it difficult to interpret the results.

Some formulas contain typographical and/or logical errors (e.g. equations 3, 7, 15) that require correction. It is unclear if the formulas were even used correctly in the analysis, undermining the reliability of the results.

Key questions:

Q1. Please provide more detail on the model specification, variable selection, and estimation technique. How were potential endogeneity issues addressed?

Q2. How will the theoretical framework and literature review be strengthened to better contextualize the research questions and hypotheses?

Q3. What specific hypotheses are being tested? How will the empirical analysis be expanded to test these hypotheses and interpret the results?

Q4. What data sources, time period, variables, and sample characteristics will be described? How are the variables defined and operationalized?

Q5. Which formulas contain errors? How will they be corrected to ensure the analysis is conducted reliably?

Round 4

Editor

The manuscript can be accepted in the current form.