FORDHAM | Gabelli School of Business
THE JESUIT UNIVERSITY OF NEW YORK

Iftekhar Hasan, PhD
E. Gerald Corrigan Chair
Gabelli School of Business
Fordham University
Martino Hall
45 Columbus Avenue, 5th Floor
New York, NY 10023
T: 646.312.8278
E: ihasan@fordham.edu

Dissertation Evaluation

Title: Essays on Finance and Banking
Candidate: Tamara Vovchak
Institution: Charles University Prague

I offer my sincere congratulations to Tamara Vovchak on her dissertation, "Essays on Finance and Banking." This dissertation is thorough, nicely written, innovative, and carefully executed. I also offer my congratulations to the candidate's advisors at Charles University Prague, who I applaud for shepherding such an ambitious project to its conclusion. The experience of reading this dissertation was professionally rewarding and its inherent level of quality spoke to the passion for research clearly felt by its author and influencers. Indeed, it would be my expectation that the papers that come out of this dissertation will find waiting audiences at any number of reputable journals on the basis of the quality of this work and its relevance to the literature. The author does a very nice job in providing all of the necessary background and the relevant aspects of the risks and benefits of these particular analyses. I am in general confident in recommending that this dissertation be passed after a very thorough proofing (including a professional proofreading), though my suggestions are not requisite to acceptance. However, permit me to offer a few reflections and suggestions as I review the dissertation.

In the first paper, "Bank Credit, Liquidity Shocks and Firm Performance: Evidence from the Financial Crisis of 2007-2009," the author considers an understudied aspect of banking relationships in the crisis context, namely, the flow of lending by banks to nonfinancial firms during crisis periods. Specifically, the paper considers the most recent crisis and how, to some extent, ties were trumped by many banks' reliance on core deposits and subsequently contributed to the contraction of the lending market and an overall decline in economic activity. The author takes an honest and considered approach to this issue, responsibly situates the paper within the literature, and utilizes a reliable methodology. The paper finds that U.S. banks did reduce lending due to negative funding shocks and that there exists a positive correlation between bank credit supply and reliance on core deposit financing. Additionally, the paper overall finds evidences that bank credit did matter for firms. The policy ramifications of the paper are quite remarkable, as the overall harm to the credit market in such a context is difficult to understate. Given the attention that needs to be paid to this issue, I believe this will continue to be a fruitful avenue of exploration and that the author can expect further lines of inquiry to develop from the paper.

In the second paper, “Basel III Requirements and Bank Profitability,” the author further presses the crisis context and determines how recent liquidity risk measures have affected bank profitability. The paper is interested in a number of specific questions: does higher liquidity decrease profitability; do liquidity and capital ratios affect profitability; and do these relationships differ based on bank sizing? The scope of the author’s research is again well-measured, and her methodology is again sound, and yet, the results are quite novel. For instance, while liquidity standards do reduce financial performance, the paper finds that small and large banks are affected in different ways, and quite notably, the effect of bank capital on ROE is only at the small bank level with regards to total capital ratio. There is also a very interesting inverse relationship between small/large banks and high/low net stable funding ratio (NSFR) that leads to reduced profitability/increased funding stability. This latter issue is certainly worth of further study, and this paper’s groundwork will likely yield additional research, as there will no doubt be further interest in evidence regarding the liquidity standards-profitability relationship.

The third paper, “The Relationship Between Capital, Liquidity and Risk in U.S. Banks,” again addresses the regulatory context in the U.S., and notably considers the period leading up to the financial crisis, which adds some breadth to the author’s overall discussion of the issue in the dissertation. The paper reviews the various capital, risk, and liquidity decisions of U.S. banks in the pre-crisis years and then examines the relationship between Basel III liquidity measures, bank capital, and risk adjustments. The paper makes a number of determinations that point to an overall increase in risk and points to some further avenues for ways to build a better regulatory framework. I would not at all be surprised to see many future papers base their initial methods on the work done here.

Overall, the dissertation is a very fine piece of intellectual work. The individual papers are quite strong, and their relationship to one another is justified. The work is of a piece with contemporary academic style, and I am very impressed with the author’s ability to weave together the material into a coherent whole, including papers that address banks of varying sizes. The continuation of data, analysis, and theory throughout the papers will no doubt have positive benefits for this dissertation with regard to publishing. In my judgment, the dissertation is original, is methodologically sound, and reflects knowledge of the relevant literature. Some further polishing will no doubt help showcase the dissertation’s intellectual strengths, but these are very minor issues. This dissertation satisfies all the conditions for a PhD in economics, and I recommend that the student be admitted to the defense of the dissertation and that the degree be awarded.

I again offer my congratulations to both the author and her advisors. Should there be any need for additional information, please do not hesitate to contact me at (646)-312-8278 or at ihasan@fordham.edu. Thank you.

Best regards,

Iftekhar Hasan
University Professor and E. Gerald Corrigan Professor of Finance