

# Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

<b>Student:</b>	<b>Bc. Daniel Hykl</b>
<b>Advisor:</b>	<b>Mgr. Magda Pečená, PhD.</b>
<b>Title of the thesis:</b>	<b>The Czech banking sector: Determinants of Profitability</b>

## Short summary

Bank performance in the EU has got attraction from both academics and practitioners in the last years. However, none of them has provided a rigorous analysis of the profitability of the Czech banking sector. Daniel Hykl investigates the topic when analyzing 22 Czech banks in the 2015-2021 period. He has put a lot effort to this thesis but some things could have been done better.

## Contribution

Daniel's findings show negative effects on bank profitability of capitalization, operational efficiency, and inflation change, while: bank size and GDP growth report positive effects. Moreover, he analyzed also End of Year events and highlights abnormal drops in banks' balance sheet figures as of the end of the year. His contribution is therefore clear.

## Methods

The author applies several standard methods in his research: GMM, fixed effects, OLS. However, their description is relatively brief compared to the expectations on the master thesis. Based on these methods 10 hypotheses are tested, what is a relative high number, though.

## Literature

A 4-page literature review on related theoretical models and empirical studies seems reasonable but should have been updated by recent works on bank profitability including Hanzlík & Teplý (2020), Ulate (2021), Claeys (2021) or Fernandez-Bollo et al. (2021). Moreover, a comparison with other researchers is missing.

## Manuscript form

Daniel's thesis almost meets standard format requirements on bibliography, notes, figures and tables. However, the manuscript form is weak and could have been improved (e.g. a chapter "Conclusion" is missing, copy-paste tables are used, equations are not numbered).

## Summary and suggested questions for the discussion during the defense

Daniel has developed a solid academic approach, reviewed the existing literature, identified open questions and drew relevant conclusions from that. In my view, the thesis fulfills the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a **grade C**.

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

Questions to the defense:

- 1) Exhibits 8 and 9 on p.49 implies a significant negative relationship between ROE and CPI change, what is surprising. Could Daniel comment on that?
- 2) Could Daniel compare his results with other relevant studies on the EU level?

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## **SUMMARY OF POINTS AWARDED** (for details, see below):

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution (max. 30 points)</i>	26
<i>Methods (max. 30 points)</i>	24
<i>Literature (max. 20 points)</i>	15
<i>Manuscript Form (max. 20 points)</i>	9
<b>TOTAL POINTS (max. 100 points)</b>	<b>74</b>
<b>GRADE (A – B – C – D – E – F)</b>	<b>C</b>

**NAME OF THE REFEREE:** *prof. PhDr. Petr Teplý, Ph.D.*

**DATE OF EVALUATION:** *May 31, 2022*

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**Referee Signature**

**EXPLANATION OF CATEGORIES AND SCALE:**

**CONTRIBUTION:** *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

**METHODS:** *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

**LITERATURE REVIEW:** *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

**MANUSCRIPT FORM:** *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

**Overall grading:**

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F