

Report on Bachelor / Master Thesis

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

Student:	Josef Obořil
Advisor:	PhDr. Zuzana Havránková
Title of the thesis:	Impact of the Great Recession on the European banking sector: The stochastic frontier approach

OVERALL ASSESSMENT *(provided in English, Czech, or Slovak):*

Josef Obořil estimates the cost efficiency scores of European banks and investigates the differences in this score found in time and across different banks. His main finding is that the recent global crisis improved the performance of European banks in terms of cost efficiency; he also traces the differences in cost efficiency scores to bank-level factors like the interest margin, for example. The analysis presented in the thesis is very detailed, careful, and involves econometric methods not covered by undergraduate courses. The thesis has the form and structure of a professional piece of research; indeed, this bachelor thesis is comparable in quality to the top 25% master theses defended at the Institute of Economic Studies each year. (My judgment is based on master theses defended in the last three years, during the time when I have been responsible for the Master Thesis Seminar.) The author invested a lot of effort in this thesis and should be congratulated on the result.

Several clarifications could be made in the thesis. Section 5.1 (cost efficiency estimation) should describe more clearly which model the author uses since the author does not provide us with the table of results of the ML optimization. From the previous pages we may think that the author takes the whole dataset of the eurozone and the Czech Republic for 2003-2010 and estimates SFA using ML with different assumptions on distribution and looks for the last concave iteration. First, the author performs cross-sectional estimation---but we do not know for which years: either the author chooses one year or the author estimates the cost efficiencies for all the years as a cross-section. Second, he performs estimation on an unbalanced panel (I assume it is for 2003-2010). Does Figure 5.5 say there is a bank with more than 100% efficiency score (if yes, how is it possible)?

The level of English used in the thesis is solid. (It is not great, but bachelor and master theses are rarely written in great English.) The author should have paid more attention especially to the abstract. For example, a reader may wonder about the following expressions: “cost efficiency of panel data..” or “Result of the investigation is that total business is the major difference between them.” The formulation of the main finding is unclear as well: “The main finding is that recession in Europe has a positive impact on cost efficiency; however, there was a decline already connected with the outbreak of the Great Recession in the US.” I think that the author means the following: When the financial crisis started in the US, the cost efficiency of European banks declined. But the cost efficiency of these banks increased after the crisis spilled over to Europe, and this increase was stronger than the previous decline, so that the overall effect of the recent crisis on the cost efficiency of European banks was positive.

All in all, I believe this thesis deserves an “A”.

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	15
<i>Methods</i> (max. 30 points)	28
<i>Contribution</i> (max. 30 points)	25
<i>Manuscript Form</i> (max. 20 points)	19
TOTAL POINTS (max. 100 points)	87
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: *PhDr. Tomáš Havránek*

DATE OF EVALUATION: 28.5.2012

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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

Strong Average Weak
20 10 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.*

Strong Average Weak
30 15 0

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.*

Strong Average Weak
30 15 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.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě