Report on **Bachelor Thesis**

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

Student:	**Martin TOMIS**
Advisor:	**Adam Gersl**
Title of the thesis:	**Linkages between financial sector and real output - empirical evidence from the Czech Republic**

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

This bachelor thesis focuses on a topic that has gained a renewed attention during the global financial crisis, namely the linkages between the real economy and financial sector. The thesis looks especially on the linkages running from the banking sector to the real economy, concetrating on the estimation of the bank lending channel (an effect running from monetary policy shock – change in interest rate – via changes in amount of lending to the real economy). The thesis estimates a VAR model and confirms that the bank lending channel was operative in the Czech Republic during the period 2001-2011, with an objective to find out whether the decline in the dynamics of bank loans during the crisis was demand- or supply-driven.

The thesis has a clear structure and is well written. After discussion of different effects of financial sector on the economy and survey of literature on bank lending channel, the empirical part follows which first describes the stylized factsa of the Czech banking system and estimates the channel using aggregate data. The results of the analysis are quite surprising, as the VAR model confirmed the existence of large supply-side effects which probably even outweighted the demand side effects. The official kind-of „anecdotical-evidence-based" argument was that the demand side effects were stronger, a hypothesis that was not confirmed empirically in this thesis. This is the first study to my knowledge to attempt to provide an answer to the important question of the role of demand versus supply side effects in the banking system and thus represents a clear value added and a strong contribution to the analysis of the effects of global financial crisis on the Czech economy.

The student colaborated intensively with the advisor and provided also the results of other methods, such as Markow-switching models, which however did not prove to be reliable.

I fully recommend the thesis for defence and suggest the grade 1. At the same time, I suggest this thesis to be given a „honour" from the dean (pochvala dekana) and nominated for one of the students' prizes.

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

CATEGORY		POINTS
Literature	*(max. 20 points)*	20
Methods	*(max. 30 points)*	30
Contribution	*(max. 30 points)*	30
Manuscript Form	*(max. 20 points)*	20
TOTAL POINTS	*(max. 100 points)*	**100**
GRADE	**(1 – 2 – 3 – 4)**	**1**

NAME OF THE REFEREE: Adam Gersl
DATE OF EVALUATION: 11 June 2012

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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