

# Report on Bachelor Thesis

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

Student:	Andrea Kufnerová
Advisor:	PhDr. Jitka Lešánovská
Title of the thesis:	Profitability of Foreign Owned Banks in Central and Eastern European Countries

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

### **General assessment**

The proposed thesis prepared by Andrea Kufnerová deals with the issue of profitability of foreign owned banks that operate in Central and Eastern Europe (CEE) region. Return on average assets (ROAA) is selected as a profitability measure. Analysis is performed on the sample of 131 banks from 10 CEE countries.

Analysis is structured in a way that it tries to assess which factors are significant explanatory variables of selected banks' profitability. These factors include bank-specific factors along with macroeconomic and market structure characteristics. Furthermore author assess whether influence of these factors on banks' profitability changed during the crisis. Analysis is conducted using regression method framework.

On the positive side, I liked the following about the proposed thesis:

- Research problem is relevant, interesting and clearly defined.
- Motivation for conducting research is clearly stated in the introduction.
- Reviewed literature is relevant.
- Analysis is applied on banks from CEE countries which, as I understand from the thesis, has not been done before.
- Applied econometric model is clearly defined and relevant econometric method is used.
- In the thesis Andrea shows her good ability of working with theoretical concepts and practical methods and models.
- Author answers all research questions stated in the section Hypothesis.

On the other there are several things that could be improved:

- Reviewed literature is focused mainly on explanatory variables, weak motivation for selection of ROAA as only profitability indicator is provided.
- Contribution of the thesis is rather limited in a sense that from the sources quoted in the literature review section I understand that the topic of banks profitability using proposed explanatory variables has already been studied well from different angles.
- Some conclusions drawn from the analysis just confirm common sense and do not add value (e.g. that banks in developing countries may have higher profit margins than banks operating in developed markets).
- Analysis is based on the sample of banks from 10 countries, but does not discuss, even high-level, potential impact of differences in regulatory environment in these countries. Regulatory environment may potentially affect profitability of banks in different countries.
- Thesis is rather short (37 pages).
- There are mistakes and typos in the text.

### **Literature review**

Reviewed literature is well described and is relevant for the research topic. However, it focuses on the explanatory variables mainly. Furthermore, statistical or modelling methods used by different authors in reviewed literature are not described.

### **Methods**

Econometric model is clearly defined and reasonably selected. Selected statistical method is reasonable given the research problem. Selection of explanatory variables is supported by the existing literature. Selection of only one dependent variable (i.e. ROAA) is motivated weakly.

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## Contribution

Main contribution of the thesis is the fact that analysis was performed on the sample of banks from CEE countries and that it shows whether significance of certain explanatory factors has changed during the crisis. On the other hand the contribution is limited by the fact that bank profitability area has already been studied well in existing literature.

## Manuscript form

Overall, manuscript form of the thesis is acceptable. Nevertheless, there are following issues to be noted:

- Typos, mistakes and missing parts of sentences
- Inconsistent references to the literature used. For example:  
*Andries* (publication year is 2012 as quoted in sources and 2011 in the text)  
*Claessens* (2012 in the sources, 2011 in the text, once)  
*Lensink* (2008 in the sources, 2007 in the text, once)  
*Poghosyan* (2010 in the sources, 2009 in the text)

To conclude, I believe that proposed study is a decent bachelor thesis, is well structured, is based on relevant literature and established methods, it answers all hypotheses set at the beginning and uses relevant econometric model. Author shows decent ability to work with concepts learned during the bachelor studies. I propose grade 1 for the thesis if successfully defended.

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

CATEGORY	POINTS
Literature (max. 20 points)	20
Methods (max. 30 points)	26
Contribution (max. 30 points)	20
Manuscript Form (max. 20 points)	15
<b>TOTAL POINTS</b> (max. 100 points)	<b>81</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

NAME OF THE REFEREE: Vyacheslav Lypko

DATE OF EVALUATION: 26.8.2013

### **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