

Czech Commercial Banks' Net Interest Margin Analysis with Regards to the Changes of Recent Years

Bachelor thesis

Martin Brousil

Abstract

The rapid development of digital technologies in recent years has influenced the whole business world, with the banking industry being no exception. For banks, it has brought many advantages, such as greater cost efficiency or higher availability of information about clients, but also new challenges for their business models and a growing number of direct and indirect competitors. This thesis analyzes the most salient trends present in the industry: the digitalization of banking, the growing competition, a shift in customer preferences and the stricter regulation of the banking business. Further, it focuses on the decreasing interest rate margin of Czech banks and attempts to find its causes. The size of bank, its cost efficiency and operational risks are identified as important determinants of the margin and also GDP growth and the degree of competition within the sector are found to play their roles in the determining process. At the end, the results are used and the qualitative and quantitative trends are linked together, since, as the author argues, a close relationship between them exists.

Keywords

Banking, Clients' Preferences, Competition, Digitalization, Regulatory Requirements, Net Interest Margin, Regression Analysis