

ABSTRACT

The aim of this dissertation is to provide a detailed quantitative and qualitative assessment of the banking system currently in place in the Visegrad countries, as well as its transition from the Soviet system to a capitalist market-oriented system. The empirical part of this study focuses on estimating the stability of the banking system, the impact of regulations and supervision on the stability of this system the performance and effectiveness (productivity) of the system, and the impact of banking sector performance on economic growth.

Two different methods are used for the data analysis: panel data regression with random effect model and traditional ratio analysis based on DuPont formula and other financial ratios, which were constructed using historical data taken from Bank Scope, together with random-effects GLS regression.

The results suggest that, as measured by z-score, Slovakia had the most stable banking sector in most years, followed by Poland, Hungary, and the Czech Republic. Additionally, according to the regression analysis, the imposition of strict requirements for banks applying for licenses in Visegrad countries has led to greater banking system stability, while prohibiting additional banking activities—such as real estate, insurance, securities, or other non-financial services—leads to lower stability in the overall system.

We also determined that, between 1995 and 2008, Hungarian banks were the best performing based on ROAE and net interest margin. After the global financial crisis, the best performing banking sector was seen in Poland (based on the ROAA). The Czech Republic showed the highest level of efficiency in almost all periods except for the first period (1995 to 2004), during which it was outperformed by Poland.

We also found that, based on our analysis, it cannot be concluded that the banks' performance has had significant impact on the economic growth of the Visegrad countries in the years from 1995 to 2015; on the other hand, in the Czech Republic, ROAA has been positively correlated with national economic growth of the country.

Keywords: Banking system, transition, Visegrad group