

Report on Bachelor / Master Thesis

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

Student:	Jakub Čermák
Advisor:	PhDr. Hana Hejlová
Title of the thesis:	The Influence of Foreign Bank Ownership on the Banking System in the Czech Republic

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

In his thesis, Jakub tests whether lending of the foreign-owned banks in the Czech Republic is driven by the economic cycle in the home country and in the Czech Republic (hypothesis 1 and 2), whether the importance of the economic cycle in the home country changes during crisis periods (hypothesis 3) and whether the economic cycle has more impact on corporate than on consumer loans (hypothesis 4).

Contribution

The work by Jakub is probably the first study on this topic for the Czech Republic. To analyze the research questions, he uses a set of bank-level data which was obtained from the Czech National Bank and which is not publicly available. He draws from econometric approaches evidenced in the literature which he combines and further develops. As such I consider the contribution of this thesis as high. Moreover, the results are very well discussed with regards to the theory and empirical findings and they are contrasted to the results of the existing research on other countries.

Methods

To test his four hypothesis, Jakub derives an equation in which he explains the loan growth by a set of macroeconomic and bank-specific variables. The economic cycle is represented by the GDP growth in home economy and the Czech Republic. Jakub estimates this equation using the difference and system GMM. He tests the hypotheses on the basis of significance and sign of the estimated coefficients in the model. He also test the assumptions of the model. In this part of the thesis, Jakub demonstrates his ability to study new estimation techniques independently and use them in practice. However, I still have one remark concerning the equation which is being estimated: Instead of quarterly changes of loans and GDP, I would use the yearly changes. The reason is that both the volume of loans and GDP follow seasonal patterns and there is also some volatility in the data. The yearly changes may reduce these two problems and make the results more powerful (although seasonality is fixed using quarterly dummies in this thesis).

Literature

The literature review serves as an introduction to several topics which play an important role in the thesis. This makes the literature review more attractive and the whole thesis easy to read. The references are nicely worked with throughout the thesis (see also the Contribution).

Manuscript form

I highly appreciate the structure of the thesis and the language used throughout the thesis. The content is carefully written without overlaps and might be very simply converted into a research working paper. As such, it is easy to read the whole work at once. Details on how the model was derived and on the estimation results are nicely presented in the technical appendix. Overall, the form in my opinion highly exceeds expectations of a bachelor thesis.

Summary and suggested questions for the discussion during the defense

I recommend this thesis for defense. Suggested questions for the defense are:

- Based on the discussion in your thesis, try to come up with several hypothetical examples when the foreign bank ownership may increase and decrease the stability of the Czech banking sector.
- Based on the results presented in your thesis, try to name some of the indicators which may help the central bank monitor the stability of the Czech banking sector.

In case of successful defense, I recommend grade A.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	30
<i>Methods</i> (max. 30 points)	26
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	20
TOTAL POINTS (max. 100 points)	96
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: *PhDr. Hana Hejlová*

DATE OF EVALUATION: *3 July 2018*

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

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

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	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.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F