

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Ecaterina Danila</b>
<b>Advisor:</b>	<b>Roman Horvath</b>
<b>Title of the thesis:</b>	<b>Estimation of Bank Runs Probability in the Context of Deposit Insurance Implementation in Russia</b>

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

This is a referee report provided by Karel Janda.

This Master Thesis provides a literature review of theoretical and empirical literature on bank runs followed by an original econometric investigation of the micro and macro factors determining the likelihood of bank deposit withdrawals. The empirical investigation is done on Russian data. Therefore the thesis contains a good description of Russian banking sector with special attention paid to Russian banking panics and banking crises.

I expect that especially paper Chernykh, L., Cole, A. R. (2011) Does deposit insurance improve financial intermediation? Evidence from the Russian Experiment, *Journal of Banking and Finance*, 35, p. 388-402 was an important source of inspiration for the current paper. During the defense the author could mention similarities and differences between her results and approaches and the ones by Chernykh and Cole (2011).

Both the econometric and the descriptive part of the thesis are well written. Literature review is quite well done. While reading the thesis, the difference in English language quality between first two chapters (Introduction, Theoretical Background) and the econometric empirical chapter 3 was quite noticeable. The English quality in first two chapters was noticeably higher. Thanks to the effort of Tomas Havranek, the formal appearance of IES theses, including this one, and the work with references nicely improved over the recent years, so I did not notice any discrepancies between references used in the main body of the thesis and the list of references at the end of the thesis.

In the theoretical part of the thesis author carefully distinguishes between panic based bank runs and the information based bank runs. This distinction is again considered in the subsequent sections of the thesis.

When the author discusses moral hazard effect of 100 percent deposit insurance (p.16), I expect that there should be some relevant papers dealing with this topic in the context of current EU 100 percent deposit insurance. It would be nice to mention such papers during the defense. Also during the defense author should provide some better clarification on the previous deposit insurance for Sberbank. Was it 100 percent insurance of all deposits without any limits? Author emphasizes the natural experiment setup of this paper, where first no insurance existed and later on it was gradually introduced for all banks. The effect of previous insurance in Sberbank and

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the legacy of Sberbank being perceived as the most sound and maybe implicitly government backed (insured) company is not really sufficiently captured in the thesis.

On page 19 author compares number of banking institutions in Russia with other countries – during the defense the author could substantiate this claim by providing exact numbers for US or some other large countries.

An interesting feature of Russian banking system seems to be the legal requirement on availability of deposits on demand regardless of contractual maturity (p.21). Was this feature somehow reflected in the empirical part of the thesis? How does this system actually works? Are there some fees or payment system restrictions involved which would make difference between term deposits of different maturity and between term deposits and current account deposits?

The differences between banking channel (p.21) and equity/bond channel for financing investment in Russia as compared to say Czech Republic are an interesting feature worth commenting.

Does the author have any information on uninsured part of deposits? What is the volume of deposits over the insurance limit according to different banks?

The deposit insurance limits in rubles on page 23 should be also expressed in EUR for comparison with EU legislation.

An interesting feature of the empirical results is a number of cases when the actual results were contrary to ex-ante expectations. This would be definitely interesting topic during the thesis defense to discuss for example which financial factors (and in general which ratios, information etc.) about banks are taken into account by depositors when deciding to deposit/withdraw money from a particular bank.

This is a well done thesis and it was a pleasure to read such a well structured and well written thesis with good correspondence between theoretical and empirical part and with well done original empirical analysis.

I recommend the thesis for defense.

In the case of successful defense, I recommend the grade „excellent“ (grade 1).

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

<b>CATEGORY</b>	<b>POINTS</b>
Literature (max. 20 points)	19

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<i>Methods</i>	<i>(max. 30 points)</i>	28
<i>Contribution</i>	<i>(max. 30 points)</i>	22
<i>Manuscript Form</i>	<i>(max. 20 points)</i>	19
<b>TOTAL POINTS</b>	<i>(max. 100 points)</i>	<b>88</b>
<b>GRADE</b>	<b>(1 – 2 – 3 – 4)</b>	<b>1</b>

***NAME OF THE REFEREE: Karel Janda***

***DATE OF EVALUATION: June 9, 2013***

***Karel Janda***

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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	<b>1</b>	= excellent	= výborně
61 – 80	<b>2</b>	= good	= velmi dobře
41 – 60	<b>3</b>	= satisfactory	= dobře
0 – 40	<b>4</b>	= fail	= nedoporučuji k obhajobě