Report on **Bachelor / Master Thesis**

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

Student:	Pavel Moraru
Advisor:	Doc. Roman Horváth, Ph.D.
Title of the thesis:	Influence of the knowledge capital of a bank on its performance

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

As one of the teachers of the master thesis seminar I have had the opportunity to watch the development of Pavel's thesis. I congratulate him on the progress he has made since the beginning of the first seminar. The main idea of the thesis is that management value added (or "knowledge capital") influences the cost efficiency of banks. To this end, Pavel estimates cost efficiency scores for Czech banks using stochastic frontier analysis. These methods are beyond the scope of econometrics courses taught at the IES, so Pavel had to learn them by himself. The literature survey in the thesis is extensive. A lot of work has been done on the thesis.

The main concern I have with the final version of the thesis is the lack of clarity. It is not completely clear to me from the text what Pavel means by knowledge capital and from which equation he derives the main results summarized in the abstract. I know he originally wanted to conduct a survey among the managers of Czech banks, but he had to resort to simple proxies of knowledge capital because of the low response rate to his questionnaires. How is the "management value added" variable defined? Page 23 doesn't really explain it.

Pavel uses a frontier production function of the linearized Cobb-Douglas type, which is fine. Also the choice of the intermediation approach to output is adequate. It seems like Pavel employs a time-variant mean-conditional model in the estimation, but sometimes I really struggled to understand the details of the methodology in the thesis. It should be explained more clearly. Pavel uses the maximum likelihood method with simultaneous estimation of stochastic frontier parameters and technical inefficiency parameters. A short discussion of the reasons for the choice of this approach would be appreciated (eg the one-stage estimation is likely to be more efficient due to its consistency with the assumption of the independence of inefficiency effects, and so on).

A suggested question for thesis defense: Please explain how cost efficiency differs from managerial value added (some could say that cost efficiency directly measures managerial value added since it describes how well the company uses its inputs).

The thesis is not formatted well and contains many typos. There are incomplete references (Battese and Coelli, 1995), and some references are even missing in the bibliography list (Battese and Coelli, 1992, Stevenson, 1980).

All that being said, I think that the thesis does not deserve a worse grade than B if Pavel is able to explain well his methodology at the defense.

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

CATEGORY		POINTS
Literature	(max. 20 points)	18
Methods	(max. 30 points)	25
Contribution	(max. 30 points)	20
Manuscript Form	(max. 20 points)	8
TOTAL POINTS	(max. 100 points)	71
GRADE	(1 – 2 – 3 – 4)	2

NAME OF THE REFEREE: PhDr. Zuzana Havránková

DATE OF EVALUATION: 21.1.2014

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