

IMESS DISSERTATION



Note: Please email the completed mark sheet to Year 2 coordinator (jiri.vykoukal@post.cz)

Please note that IMESS students are not required to use a particular set of methods (e.g. qualitative, quantitative, or comparative) in their dissertation.

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| Student: | Yefeng Sun |
| Dissertation title: | Determinants of Commercial Bank Efficiency in 11 CEE Countries: An External Two-stage Bootstrap DEA Approach |

| | 70+ | 69-65 | 60-61 | 59-55 | 54-50 | <50 |
|---|-----|-------|-------|-------|-------|-----|
| | A | B | C | D | E | F |
| Knowledge <i>Knowledge of problems involved, e.g. historical and social context, specialist literature on the topic. Evidence of capacity to gather information through a wide and appropriate range of reading, and to digest and process knowledge.</i> | | | 60 | | | |
| Analysis & Interpretation <i>Demonstrates a clear grasp of concepts. Application of appropriate methodology and understanding; willingness to apply an independent approach or interpretation recognition of alternative interpretations; Use of precise terminology and avoidance of ambiguity; avoidance of excessive generalisations or gross oversimplifications.</i> | | | 60 | | | |
| Structure & Argument <i>Demonstrates ability to structure work with clarity, relevance and coherence. Ability to argue a case; clear evidence of analysis and logical thought; recognition of an argument's limitation or alternative views; Ability to use other evidence to support arguments and structure appropriately.</i> | | | 60 | | | |
| Presentation & Documentation <i>Accurate and consistently presented footnotes and bibliographic references; accuracy of grammar and spelling; correct and clear presentation of charts/graphs/tables or other data. Appropriate and correct referencing throughout. Correct and contextually correct handling of quotations.</i> | | | 60 | | | |
| Methodology <i>Understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.</i> | | 65 | | | | |

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|---|------|----------------------|-----------|----------------|----------------|
| ECTS Mark: | C/61 | Charles Mark: | C/73 | Marker: | Tomáš Holub |
| <i>Deducted for late submission:</i> | | | <i>No</i> | Signed: | |
| <i>Deducted for inadequate referencing:</i> | | | <i>No</i> | Date: | 21 August 2024 |

MARKING GUIDELINES

A (UCL mark 70+) = A (Charles mark 91-100 - excellent): Note: marks of over 80 are given rarely and only for truly exceptional pieces of work.
Distinctively sophisticated and focused analysis, critical use of sources and insightful interpretation. Comprehensive understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research.

B (UCL mark 69-65) = B (Charles mark 81-90 – very good)
C (UCL mark 64-60) = C (Charles mark 71-80 – good): A high level of analysis, critical use of sources and insightful interpretation. Good understanding of techniques applicable to the chosen field of research, showing an ability to engage in sustained independent research. 65 or over equates to a B grade.

D (UCL mark 59-55) = D (Charles mark 61-70 – satisfactory)
E (UCL mark 54-50) = E (Charles mark 51-60 – sufficient): Demonstration of a critical use of sources and ability to engage in systematic inquiry. An ability to engage in sustained research work, demonstrating methodological awareness. 55 or over equates to a D grade.

F (UCL mark less than 50) = F (Charles mark 0-50 - insufficient): Demonstrates failure to use sources and an inadequate ability to engage in systematic inquiry. Inadequate evidence of ability to engage in sustained research work and poor understanding of appropriate research techniques.

Please provide substantive and detailed feedback!

Comments, explaining strengths and weaknesses (*at least 300 words*):

The thesis analyses empirically the efficiency of commercial banks and its determinants in the CEE region in 2013-2021. In the first step, the author estimates the distance from an efficiency frontier for individual banks in the individual years. Several alternative approaches are employed to achieve this goal. In the second step, the estimated efficiency score is used as a dependent variable, and various regression models are estimated to explore the effect of bank-specific indicators from the traditional CAMEL framework, the bank size, the industry-specific concentration ratio, macroeconomic control variables and time dummies. The results show that there is a relationship between bank size and bank efficiency, which is significantly positive in a linear model, and potentially U-shaped when the author allows for possible non-linearity. Moreover, several of the CAMEL indicators have a statistically significant relationship with bank efficiency, such as the equity ratio and the deposit ratio (with a positive impact), the loan/asset ratio, loan loss reserve ratio, and the income diversification (a negative effect). However, the results seem to differ for different groups of the CEE countries.

The overall impression is that the thesis is quite “method-centric”, and less focused on developing the research hypothesis and highlighting the relevance of research outcomes, i.e. why and for whom is it relevant to have such an analysis. For example, the whole literature review is organized along the technical research methods, rather than research questions. This makes it fairly long (30 pages), with quite a lot of repetition, while the relevance and motivation for the author’s own research are not so easy to grasp. The first place where the relevance is discussed in some more depth is Section 3.4 that starts on page 76, i.e. basically at the very end of the thesis. But even there the conclusions are quite general and vague. For example, the author argues that “bank managers should keep the bank size at a *reasonable level*” (page 78). But there is no attempt to quantify what level is reasonable in light of the estimated U-shaped relationship between bank size and efficiency. The author concludes on page 82 that “the thesis provides *some insight* into bank management”, without being explicit on what kind of insight it is. At the defence, I thus propose to focus the discussion on the issues of relevance and practical implications of the research findings.

On the other hand, the applied empirical methods are advanced and seem to be appropriate for the chosen topic. They are described in depth, and in an understandable way. A rich set of robustness checks is provided. Nonetheless, when the econometric results are presented, I miss some summary statistics for the overall model performance – if these are available for the given methods at all.

As regards the manuscript form, it is overall acceptable, but there are some imperfections in terms of unclear statements, unfinished sentences, or improper terminology (“prudent” instead of “prudential”, “robust checks” instead of “robustness checks”, etc.). Some of the tables presenting research outcome are not self-explanatory, and one needs to search for various abbreviations throughout the text, which makes the reading more demanding. Even some names of the tables are not fully clear.

The results of the Turnitin check do not uncover a significant overlap with any previous research work. The thesis is thus an original contribution of the author.

Overall, the thesis meets the standard requirements. I thus recommend it for defence and suggest a C grade (depending on the student’s performance at the defence).

Specific questions you would like addressing at the oral defence (at least 2 questions):

- (i) Discuss the relevance of your research. How can it be used by bank managers? Are there any implications for financial regulators?
- (ii) What bank size seems to be optimal given your research outcomes?
- (iii) Are there any summary statistics allowing to assess the overall fit and other characteristics of your regression models?