

Factors Influencing Bank Profitability of Czech Banks and Their International Parent Companies

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Abstract : The goal of this paper is to specify factors influencing the profitability of selected banks. Next, a model will be created to help establish variables that have a demonstrable influence on the development of the selected banks' profitability ratios. Czech banks and their international parent companies were selected for analyzing profitability. Banks categorized as large banks (according to the Czech National Bank's system, which ranks banks according to balance sheet total) were selected to represent the Czech banks. Two ratios, the return on assets ratio (ROA) and the return on equity ratio (ROE) are used to assess bank profitability. Six endogenous and four external indicators were selected from among other factors that influence bank profitability. The data analyzed were for the years 2001 - 2013. First, correlation analysis, which was supposed to eliminate correlated values, was conducted. A large number of correlated values were established on the basis of this analysis. The strongly correlated values were omitted. Despite this, the subsequent regression analysis of profitability for the individual banks that were selected did not confirm that the selected variables influenced their profitability. The studied factors' influence on bank profitability was demonstrated only for Československá Obchodní Banka and Société Générale using regression analysis. For Československá Obchodní Banka, it was demonstrated that inflation level and the amount of the central bank's interest rate influenced the return on assets ratio and that capital adequacy and market concentration influenced the return on equity ratio for Société Générale.

Keywords : banks, profitability, regression analysis, ROA, ROE

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