

REVIEW

to a dissertation for educational and scientific degree PhD on the topic

„Current problems of the consolidation of the banking sector - a comparative analysis of the European Union and Bulgaria“

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Reviewer Prof. Stefan Simeonov, PhD

Scientific jury, appointed by order of the Rector N 210 from 29.04.2021

1. Relevance and significance of the topic

The relevance of the topic of bank consolidation is justified by the problems and trends in the banking sector caused by the economic shocks arising from the current pandemic.

2. Introduction

The introduction to the dissertation contains a correct definition of the main components of the research.

The object of the dissertation is the bank consolidation, and the subject of the research is focused on the current problems and possible solutions related to the consolidation of the banking sector.

The research thesis is formulated as follows: *"the assessment of the comparative consolidation attractiveness and the definition of an effective forecast consolidation corridor of the banking system can be used as a basis for developing a process recommendation for its rational consolidation".*

I welcome the three working hypotheses, which specify certain aspects included in the main research thesis.

The main goal of the dissertation is "to make a comparative theoretical and empirical analysis of the consolidation process in the countries of the European Union and Bulgaria."

To achieve this goal, seven tasks have been formulated, which determine the structure of an in-depth dissertation.

3. Volume and structuring

The dissertation has a total volume of 254 pages, the main text is 215 pages and 11 pages of appendices are included. To illustrate and organize the exhibition, 19 tables and 38 figures are included in the main text.

The structure of the dissertation is classic - in three chapters. It is logical, balanced and supports the realization of the set goals.

The first chapter, *"Theoretical and Applied Aspects of Bank Consolidation"*, provides a critical review of banking consolidation publications, focusing mainly on transactions in Europe and the United States. The main causes, methods and problems related to mergers in the banking sector are outlined. The analysis of the catalysts of bank M&A transactions highlights their positive impact, expressed by the growth of synergies. The final part of this chapter focuses on the specifics of consolidation in the banking sector compared to companies in other industries.

The second chapter *"Study of the practice and problems of bank mergers and acquisitions in the countries of the European Union"* reflects the importance, structure and current problems in the development of the banking sector. The strategic orientation in the context of digitalization of banking services places a central position on business transformation and business innovation not only in the future positioning of the sector, but also in the subsequent consolidation. At the same time, approaches are presented for assessing the effectiveness of bank capital consolidation.

The third chapter *"Problems of the consolidation of the banking sector in Bulgaria"* presents the structure and current problems of the banking sector in Bulgaria. Through the research scope of the electronic empirical study of specialists in the field of M&A transactions in the period August-September 2020, a ranking of the comparative consolidation attractiveness of the banking sector in the EU was conducted (First Hypothesis). In the third chapter of the study, attention is focused on the calculation of an effective forecast consolidation corridor in the banking sector (Efficient consolidation interval, *ECIBanking*) at the state level, which is optimal for all stakeholders (Second Hypothesis). The dissertation ends with outlining the theoretically possible options for consolidation and development of a process recommendation for effective capital consolidation following the example of the banking sector in Bulgaria (Third hypothesis).

4. Methodology

For the purposes of the research different scientific methods were used: analysis and synthesis, comparative, induction and deduction, observation method, descriptive method, survey and others. Tables and graphical images are included in the study to illustrate the results and achieve better visibility.

3. Empirics

The empirical part of the study includes the state and development of the banking systems of the European Union, as the analysis covers the period 2015-2020. Thus, the practical analysis convincingly satisfies the implementation of the tasks and proves the defined working hypotheses.

4. Citation and used literature

The citation is correct in the adopted APA standard. The list of used literature contains 436 sources, of which 387 in German and English.

5. Style

The style is concise and precise, sustained at a very good scientific level, which is an indicator of the maturity reached in the author's research work.

6. Layout

The layout is very good both from a technical and content point of view. At the beginning of the dissertation there is a list of abbreviations, tables and figures.

7. Results achieved

Significant summaries and findings have been derived from the entire study, the nature of which is mainly applied in practice. The following more significant results are highlighted:

- *"In the struggle to maintain market share, traditional credit institutions are forced to better meet customer expectations than innovative FinTech firms", forcing banks to look for alternatives to investments, sometimes with an excessive risk profile.*
- *A solution to some of the problems in the banking sector is the consolidation of capital.*
- *In the EU and in Bulgaria the number of credit institutions is too large. However, the long-awaited consolidation wave related to mass M&A (mergers and acquisitions) in the banking sector at the national and international level has not yet occurred. The EU consolidation process is in a transitional phase and is still far from complete.*

The more significant results come from the confirmation of the research thesis and the working hypotheses.

Regarding the 1st hypothesis: *The practical application of the proposed model for taking into account the comparative consolidation attractiveness of the banking sector at the national level in the EU is an indicator of the probability of subsequent consolidation of bank capital.*

The outlined problem areas related to the low quality of assets, the negative demographic development, the outdated infrastructure, the high level of corruption and state risk, accompanied by the unsatisfactory rule of law, are an obstacle to the subsequent and effective consolidation of bank capital. Solving these problems requires joint efforts on the part of the banking sector and, above all, the general government. A consequence of this is the reduction of the net flow of foreign direct investment in the country.

Regarding the 2nd hypothesis: *the possibility for calculation of an effective forecast consolidation corridor in the banking sphere has been confirmed. Process completion and simultaneous consolidation of bank capital to an effective level is considered to have been achieved if it is within the recommended HHI (Hirschman-Herfindahl-Index) corridor ($00\ 1,500 \leq HHI \leq 2,500$). There are 4 options for consolidation of bank capital determined according to the upper limit of the allowable interval ...*

Regarding the 3rd hypothesis, *based on the analysis, the possibility of proposing consolidation options (proposed 6) and development of a process recommendation for effective consolidation of bank capital following the example of the banking sector in Bulgaria has been proven.*

8. Bibliography and citations

The list of used literature contains 436 sources, of which 387 in German and English. The citation is correct and in accordance with the accepted rules.

9. Notes and recommendations

I do not find any gaps or weaknesses that suggest significant remarks.

12. Evaluation of publications

One study, 2 articles and 2 papers (one in English) have been published on the topic of the dissertation, with which key parts of the dissertation research have been made available to the specialized readership. These publications are in

journals with scientific review and form 55 points, which exceeds almost twice the minimum legal requirements.

13. Opinion about the abstract

The abstract is 50 pages long, contains all the necessary components and objectively reflects the content, results of the dissertation and related publications.

14. Summary assessment

The dissertation has a complete and complete form, the set tasks have been successfully completed, the thesis and the three working hypotheses have been confirmed.

The necessary critical view and the authentic author's interpretation of the researched problems are distinguished.

On the basis of the achieved results the necessary contributions of practical-applied and scientific-applied nature are derived.

My overall assessment of the study is very good.

In view of all the above, I strongly support the award of ESL PhD to Julian Benov.

June 5, 2021

Reviewer:

Prof. St. Simeonov, PhD