Abstract

Business cycles in the banking systems of Central European countries and their stability.

mgr inż. Witold Witkowski

Background and objectives: Business cycles have been part of the economic reality for centuries, affecting almost all components of both the internal and external environments of modern enterprises in either a positive or negative way. The turbulent and uncertain economic environment also influences the course of business cycles, which are becoming increasingly difficult to predict and evaluate clearly. The primary goal of this dissertation is to examine the impact of business cycles on the safety levels of banking systems in four Central European countries, as these systems are among the most crucial pillars of financial system security in these states.

Materials and methods: The study was designed and conducted based on a critical analysis of the literature on the subject and quantitative and statistical analysis of time series, economic data, and data from the banking sector of each country studied.

Results: The research showed that inflation, unemployment, and GDP are among the most important economic indicators used in the evaluation of business cycles. Central European countries demonstrate high adaptability and resilience in the face of global economic challenges. There is a strong correlation between activity in the banking sector and economic dynamics, thus the stability of the banking system is closely linked to the economic condition of the countries studied. The monetary policy conducted by the central banks of Central European countries is a tool that influences economic activity and the stability of the banking system. Other important indicators of banking system stability in the studied countries turned out to be the self-financing and debt ratios, and the use of financial leverage by banks, and the diversity of these values translated into their varying resilience to potential crises. All the studied countries showed good resilience to the negative effects of business cycles, with the Czech Republic, due to the lowest volatility of major economic indicators, proving to be the country with the most stable banking system in the region.

Practical implications: The research findings contribute to deepening knowledge about the course of business cycles in developing economies and their impact on the banking systems of Central European countries. A unique value of the study is the ability to track the formation and impact of business cycles on economies undergoing systemic transformation from a socialist model to a market economy and on the level of stability of their banking systems.

Conclusions and Summary: The banking sectors in the countries of the Visegrad Group play a crucial role in the process of financing the economy, while simultaneously providing support during periods of downturn. Business cycles have a significant impact on the financing structure and stability of banking systems in the studied countries, forcing them to reduce costs and continuously increase the level of efficiency in order to maintain a competitive advantage. The banking systems in the studied countries are considered safe and stable, although there are significant differences between them in relation to the mentioned areas.

Keywords: *business cycles, banking system, stability of the banking system, risk.*