Report on **Master Thesis**

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

Student:	**Anna Bezuchová**
Advisor:	**PhDr. Jaromír Baxa, PhD.**
Title of the thesis:	**Feedback effects of non-performing loans in EMU: A Panel VAR Approach**

OVERALL ASSESSMENT

Short summary

The topic of this master´s thesis is very interesting and relevant not just for the current economic situation in the post-covid period. A deeper understanding of the effects of non-performing loans (NPLs) is a very topical issue not only from the perspective of the central banks, which are often also responsible for the macroprudential policy. I also believe that the findings of this paper may be of interest to commercial banks themselves, whose interest is also to minimize the share of NPLs in total loans.

The thesis is divided into six parts. After a well-written introduction, the author describes the problem of NPLs and their possible determinants. This section also nicely summarizes the relevant literature on the topic of the master's thesis, especially in the area of feedback effects between NPLs and their determinants. The third chapter is devoted to the introduction of econometric methods applied in the next section. The fourth chapter then presents the data used in the empirical analysis. The fifth chapter presents the results of the empirical part, including their robustness and last chapter concludes findings and summarizes.

Contribution

The author presents interesting ideas on the topic, demonstrating critical thinking and the ability to draw conclusions based on the knowledge of relevant literature and empirics. There is a visible value added in the thesis, with following main contributions: (i) to explore more deeply the feedback effects of NPLs and the euro area countries and (ii) to indicate the level of financial fragmentation in the euro area countries.

Methods

The tools (Panel VAR, Generalized Impulse Response Function) used are relevant to the research question, and adequate to the author's level of study. The referee appreciates the inclusion of test results at the end of the Master's thesis.

Literature

The literature review is above a standard level, i.e. includes both original sources of literature and current applied studies oriented on analysed countries. The author quotes relevant literature in a proper way.

Manuscript form

The manuscript form is above a standard level. The text itself is quite understandable and easy to follow. The research hypotheses are clearly set. Some of the graphs (especially in section 4) could be shown on a larger scale.

Overall evaluation and suggested questions for the discussion during the defense

Overall, this master thesis is well-balanced; it consists interesting empirical parts with interesting results, rich literature survey and appropriate techniques for empirical analysis.

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The author could build on her master's thesis, if the data were available, by analysing NPLs across sectors of the economy, or by including a Covid-19 period that asymmetrically affected the tradable and non-tradable (services) sector. It would also be interesting if the author linked the evolution of financial integration and fragmentation across euro area countries and/or also and also take into account whether the bank in question is a so-called systematically important financial institution (SIFI).

Questions and comments, which may be answered during the defence:

Questions for the defence:

1. *The author could explain in more depth how her analysis differs from Anastasiou et al. (2016b).*

2. *The classification of NPLs varies across countries. Could this fact have influenced the results of the empirical analysis for euro area countries?*

3. *How does the author think that the conclusions of the master's thesis would have changed if she had the opportunity to use data from the pandemic period in the analysis?*

4. *How does the author perceive the use of the "policy rate" for a long period when rates in the euro area were extremely low, or the ECB applied so-called quantitative easing?*

Other questions:

- *some determinants are generally considered to be correlated, e.g. GDP and unemployment;*

- *an explicit division of countries into core and peripheral could have been mentioned (Has Finland been classified as a peripheral Euro Area country like Greece? These countries do not seem to have much in common.);*

- *accounting for the economic strength of Germany, France etc. in the dataset;*

In my view, the thesis fulfils the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University, **I recommend it for defence and suggest a grade A**.

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

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

CATEGORY	POINTS
Contribution (max. 30 points)	25
Methods (max. 30 points)	30
Literature (max. 20 points)	17
Manuscript Form (max. 20 points)	20
TOTAL POINTS (max. 100 points)	**92**
GRADE (A – B – C – D – E – F)	**A**

NAME OF THE REFEREE: Prof. Luboš Komárek

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DATE OF EVALUATION: 5.6.2022

Digitálně podepsáno (5.6.2022)
Luboš Komárek

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Referee Signature

<u>**EXPLANATION OF CATEGORIES AND SCALE:**</u>

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.*

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.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

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.*

<u>***Overall grading:***</u>

TOTAL	GRADE
91 – 100	**A**
81 - 90	**B**
71 - 80	**C**
61 – 70	**D**
51 – 60	**E**
0 – 50	**F**