

Report on Bachelor / Master Thesis

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

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

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.

Short summary

In her thesis, Anna Bezuchová estimated the feedback effects between non-performing loans and the macroeconomic and other bank-related variables. She utilized the framework of panel VAR models, and instead of relying on aggregated financial data, she used bank-level data. Her findings are sometimes quite interesting; in particular, a rise in non-performing loans decreases the unemployment rate. Besides, she documents cross-country differences and confirms the fragmentation of financial markets in the EU.

Contribution

The main contribution is twofold. Anna employs bank-level data, has the most up-to-date dataset, and focuses on medium-term effects on business cycle frequencies, while the previous papers investigated short-run responses over several quarters. Besides, Anna reports both generalized

impulse response functions and local projections so that she tests the sensitivity of the results on the method.

Methods

Anna's thesis relies on panel VAR with generalized impulse responses and on local projections. In particular, the estimation of panel VAR models is demanding, but Anna describes the methodology nicely, mentions the estimation issues, and reports relevant test statistics. So technically, the method seems well implemented. The same holds for the local projections. A full model combining both macro and financial variables was chosen as a baseline, which, however, leads to impulse responses with wide confidence intervals. The confidence intervals of local projections are markedly lower, so some interpretation of the dynamic responses is possible.

Literature

The work with the literature is on par with the standards in the profession.

Manuscript form

The thesis is well structured and follows the conventions. Still, it is one of those theses where there's a lot of work behind, and the text itself could have been much shorter and could work better than it does right now.

Overall evaluation and suggested

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questions for the discussion during the defense

With her thesis, Anna demonstrated a good command of advanced econometric techniques and her ability to work with large datasets. The thesis delivered several interesting results, notably regarding the differences between the core and the periphery.

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

Suggested questions:

- If Anna had started with her thesis again, would she prefer panel VAR or local projections? Why?
- Is there any intuition why the unemployment rate is supposed to decrease with increased non-performing loans?

Overall, I suggest Anna Bezuchova's thesis for defense, and I recommend grade A.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	27
<i>Methods</i> (max. 30 points)	28
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	17
TOTAL POINTS (max. 100 points)	92
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: Jaromír Baxa

DATE OF EVALUATION: June 6, 2022

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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.*

Overall grading:

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