

Abstract

This paper examines determinants of creditors' claims satisfaction in insolvency proceedings in the Czech Republic. To our knowledge, it is the first research to such extent in the Czech Republic covering this field. Combining microdata from Insolvency Register, Business Register, Ministry of Finance and other sources, we construct a unique dataset of more than 2,600 cases. We identify several basic determinants of satisfaction: a higher share of secured claims, real estate and cash in assets of a company, submission of financial statements into Business Register, selling the business as a whole within the proceedings, and entrepreneur cases. We find no such effect for the audit of financial statements or for the age of a company. Moreover, we search for other indicators that may result in the lower satisfaction of claims, out of which five are statistically significant: a homeless person in statutory body, registered office at a firm nest, being listed as unreliable VAT payer, a connection to persons that have multiple records in Insolvency Register and a substantial increase in depreciation in the period between the last two submitted financial statements. In contradiction to the bankruptcy prediction literature, we show that the financial data are unreliable for predicting the outcome of insolvency proceedings. Our findings bring a practical contribution for creditors in credit risk management as well as for the state.

JEL Classification G33, K20

Keywords insolvency, insolvency proceedings, claims satisfaction

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