

# Report on Bachelor / Master Thesis

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

Student:	Simona Tothova M.Sc.
Advisor:	Radovan Parraik M.Sc.
Title of the thesis:	Impacts of European Bailout Programs on SME distress rate

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

Simona has empirically investigated the impact of bailouts received by several European countries on probability of SMEs' distress. She has built 9 empirical models aimed to test 4 distinct hypotheses (e.g. focused on impact of bailouts alone, bailouts in different countries, bailout impact euro-zone vs. non-eurozone SME, etc.).

In what follows, I will motivate my judgement for points awarded by category, resulting in the final grade.

The literature on SME default rate modelling is rather scarce. Hence, the volume of academic literature (excluding the studies of EC, IMF etc) cited is limited. Still, rather positively, Simona used as much relevant literature as possible. Rather strangely, in the part „review of Credit Risk Models“ it seems to me that Simona has cited large pieces of text from her other academic work conducted during the year. This practice is legitimate, however I believe that, on the topic of credit risk models, there exist academically more established literature. Also, rather extensive extracts about „Financial problems and Bailout programs“ cited from European Commission are seemingly redundant for the analysis per se.

When it comes to the methods, Simona used an econometric model adequate to a master student at IES. The core method used in the paper is a panel version of a logit model, implemented in the STATA software. The model seems to be estimated in a standard way. What I miss in the model building and testing phase, though, are some tests for overfit. From the steadily increasing and rather high AUC (as we add regressors), there is an indication of the overfit in the model. There are also some minor methodological remarks, e.g. low correlation among regressors does not imply no multicollinearity (p. 37, line 2 - for inspection of this, there are standard techniques such as VIF) or that author claims normalizing of GDP, yet not using it eventually (without stating a reason). Also, I was rather confused between the difference in definition of default and distress rate as the explained variable, if any.

Given the scarcity of similar studies focused on bailout impact of SMEs' defaults, the contribution of this thesis is rather high. The manuscript is neat and readable. Also, the extent is adequate to the level of a master thesis. There is a couple of typos and mistakes in academic English though.

All in all, I believe that many of my remarks can be explained and corrected for rather easily and would not be present should the author consult the thesis more often.

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

CATEGORY	POINTS
Literature (max. 20 points)	15
Methods (max. 30 points)	19
Contribution (max. 30 points)	27
Manuscript Form (max. 20 points)	18
<b>TOTAL POINTS</b> (max. 100 points)	<b>79</b>
<b>GRADE</b> (1 - 2 - 3 - 4)	<b>2</b>

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**NAME OF THE REFEREE:** Radovan Parrák, M.Sc.

**DATE OF EVALUATION:** 15.9.2015

  
Referee Signature