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Report on Dissertation Thesis of student

Gabriela Kuvíková

Essays on Credit Risk

General Assessment

The PhD thesis prepared by Gabriela Kuvíková addresses the lending process and risk of lending. As she mentions in the introduction, this topic has received additional attention since the outbreak of the financial crisis, when economic developments suffered under shortage of lending and increased vulnerability of firms, banks and actually also the countries. However, the broader implications of the topic are addressed only shortly in the presented papers. It would be interesting to see whether the papers can be

The thesis presents three papers, however, the first two papers are closely related as they use very similar, nearly identical data sets on Czech loans. The advantage of this part is that it uses a very recent and detailed data set on loans. The data set includes data before and after the financial crisis (2007 to 2013), although the latter period dominates. However, a disadvantage is that the data are available only for one single country and also only for one single bank. It is difficult to assess how representative the data are for the Czech Republic, Eastern Europe or European Union. A deeper discussion of comparability with other more general data sources would be very important.

Moreover, the financial crisis represents possibly an important structural break in the lending process. A deeper analysis of financial crisis is surprisingly missing in the papers.

Comments to Individual Chapters

The first paper addresses the issue of collateral, informal collateral and default rates. I have to admit that the discussion of the collateral was not very clear for me. I would appreciate a better explanation of collateral regulations in the analyzed bank set and in general. The chapter compares mortgages with consumer loans (of specified or unspecified purpose) and it argues that only the former are secured by (informal?) collateral. However, informal collateral can be applied to more loan types if a borrower own real estate. What about formal collateral? Actually, I would expect that this information should be available for loan contract if bank data are used.

Furthermore, the actual loan type (specified or unspecified purpose) may seemingly differ from application loan type. If so, this means that the matching estimation is not appropriate because loan type is not exogenous.

The second paper applies a similar data set (2007 to 2013) and estimates the relationship between contract terms and default rates for consumer loans. This chapter documents nicely the importance of adverse selection in the lending process. This chapter might represent the most advanced contribution of the thesis, as it formulates interesting hypothesis, applies interesting and recent unique data set, and applies a novel methodology (semi-parametric proportional hazard model). However, the impact of the financial crisis and the unexpected downturn of the Czech economy should be addressed in the paper.

The last chapter extends the horizon of the thesis. It analyzes the ratings by Moody's, S&P and Fitch for 2,500 financial and non-financial institution between 2005 and 2014. While the number of analyzed institution is sufficient for presented analysis, I would appreciate more information on geographical and sectoral structure as well as on the selection criteria.

The results document several stylized facts on the creation of rankings which were more or less expected by the public. While the analysis is not too complex (which may be also an advantage), the paper can have a high impact on public discussion if it will be

correspondingly presented. The discussion can be extended by the discussion of country and sector specific effects. It would be interesting to see whether the ratings differ more for some particular countries. The responses of the rating agencies to individual, sectoral and aggregate macroeconomic developments could be included in the analysis. Finally, it would be interesting to see whether the behavior of the rating agencies has changed before and after the financial crisis.

Overall Assessment

In sum, I recommend the thesis for defense without substantial changes. It fulfills completely the international standards for a PhD thesis. Several parts of the paper can be published in recognized journals (Journal of Comparative Economics, Economic Systems), although the focus on the Czech Republic can make the publication process more difficult.

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