

Report on Master Thesis

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

Student:	Bc.Eva Varhořová
Advisor:	PhDr.Ing.Petr Jakubík,PhD.
Title of the thesis:	Kreditné riziko zadlženosti českých domácností

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

The presented thesis deals with the topic of credit risk stemming from the increasing indebtedness of Czech households. The topic is highly actual in the current period, as increasing indebtedness on individual and governmental level presents one of the most discussed and burning issues in political as well as academic sphere. Even though leverage has been the instrument that has substantially contributed to the continuous economic growth of the last two decades, the events of the last months have revealed that complete loss of prudence in the system of credit granting can have strongly harmful effects that might take further decades to be completely resolved.

From the formal point of view – the thesis is clearly structured with a broad list of relevant literature and almost avoiding misprints. The author used rich and expressive language form, in this point the referee would like to note that for academic texts a briefer language form would probably be more appropriate and common.

The thesis itself is divided logically into two parts. The first part provides a brief introduction into the topics of credit risk, its impact on the financial stability in the context of the current crisis and the role of households in the Czech economy. What the referee missed in the introductory part was a clearly stated hypothesis that would guide the reader through the whole work and a more detailed review of the work that has already been done on this topic. Apart from that the referee acknowledges the intention of the author to provide a solid basis for the empirical part of the work and to link the research to issues currently widely discussed on political and academic level (as the new Insolvency Act).

The second part of the thesis is considered to be the core part of the work and presents a complex econometric model. The model is according to the referee used appropriately, described in academically satisfying detail and provides author's original results. Special contribution can be seen in the ability of the model to forecast relevant variables in the short period. What the referee missed in this part was comparison of the results with results of similar studies that tested data of different/foreign sectors as well as a broader description (and possibly some statistical characteristics) of the used data sets.

For the defense I would suggest to discuss the motivation and the contribution of the work generally. Where are the biggest differences compared to the stress testing of CNB? Does the work supplement these tests? Could the outcomes of the work be utilized by the commercial banking sector?

If the author would like to publish the paper or base further research upon that topic, I recommend to more clearly define the hypothesis in the beginning of the work and to compare the outcomes of the analysis with broader literature. It might also be suitable to describe the used data set in more detail and provide basic statistical characteristics of the data set. Testing of few more explanatory variables also remains up to consideration of the author.

Finally, the referee considers the work to be ready for the defense and recommends it to be rated either with the grade

“excellent”/“vyborne” or “good”/“velmi dobre”

according to the Commission's satisfaction with the defense itself.

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

CATEGORY	POINTS
Literature (max. 20 points)	15
Methods (max. 30 points)	26
Contribution (max. 30 points)	24
Manuscript Form (max. 20 points)	15
TOTAL POINTS (max. 100 points)	80
GRADE (1 – 2 – 3 – 4)	1-2

NAME OF THE REFEREE: PhDr.Katarína Marková

DATE OF EVALUATION: 31.08.2010

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

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

Strong Average Weak
20 10 0

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.*

Strong Average Weak
30 15 0

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.*

Strong Average Weak
30 15 0

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.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě