

# Report on Master Thesis

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

<b>Student:</b>	<b>Bc. Lucie Holušová</b>
<b>Advisor:</b>	<b>Jaroslav Pavlíček M.A.</b>
<b>Title of the thesis:</b>	<b>The Impact of a Firm's Profitability and Other Factors on Capital Structure: Evidence from the Czech Republic</b>

## OVERALL ASSESSMENT:

### Short summary

Lucie examines the impact of various firm specific factors on the capital structure of Czech SMEs and puts it into context with various capital structure theories. She finds more support for the pecking order theory compared to the trade-off theory and no statistically significant effect of crisis on capital structure. Lucie did a good job in both presenting the existing research on the topic of capital structure as well as conducting and explaining her own research. What I believe the thesis would most benefit from is presenting more clear motivation for the researched questions and trying also different measures of indebtedness. Overall, I think that the thesis is a solid piece of work deserving to be successfully defended at IES.

### Contribution

Lucie contributes to the existing economic literature related to the impact of various factors on firm's capital structure. She compiled a panel of data on more than 2,500 Czech SMEs for the period of 14 years. Although the topic has already been studied in the context of Czech Republic, none has been focused on SMEs, none has used data on such number of companies and none has used dynamic GMM to study the capital structure in the context of dynamic adjustment to some optimal level. Lucie relatively effectively contrasts her results to other studies and is aware of some limitations of her study and proposes further research ideas.

### Methods

Lucie employs panel regression - methods one would expect for the type of data collected. She discusses and runs pooled OLS, fixed and random effect models but finally draws inference from system GMM. Lucie describes well the process and provides theoretical reasoning behind selection of the dynamic GMM.

### Literature

Lucie introduces the reader to the topic and the existing literature in the field in a well-structured approach. Firstly, she anchors the topic by explaining the main theories around capital structure in order to be able to get to the review of the literature related to individual determinants. She quotes appropriately and supports her analysis with references when appropriate.

### Manuscript form

In general, the thesis uses appropriate language and is well written and structured. The tables and figures are neat and readable, although the tables would look better were they not inserted as pictures. Lucie effectively refers to tables and figures in the text. I have noticed a few minor glitches in the pdf file (document title, external links, error in reference).

### Overall evaluation and suggested questions for the discussion during the defense

In my view, the thesis fulfills the requirements for a master thesis at IES, Faculty of Social Sciences, Charles University, I recommend it for the defense and suggest a grade B.

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

For the defense, I suggest to discuss the following:

- Would you expect different results should you use only interest bearing debt (ST, LT, total) instead of all liabilities?
- Have you thought about examining not only the contemporaneous but the lagged effect of crisis as well?

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution</i> (max. 30 points)	22
<i>Methods</i> (max. 30 points)	26
<i>Literature</i> (max. 20 points)	18
<i>Manuscript Form</i> (max. 20 points)	16
<b>TOTAL POINTS</b> (max. 100 points)	<b>82</b>
<b>GRADE</b> (A – B – C – D – E – F)	<b>B</b>

**NAME OF THE REFEREE:** Jaroslav Pavlíček

**DATE OF EVALUATION:** 8 September 2022

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**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