

Report on Bachelor Thesis

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

Student:	Ondřej Varadi
Advisor:	Matěj Bajgar, DPhil.
Title of the thesis:	The impact of the electronic revenue registry on Czech firms

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

Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.

Short summary

The thesis studies the impact of the introduction of the electronic revenue registry (ERR, in Czech Elektrická evidence tržeb, EET) in the Czech Republic on reported revenues, input purchases, exit and entry by affected firms. To this end, it uses a confidential database covering the universe of Czech firms, accessed through the Safe Centre of the Czech Statistical Office. In a difference-in-differences analysis using firms in selected unaffected industries as a control group, it finds that the registry increased reported revenues of the affected firms Food and beverage service activities, Accommodation, and Retail industries, but also that, in the Food and beverage service activities industry, the effect of this increase on profits was partly offset by an increase in reported purchases of intermediate inputs

Contribution

Multiple aspects of the thesis make it a significant contribution to existing literature. To begin with, it is the first analysis of the Czech ERR using microdata, rather than just aggregate or industry-level statistics. Even in the international context, it is also only the second microdata-based study of a ERR in any European country. Last but not least, to the best of my knowledge, the thesis represents the very first use of the Structural Business Statistics firm-level microdata for the Czech Republic for academic research.

Methods

In an attempt to identify the causal effects of the ERR on Czech firms, the study employs a diff-in-diff strategy, where control groups are constructed from industries that were not affected by the ERR. The approach is appropriate for the question at hand and well executed. Commendably, the thesis presents results for multiple types of control groups, consisting of (i) hand-picked most similar industries, (ii) algorithmically selected industries, and (iii) all other industries, which leads to more robust analysis and results.

The identification strategy is clearly not ideal, as firms in different industries are inevitably different and can be affected by different trends over time. This challenge is also emphasised by the fact that in the case of some industries and outcome variables, the data show significant differences in pre-treatment trends in the treated and control firms. However, the approach taken by the thesis is, in my opinion, the best possible given the nature of the reform and limitation of the data at hand, and its limitations are appropriately acknowledged and discussed in the thesis.

Literature

The thesis contains a good discussion of related literature. Previous studies are discussed with clarity and appropriately cited.

Manuscript form

The thesis is very well written. It is also well structured and appropriately formatted in LaTeX.

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Overall evaluation and suggested questions for the discussion during the defense

The thesis studies the effects of an important and controversial policy, and as such represents a valuable contribution for policy debate in Czechia and also internationally. It also represents an important contribution to academic research using firm-level data on Czech firms, as it is the first study to use what is by far the best database of financial performance of Czech firms.

In this context, it should also be highlighted that working with confidential data in the context of the CZSO Safe Centre is substantial effort, as all work has to be done in the physical location of the Safe Centre and all outputs have to be checked for confidentiality by the CZSO experts.

Overall, the thesis asks an important question, applies appropriate (although not perfect in the given context) methodology and is generally well executed in all of its aspects. For this reason, I consider it a strong bachelor's thesis and recommend it for the defense and suggest grade A.

During the defense, the committee may want to ask the following questions:

1. How did you construct the control groups and why?
2. What are the key limitations of your diff-in-diff strategy?
3. In your analysis, you deflate revenues and purchases by industry-specific deflators. What are the arguments for and against deflating revenues and purchases?

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

CATEGORY	POINTS
<i>Contribution (max. 30 points)</i>	28
<i>Methods (max. 30 points)</i>	25
<i>Literature (max. 20 points)</i>	20
<i>Manuscript Form (max. 20 points)</i>	20
TOTAL POINTS (max. 100 points)	93
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: Matěj Bajgar, DPhil.

DATE OF EVALUATION: 30th August 2023

*Digitálně podepsáno (30.8.2023):
Matěj Bajgar*

Referee Signature

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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