

Report on Bachelor Thesis

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

Student:	Radim Plško
Advisor:	doc. Martin Gregor
Title of the thesis:	Macroeconomic and Institutional Determinants of Venture Capital Investments

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

Short summary

The thesis conducts a panel-data analysis of the volume and number of VC investments in Central and Eastern Europe in the period 2002-2022. The variables of interest are macroeconomic variables and a couple of available institutional variables. The number of countries is small (20), and much of the variation comes from variation over time.

The idea of the work is to see if the determinants observed in larger cross-sections (or even panels) but with typically less precise data (given the inclusion of the developing countries) operate similarly in the post-communist part of the world and when a very precise measure of VC investments is adopted.

The links are in the expected direction, albeit often not significant (which is not surprising as the small data size makes it difficult to reach high significance).

Contribution

In CEE, venture capital is an increasingly more frequent form of financing but, relative to other types of financing, remains largely understudied. Like other private capital financing modes, this may have to do with the lack of rich and reliable data on transactions.

The main contribution of this thesis is to construct a highly reliable panel dataset of VC investments in the CEE (based on a very detailed and comprehensive dataset of VC investments from Dealroom.co), and combine it with country-level macroeconomic data and established institutional characteristics (mostly World Bank, IMF and Eurostat).

While the idea of the thesis is straightforward, I am not aware of a similar exercise conducted for this region.

Methods

I appreciate the solid use of the panel-level analysis that is above standard methods taught in the curriculum of our program. In my opinion, the analysis is appropriate given the research setup and the data.

Literature

The thesis shows a good understanding of both the phenomenon itself and the core literature on venture capital (and especially startup) financing. The literature and results also refer to more specific channels and hypotheses that have been formulated in the past literature, even if - given the nature of the exercise - it was not possible to verify them in the thesis.

Manuscript form

The thesis is very well written and has also been carefully checked in terms of grammar and readability. It went through several rounds of my comments. I particularly appreciate that the author unified the style of the figures.

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Overall evaluation and suggested questions for the discussion during the defense

The author constructed his own VC investment dataset, combined it with multiple additional datasets, and conducted a relevant panel analysis of VC investment. The results are discussed in relation to the existing literature and have also potential to inform innovation policy and the policies regulating financial intermediation.

My question for defense is regarding the regulatory quality (H7). By looking into how this indicator is constructed in detail, can you identify any specific channel (e.g., certain variables entering into the indicator) that would be directly relevant for startup foundations and venture capital financing? Also, on page 41, you argue that regulatory quality involves higher regulatory costs („Regulatory quality may negatively affect VC investments if overly stringent or complex regulations increase the cost and complexity of compliance for startups.“) but is the indicator, by its construction, actually reflecting regulatory costs? And is there any evidence on what the indicator actually implies for the regulatory costs of startups (or at least can we observe whether the variable is correlated with the regulatory costs positively or negatively?)

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

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	25
<i>Methods</i> (max. 30 points)	30
<i>Literature</i> (max. 20 points)	18
<i>Manuscript Form</i> (max. 20 points)	20
TOTAL POINTS (max. 100 points)	93
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: doc. Martin Gregor

DATE OF EVALUATION: August 22, 2024

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