

Institut ekonomických studií

Fakulta sociálních věd, Karlova universita Praha

Referee report on the Master Thesis

Student Name:	Aliya Berkimbayeva
Thesis Supervisor Name:	Luboš Komárek
Thesis Title:	Transition to a Cashless Society: Impact on Economic Activity

Overall Evaluation:

The master thesis submitted by *Aliya Berkimbayeva* addresses a complex and difficult issue of a gradual shift of financial transactions' means of payments from cash to various "digital" or "electronic" payments. The topic is interesting as the new financial system setup may substantially change the way we analyze financial and monetary phenomena. Any attempt at such a difficult topic is therefore welcome. The thesis, however, does not achieve its stated goals, i.e. analyze how "cashless society" "impacts economic activity". It does not really address any society-wide issues that may be connected with a transition from cash to other payment means. It neither really attempts to answer its pivotal question and looks rather at what factor contribute to the development of a cashless payment system (i.e. the reverse question). On the other hand, Aliya presents well organized data and she deals with intricate statistical issues in a transparent, if a bit labored, way. The novelty of the topic limits literature sources, but it is sometimes quite difficult to understand Aliya's arguments. Taking these arguments into consideration, I recommend the thesis for the defense and I suggest the grade C (dobře).

After a brief introduction, the second chapter deals with payment systems and discusses the current trends. There is a lot of numbers and other statistics, but the chapter does not really provide a sense of the "cashless society" impact. A good example is the 2.3 section where several consultancy reports are quoted but what it means? I am confused by the sentence "*Payment methods are currently condemned to transformation with the technological advancements and innovations introduced in the market.*" What does it even mean? It leads to the following, though: "*Nevertheless, cash circulation remain high in majority of countries.*" That's not very insightful. The section 2.4 claims that Visa and MasterCard are non-profit associations, which is clearly not the case.

The "cashless society" gets full attention in the third chapter, but the tone remains fairly vague and sometimes confusing. Aliya claims that there are 100 million individuals receiving transfers from their respective (?) governments (page 10), equal to 19% of adults - where, when? In what country or a group of countries? The rest of the chapter undergoes the shift from discussing the "cashless society" to discuss "barriers" - page 13. So we learn a lot about regulatory and infrastructure barriers to digital transfers, but not much about the "cashless society" as such. For example, Alyia makes the point (on page 16) that trust is crucial for development of the cashless transfers and concludes that India is likely to follow the China's trajectory. Why? These two countries are fundamentally different (politically, economically...), so why one should develop as the other one? When speaking about China, the ubiquitous WeChat payment system is never mentioned in the thesis and the AliPay system receives one brief comment dated to 2016, which I find strange.

Chapter 4 then returns to the literature overview, even though most of the chapters 2 and 3 consisted of exactly that. Chapter 5 is titled "Methodology" even though it covers a discussion of results as well. I appreciate a detailed explanation of the score construction (pages 20-27), for example Aliya's discussion of the role of the ATM in a cashless economy (page 23). The discussion occasionally gets a bit vague and sometimes I do not understand the source (KOF

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Globalization Index?) I think Aliya did not need to include details of the "first difference" and "fixed/random effects" methodology (page 34), as it is a textbook matter.

Section 5.4 Results (which would better work as a new chapter) brings plethora of estimates and I do appreciate Aliya's thoroughness with it, but at the same time, I miss more straightforward interpretation. I understand that results are not very robust (see table 5.11 on page 36 where most of the coefficient are insignificant), but results are occasionally even contradictory in different estimation models, which calls for an author's interpenetration. Aliya provides some on page 44 and comes to the (unsurprising) conclusion that "business environment is the main predictor of the cashless transfers' development. "Globalization" and "shadow economy" provide much less robust estimators, if I understand it correctly.

Suggested questions for defense:

What is the direction of causality between the "business environment" and cashless transfers prevalence?

SUMMARY OF POINTS AWARDED:

CATEGORY	POINTS
Literature (0-20)	10
Methods (0-30)	15
Contribution (0-30)	20
Manuscript Form (0-20)	10
TOTAL POINTS (0-100)	55
GRADE	C



(Signature)

Ondřej Schneider

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