

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Bc. Yilin Lu</b>
<b>Advisor:</b>	<b>Prof. Oldrich Dedek</b>
<b>Title of the thesis:</b>	<b>The Impact of Third-Party Payment on the Profitability of Commercial banks</b>

## **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 Chinese economy is one of the countries with the most dynamic development of financial innovations in payment systems. Therefore, it becomes rightfully the focus of considerable attention from the outside world. The Chinese payment system is controlled by two giant companies - Alipay and WeChat Pay. The research question of what is behind the success of these private companies is thus highly relevant. And how deeply this development can threaten traditional banking? The presented master's thesis focuses on these key topics. Three research hypotheses about the impact of TPP platforms on the profitability of commercial banking are formulated, which are dealt with in logical way: literature review, description of the problem, econometric analysis and conclusions for regulation.

### **Contribution**

The econometric analysis is correct, perhaps a little bit technocratic for some readers. Among the explaining variables, one may have doubts about the LDR indicator (loans / deposits ration) as a measure of banks' profitability. It must not be forgotten that the banking assets are made up not only of loans, but also of other assets (e.g. interest-bearing government bonds). It seems to be a certain shortcoming that the author rather describes the outcomes of the econometric analysis, instead of trying to interpret these results.

### **Methods**

The author chooses a somewhat unconventional approach, which, however, will be welcomed by anyone who is interested in the realities of the Chinese economy. Partly due to the language barrier, but also due to lower transparency, many details about the real life are unknown to outside observer. The author's style, which focuses on the description of personal experiences and observations about Chinese payment platforms, thus has the flavour of innovative approach. So, based on many practical examples, one can infer that the secret of success boils

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down to not only the brilliant handling of traditional payment operations, but notably to a wide range of accompanying services, able to reach target groups. This personal experience approach could not be applied to the description of American payment platforms, so the comparison of the Chinese and American TPPs seems unbalanced.

## Literature

It is understandable that the thesis is based primarily on Chinese references. But why the authors from Jordan, Indonesia or India are cited? There is no clue for such selection.

## Manuscript form

The master thesis is written in relatively good English, but in some instances it lacks a sense of using exact economic expressions.

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

The master thesis fulfills the prerequisites for admission to the defense. Its descriptive part is highly informative and, in many ways, inspiring for the European reader. I recommend it for the defense and suggest a grade C+.”

During the defense, the author can express her view on the following issues.

1. Can the project of the Chinese CBDC successfully compete with private payment platforms regarding the attractiveness and scope of offered services to the general public?
2. Can the author be more specific about the partnership between the private TPP and the sector of large state-owned commercial banks?

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution</i> (max. 30 points)	25
<i>Methods</i> (max. 30 points)	25
<i>Literature</i> (max. 20 points)	10
<i>Manuscript Form</i> (max. 20 points)	15
<b>TOTAL POINTS</b> (max. 100 points)	<b>75</b>
<b>GRADE</b> (A – B – C – D – E – F)	<b>C</b>

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***NAME OF THE REFEREE: prof. Oldřich Dědek***

***DATE OF EVALUATION: 30 May 2021***

**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