“THE ROLE OF FINTECH IN SMALL BUSINESS LENDING: EVIDENCE FROM FRANCE”.

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(***) The opinions and analyses expressed in this paper are the responsibility of the authors and, therefore, do not necessarily match with those of the Banco de España or the Eurosystem.

DGA INNOVACIÓN FINANCIERA E INFRAESTRUCTURAS DE MERCADO
• **Research question**: Are Fintech and Banks loans complements or substitutes for firms?

• **Result**: the authors observe that firms obtaining a FinTech loan, relatively to similar bank borrowers, are more leveraged, invest and innovate more, and experience an expansion in bank credit access afterwards.

• **Approach**: they construct a control group consisting of firms that only borrow from banks, but have similar characteristics and credit history as firms borrowing from FinTech platforms.
Most of the literature have focused on consumer credit and find that FinTech is a substitute for traditional banking.

- This is one of the first papers that provide a comprehensive description of the FinTech SME lending market using detailed loan-level data.

- By linking the FinTech loan dataset to the French credit registry.

- The authors observe all types of bank loans of FinTech borrowers, which allows them to discover a novel channel for the complementarity between FinTech and bank lending: the collateral channel.
• FinTech borrowers are able to establish new banking relationships.

• Potential impact on the composition of bank loans: the reduction in credit lines is however temporary, [...] In contrast, FinTech borrowers experience a 10% increase in long-term loans following the FinTech loan grant, and this increase persists for 14 months.

• Results aligned with collateral channel (no information channel):
  • The treatment effect is concentrated among firms that have a credit score.
The paper results are in line with the recent work from BIS (2020) “Fintech and big tech credit: a new database”.

- Overall, alternative credit seems to complement other forms of credit, rather than substitute for them.

- Dataset: the paper exploits a unique dataset on Fintech SME loans collected by the Banque de France. It covers over 50% of the Fintech SME french market.
• **Regressions:**
  
  • Results from regression (1) are missing? **No fixed effects?**
  
  • **Controls** in regression (2): why not including neither in the matching nor the regression (e.g: age and location)?

• **Control group:** matching using 5 nearest neighbours. It could be illustrative to add a Table with the average characteristics (industry type, total financing, nº of bank relationships, etc) of firms in both treatment and control groups.
  
  • Banking active relationship: could we justify using -6/+6 months?

• **Table 4** – Fintech & Bank has 413 firms, while treatment group is 869 firms; and control group is said to be 2,411 while in this table shows 2,910 firms.

• **Figure 4** – please clarify if “drawn/undrawn” loans refer also to credit lines.
• Authors’ claim:

“we believe our results have general implications and could inform policy makers of the value of FinTech lending”.

• As a banking license is not requited for IFPs [crowdfunding platforms] they are subject to neither capital nor liquidity requirements.

• Potential future research:

  • Impact of monetary policy measures e.g: capital requirements, LTROs, QE, tiering of reserves on prices/amount in fintech platforms.

  • Elaborate on bankruptcies:

    • Figure 8: Are Fintech and Banks belonging to control groups? Could we check whether Fintech&Banks shows a higher risk profile too?

    • Estimate impact on Risk Weighted Assets variability: potential increase in RWA (higher PD in Fintech&Bank?).