

Fintech and big tec credit: a new database

discussant: L. Pelizzon



Objectives



- How large are fintech and big tech credit markets:
 - in absolute terms
 - relative to overall credit markets?
- What economic and institutional factors are driving their growth and adoption?
 - Distinction between demand and supply drivers
- How large and important could they become in the future?

Main results



- Constructs a new database of fintech and big tech credit volumes for 79 countries around the world over 2013-2019
- Both forms of credit have risen dramatically since 2013,
- since 2018, big tech credit has overtaken fintech credit in total size.
- Preliminary data: the shift to big tech credit was likely even more pronounced in 2019
- These forms of credit seems to *complement* more traditional credit markets



Main results: main drivers

- Higher GDP per capita
- Banking mark-ups are higher
- Banking regulation less stringent
- Fewer bank branches per capita
- Easy for doing business
- Investor protection higher and disclosure
- Efficiency of the judicial system
- Bank credit to deposit ratio lower
- Bond and equity mkt more developed

51.6% of the
variation of fintech

11.2% of the
variation of big tech.

Comment



Very interesting paper!

The questions addressed are extremely important!

The effort in collecting the data is tremendous and the approach used is very clever, given that we do not have data

It is a descriptive paper that looks to correlations and I am learning a lot (more than in other papers that have a great identification approach but just tell us something we already know)!

Comment



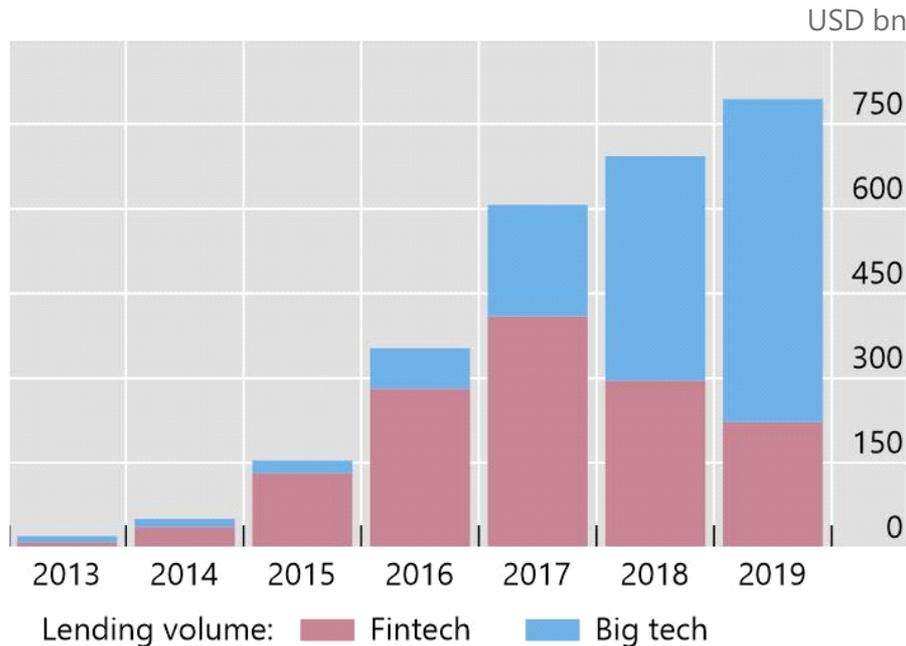
Important message:

Ensure that authorities and researchers have the proper data to monitor and study fintech and big tech credit platforms going forward

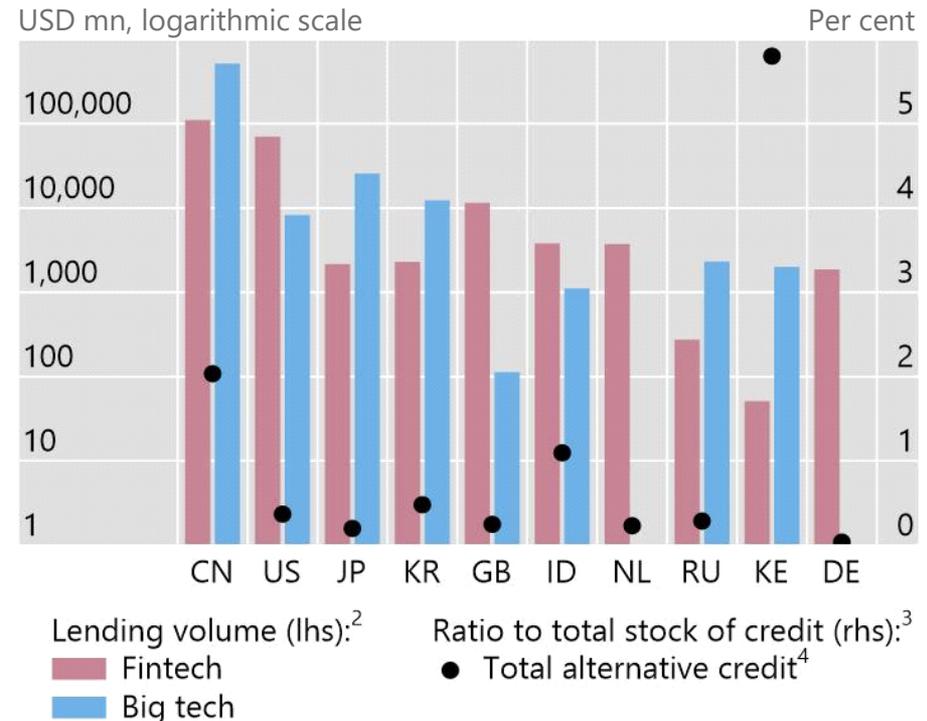
Comment: key new result - Big tech credit is booming



Big tech credit is overtaking fintech credit¹



These alternative forms of lending are becoming a significant portion of total credit in a few economies



Figures include estimates. CN = China, US = United States, JP = Japan, KR = Korea, GB = Great Britain, ID = Indonesia, NL = Netherlands, RU = Russia, KE = Kenya, DE = Germany.

¹ 2019 fintech lending volume figures are estimated on AU, CN, EU, GB, NZ and US. ² Data for 2019. ³ Domestic credit provided by the financial sector. Data for 2018. ⁴ Total alternative credit is defined as the sum of fintech and big tech credit. Data for 2019.

Comments



The drivers considered are largely cross sectional, not explaining the dynamic.

Results similar to: Barba Navaretti et al. (2017), Rau (2017), Claessens et al. (2018) and Frost et al. (2019)

- *What are the main differences with respect to the drivers that explain just the cross section?*
- *What could explain the reverse U shape of fintech volume?*
- *What could explain the exploding path of bigtec volume?*

Comments



Are these drivers able to explain the cross section of credit per capita of banks?

Distinguish what is driving credit demand and supply

- *over all?*
- *what is specific to alternative finance?*
- *what is peculiar to fintech or bigtech?*

Comments



- *Is there any effect due to the interaction/combination of the different drivers*
 - *Analyze if there is any cluster of drivers and test how relevant is their interaction on top of the single ones*
- *Are the different drivers just driven by civil or common law?*

Comments: complementarity vs substitutability



Not clear the definition used in the paper of complementarity vs substitution.

- complementarity: fintech just replicate the bank credit or complete the supply of credit to the economy?

Complementarity is due to:

- supply: bank capital or credit/deposit ratio*
- demand driven: ask more credit in total and this is also the reason why credit/deposit ratio is large*

Comments: on-line banking



What about on-line banking?

Do you observe larger fintech or bigtech credit in countries where banks provide more on-line banking?

Is the complementarity larger? Or there is more substitution where on-line banking is larger?

Comments: Bigtech



What is the main peculiarity of the business model of bigtech that might explain differences in their credit provision among the different countries?

Bigtech companies are not all the same. Their business model and core markets are different.

- Could you investigate if diversity in the business model explain in some way their credit provision?



Very interesting paper!

Enjoy reading it!