

TechFin in China: Credit Market Completion and its Growth Effect

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Abstract

Ant Financial provides automated credit lines to more than a million firms trading on Alibaba's Taobao e-commerce platform. Monthly credit records show how TechFin mitigates local credit supply frictions in China's segmented credit market and extends the "frontier" of credit availability to firms with a low credit score. We use a discontinuity in the credit decision algorithm to document that a firm's credit approval and first-time online credit use boosts firm development in terms of sales and transaction growth. These findings reveal the scope of China's credit market frictions and the benefits of new credit technologies in completing credit markets.

JEL Classification: G20, G21, O43

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