



Do Innovations in Lending Help SMEs?

Discussant: Bihong Huang
Asian Development Bank





Summary

- The paper overviews the crowdfunding development and its determinants in several countries.
- It finds positive and significant relationships between crowdfunding per capita, and GDP per capita, venture capital availability and financial institutions depth.
- This paper investigates how SMEs have benefited from crowdfunding as an alternative source of financing
- The empirical evidence shows that crowdfunding improved SMEs' timeliness to pay debt in Singapore
-



Comment 1

Section 2 “Key Drivers of Crowdfunding”

$$\ln_CF_{it} = \alpha + \beta_1 \ln_GDP_{it} + \beta_2 \ln_GDP_{it}^2 + \beta_3 \ln_VA_{it} + \beta_4 \ln_DB_{it} + \beta_5 \ln_ICRG_{it} \\ + \beta_6 \ln_FA_{it} + \beta_7 \ln_FD_{it} + d_1 C_{1i} + d_2 C_{2i} + d_{n-1} C_{n-1, i} + \varepsilon_{it}$$

- The section can be an independent paper
- The country regulation module shall be accounted for.
 - The P2P platforms in the US and the PRC are restricted to the role of information intermediary, in the UK and Japan, platforms can issue their own loans
 - Nemoto, Storey and Huang, 2019. Optimal Regulation of P2P Lending for Small and Medium-Sized Enterprises. ADBI Working Paper 912.
 - Econometric issue
 - Data source for crowdfunding per capita is not clear
 - Very high R2



Comment 2

- Section 3 Impact of Crowdfunding on SMEs' Cashflow

$$\Delta DTC_t = \alpha + \beta_1 * AFE_t (Y-o-Y) + \beta_2 * CF_t (Y-o-Y) + \beta_3 GDP (Y-o-Y) + \varepsilon_t$$

- Identification

- Dependent variable: *Days Turned Cash*- the percentage of debts paid on or before due date. Why not variables directly measure SME borrowing or financial constraint?

The DTC data from Experian (previously known as DP information Group) is collected based on payment records of more than 120,000 companies in Singapore, across eight major sectors in the economy (retail, wholesale, construction, hospitality / food and beverage, information and communications, manufacturing, services, and transport / storage), in each quarter. It is also computed as national average.

- OLS is not appropriate for the time series analysis?
- MAS's move to ease the entry requirements for securities-based crowdfunding (SCF) in 2016 (Section 6)– could this policy be used to infer the causal impact of crowdfunding on SME lending?
- Micro-level data for SME borrowing:



Comment 3

- Section 4. Does crowdfunding pose any financial stability risks in Singapore?
 - Too short
 - Can be integrated into section 5
- Section 5. Implications of Fintech on Banks - Possible Scenarios
 - The section describes the digitalization process of Singaporean banks and can be an independent paper



Minor comments

- Situation about P2P lending in China needs to be updated.
- Could Singapore platform lend to overseas companies?



Thank you very much!