Lingnan University 嶺南大學 香港 Hong Kong

Faculty of Business 嶺南大學商學院

Department of Finance
Hong Kong Institute of Business Studies

Data as Collateral: Open Banking for Small Business Lending

Open banking enables small businesses to share their bank financial data with potential lenders. I examine the effect of open banking on collateralization in small business lending. For identification, I exploit institutional features of the UK's open banking policy that creates a discontinuity in firms' eligibility to share data. Using a novel loan-level dataset covering the entire UK secured business loan market, I document that open banking eases the pledge of assets like accounts receivable and inventory. Firms eligible to share data are more likely to pledge such assets as collateral, thereby improving their access to credit. These effects are more pronounced for firms facing greater information asymmetry and those with greater information available to share. These findings highlight the role of open banking in reducing collateral constraints by mitigating information asymmetry.

20 January 2025, Monday

3:45pm-5:15pm

SEK104

English

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Tong Yu is a PhD candidate in Finance at Imperial College London. His research focuses on Financial Intermediation and Fintech, with an emphasis on their economic impact on firms, entrepreneurs, households, and financial institutions. These topics intersect with multiple fields, including corporate finance, entrepreneurial finance, household finance, and banking. He is also interested in issues related to regulation of financial intermediaries. While pursuing his PhD, he worked at the UK Financial Conduct Authority.

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Due date: 21 January 2025