

> Thursday 15th October, 2020 12:30 - 14:00

FINANCE RESEARCH SEMINAR



EMPOWERING CHANGEMAKERS FOR A BETTER SOCIETY

RESEARCH SEMINAR

“DISCOURAGED BORROWERS AND HETEROGENEITY IN LENDING TECHNOLOGIES ” PAUL-OLIVIER KLEIN , IAE SCHOOL OF MANAGEMENT



ABSTRACT

Discouragement of borrowers is a critical obstacle faced by firms when accessing to credit. We lift the hypothesis of homogenous lending technologies and show that firms that employ relationship or transactional lending are not discouraged in the same way. While relationship lending could have alleviated discouragement by tempering information asymmetries, we show that it actually exacerbates discouragement. We explain this effect by a self-rationing mechanism: firms better know their likelihood to get rejected when using relationship lending and decide not to apply in the first place. We confirm this view looking at the risk of the firm. We also show that opacity, measured as a mismatch in lending technology and the firm’s information asymmetries, and the existence of alternative sources of funding contribute to explain this result.

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