Fintech and the Value of Financial Disintermediation

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Abstract

We develop and estimate an equilibrium model of marketplace lending to quantify its welfare and stability implications relative to traditional lending. We use the universe of data from one of the leading Chinese peer-to-peer lending platforms that allows for both direct and platform-intermediated lending through portfolio products. The dataset includes detailed information on borrowers, loans, lenders' portfolio and platform investment. We use our structural model to quantify the value of financial disintermediation, simulating a counterfactual scenario where the platform resembles a bank in its intermediated lending by making maturity transformation and facing rollover risk. We find that under high rollover risk going from marketplace to traditional lending would reduce platform profits by almost \$12m, lenders' surplus by around \$0.2m, and the amount of loans financed by over 4%.

JEL classification:

Keywords: Marketplace credit, Household leverage, Chinese financial system, Structural estimation

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