FinTech RESPONSE

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NEW RESEARCH

New technology (FinTech) promises to expand the supply of financial services to small businesses poorly served by the banking system. Does it succeed?

Isil Erel and Jack Liebersohn* study the Paycheck Protection Program (PPP), which offered guaranteed and potentially-forgivable small-business loans to "provide a direct incentive for small businesses to keep their workers on the payroll."

CREDIT ACCESS

Non-traditional and FinTech lenders are a relatively new but rapidly **growing phenomenon.**

How they impact credit access will have **important consequences for credit access overall.**

PAYMENT PROTECTION PROGRAM (PPP)

To meet the extraordinary demand for PPP loans, the Small Business Administration made the last-minute decision to approve a number of non-traditional lenders specializing in

FinTech to distribute PPP funds alongside traditional banks.

PPP loans = $525 billion disbursed over a period of a few months

UNDERSERVED SMALL BUSINESSES

For small businesses in places underserved by banks, **FinTech firms have stepped up in allocation of Paycheck Protection Program (PPP) loans.**

FinTech is disproportionately used in ZIP codes with **fewer bank branches, lower incomes, and a larger minority share of the population.**

FinTech's role in PPP provision is also greater in counties where the **economic effects of the COVID-19 pandemic were more severe.**

FinTech mostly **expands the overall supply** of financial services, **rather than redistributing it.**

Our findings have implications for how FinTech expansion, if it is allowed, might affect the small business lending market, where SBA-backed loans have material importance.

* https://www.nber.org/papers/w27659

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