

FinTech RESPONSE

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.**



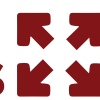
FinTech is disproportionately used in ZIP codes with **fewer bank branches, lower incomes,** and a larger minority share of the population.



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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