

FinTech Credit, Financial Inclusion and Entrepreneurial Growth

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Abstract

Based on automated credit lines to more than a million firms trading on Alibaba's e-commerce platform, we show that FinTech credit mitigates local credit supply frictions in China's segmented credit market and extends the "frontier" of credit availability to firms with a low credit score. We use a discontinuity in the credit decision algorithm to document that a firm's credit approval and first-time online credit use boosts firm growth in terms of sales and transaction growth. These findings reveal the scope of China's credit market frictions and the benefits of new credit technologies in improving credit markets.

JEL Classification: G20, G21, O43

Keywords: FinTech, credit constraints, micro credit, entrepreneurship

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