Runs in China's Peer-to-peer Lending Market

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Proposal Description:

China has world’s largest online peer-to-peer lending market. It has grown fast in China since 2011 and faced little regulation. It is a form of shadow banking: the P2P platforms gather funds from retail investors and lend to small business or individual borrowers, promising high returns. These platforms tell investors the maturity (when you can “redeem” without penalty), the fixed interest rate, with wording indicating some kind of guarantees. However, recently there is a crisis in the P2P lending market: many platforms collapsed and investors lose their savings. The number of lending platforms plummeted from around 6,000 to 1,500. We investigate this setting to better understand the fragility in the shadow banking system and empirically test bank run theories. In particular, we investigate how information and competition affects this market, how the likelihood of runs are related to platforms’ characteristics, and whether there is contagion in runs across platforms.

Requisite Skills and Qualifications:

2. We may need to collect additional data. Web data scraping skill is valued.

This project would be a good opportunity for those who are interested in shadow banking and Fintech.

Award: Jingyi Cui
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