

Information Sharing, Access to Finance, Loan Contract Design, and the Labor Market

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Abstract

Exploiting an exogenous change in the reporting threshold of Brazil's public credit registry, we show a change in lending relationships and loan contracting for newly included firms. Risky firms are more likely to have to switch to new lenders at higher interest rates, while safer borrowers switch to new lenders for lower interest rates.

While incumbent lenders lower interest rates and collateral requirements, they also shorten maturities. The policy change translates into higher employment. Our results are consistent with disciplining and competition hypotheses of information sharing and highlight important heterogeneities across firms' risk profiles and lender types.