



Bank Structure and the Terms of Lending to Small Businesses

Comments on Paper

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Summary of Paper

- Main results for SME lending in Mexico:
 - Decentralized banks more likely to give larger loans to small/micro and service sector firms
 - Decentralized banks more sensitive to specific institutional environment in setting deal terms
- Implication is that the benefit of decentralized bank structure for SME lending depends critically on institutional and competitive environment
- Results are mostly intuitive
 - Nice contribution to SME financing literature
 - Next pages include some questions to further clarify/adjust analysis



Questions about Data & Approach

- “Over the period that we study, all SME loans given by private-sector banks are included in this database”
 - Is that true (81,583 loans over 2002-06)?
 - Any biases of SINAFIN program?
- What is SME definition?
 - Does it include micro? Does the analysis exclude MEs?
- How do you determine whether banks have “*decentralized*” lending structures?
 - Criteria used, continuum vs. binomial distribution, variety of lending technologies within banks



Questions about Results & Implications

- What are the implications of the results as to the desirability of small (decentralized) banks for SME lending?
 - Do the “*benefits of decentralized lending in weak legal environments*” outweigh the risks?
 - How does a bank’s ownership and mix of lending technologies influence its risk tolerance and business strategy?
- Relevance of this study for US banking deregulation’s impact on entrepreneurship