Discussion
"Sharing information on lending decisions: an empirical assessment"
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Main story

Examine loan search and past history of loan applications

- Track record reputation
- Similarities with Diamond's (1991) model

Previous loan market participation matters

- Firms rejected in the past are less likely to continue loan search

Simple illustrative model to set the stage for the empirical analysis

Data and methods

- Data on loan applications from 650,000 Italian firms

- Sample period: August 2003 to December 2012

- Main variable of interest: whether a loan application placed by a firm was approved or not (binary outcome)

- Linear probability model is used for estimation purposes

Main results

The authors find:

- Past rejections increase the probability of interrupting the loan search
- This effect is more potent for smaller firms
- Past rejections reduce the probability of getting a loan approved
- Asymmetric effect with smaller firms being affected the most
- Evidence for heterogeneity with respect to the lender

Comments

Why use a dummy to capture size effects?

- There is no clear value in disregarding this information: use the continuous variable instead

Can you push the identification strategy a bit?

- Match firms based on a number of characteristics that influence the probability of rejection

- Estimate the model on the matched sample of firms: they will be similar on a number of characteristics apart from the rejection decision

Comments

Does the size of the loan affect the bank's decision to approve/reject?

- Banks may not be willing to finance large investment projects from any one borrower

Can you provide pooled Probit/Logit regression estimates given the binary dependent variable?

- Need to specify the benefits of using a linear probability model versus other alternative estimation methods (i.e Fixed-effects logit etc)

What is the economic effect?

- Need to discuss marginal effects to get an idea about the magnitudes of these results

Conclusion

- Very interesting and novel work

- Very sound arguments

- A few robustness tests would help to make the results rock solid

- Overall, I wish the authors the best of luck with their work