March 27, 2020

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Entrepreneurship Research Boot Camp (ERBC)
NBER
Cambridge, Massachusetts, USA

Dear Sir or Madam,

My name is Zhengming Li, a first year PhD candidate in Finance from Imperial College Business School and I'm very interested in applying for the 13th Entrepreneurship Research Boot Camp (ERBC). My advisor, Professor Gilles Chemla, will be my reference for the application.

This year I audited Labour Economics at London School Of Economics. The last part was taught by Prof. Yona Rubinstein and it was about the Economics of Entrepreneurship. I would like to study in-depth related topics as entrepreneurship plays a vital role in the economy. The course discusses about these issues from a typical Labour Economist' perspective mainly focusing on the selection into entrepreneurship. I want to explore this area through the lens of Finance, like the relevance of financial constraints for entrepreneurship, the sources of frictions in the capital market that matter for entrepreneurship and etc. I believe that the Boot Camp will help me to extend my knowledge about Entrepreneurial Finance.

Thank you very much for your time and consideration, looking forward to hearing from you. Please feel free to contact me with any questions.

Sincerely,
Zhengming Li

Zhengming Li

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Education

Imperial College London Business School
Ph.D., Finance, Expected 2023.
Primary Field: Financial Intermediation, Corporate Finance
Secondary Field: Entrepreneurial Finance
MRes, Finance, 2019.

Centro de Estudios Monetarios y Financieros (CEMFI)
M.A., Economics and Finance, 2018.

College of Urban and Environmental Science, Peking University (PKU)
B.S., Environmental Science, 2016.

National School of Development, Peking University (PKU)
B.S., Economics, 2016.

Research

Summer Intershi at CEMFI
Research Assitant for Dante Amengual and Enrique Sentana
Project: Financial contagion in the eurozone

Teaching

Imperial College Business School
Teaching Assistant, Corporate Finance, 2020

Imperial College Business School
Teaching Assistant, Workforce Analytics, 2020

Awards and Certificates

Imperial College Business School Teaching Assistant Scholarship
2018-2023

Imperial College Business School MRes
Passed with Distinction, 2019

CEMFI Master in Economics and Finance Scholarship
2016-2018

Baruch MFE Elements of Financial Engineering Certification Exam
Passed with Distinction, 2016

Languages and Skills

Chinese (native), English (fluent)
Stata, LaTeX, Matlab, Python

PhD Courses

Imperial College Business School, for credit

Microeconomics
Econometrics 1
Econometrics 2
Corporate Finance
Empirical Corporate Finance
Asset Pricing
Empirical Asset Pricing
Household Finance
Empirical Banking

London School of Economics, auditing

FM502 Corporate Finance for Research Students
EC533 Labour Economics for Research Students
EC536 Economics of Industry for Research Students
EC539 Macroeconomics for Research Students

Reference

Professor Gilles Chemela
Finance Department
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Application Essay

Zhengming Li

March 27, 2020

My research interests are in three related fields: (1) the industrial organization of alternative finance such as peer-to-peer lending platforms, (2) the liability structure dynamics of traditional financial intermediaries such as banks and its effect on the credit supply; (3) the potentially heterogeneous effect of financial frictions on entrepreneurship.

Ambitious entrepreneurs are at the heart of every industry and they are key for economic growth. Extensive work has examined the determinants of occupational choice and what shapes selection into entrepreneurship, other self-employment or salaried employment like human capital, preferences and liquidity constraints. It is critical to understand entrepreneurs' access to capital to fulfill their working capital and investment needs. Although bank lending is still the most common source of external finance for both SMEs and entrepreneurs, new players such as crowdfunding, incubators and family offices have entered the game and several new financial instruments like lending-based and securities-based crowdfunding have been introduced (Cusmano & Koreen, 2015; Block *et al.*, 2018).

My first year project was about peer-to-peer lending platform competition and examined the welfare implication in terms of its influence on market participants behaviour and transaction outcomes including loan volume and pricing structure. As platforms face a trade-off between quantity (e.g., for lending-based platform, it refers to loan volume) and quality (e.g., loan default), it is important to find out whether the level of competition among platforms will promote more innovative, highly-productive entrepreneurial activities that create jobs and bring new goods, services and technologies to the market or finance those self-employed who are one-person, low-productivity individuals that perform routine tasks and rarely have ambitions to grow their businesses (Levine & Rubinstein, 2017). Previous research find robust evidence that banking competition reduces state-level innovation by public corporations, while increases innovation among small private firms which are potential targets of public corporations (Cornaggia *et al.*, 2015). It is interesting to explore what is the case for alternative finance which is gaining popularity among entrepreneurs.

At the moment, my colleague Yifan Yang and I are empirically investigating the dynamics

of banks' liability structure, and find that the liability composition changes significantly over time with significant difference between small and large banks. It is still in early stage and we would like to explore further (1) what cause the dynamics of liability composition and, (2) what is the effect on credit supply of this change, especially on credit supply to SMEs and entrepreneurs.

Although bank lending will continue to be the major financing source for the SME sector and entrepreneurs, there is a migration of riskier credit from banks to non-banks following the proposal of the liquidity coverage ratio (LCR) requirement in 2010 (Vladimir, 2020). With risk accumulated in the non-bank financial institutions, this may pose an issue especially during crisis time like the Covid-19 Pandemic. Central banks like Fed have intervened with all types of policies including providing banks with liquidity, but banks may not lend that liqudity to non-financial firms. Thus, to directly target SMEs, which type of policy should Fed adopt? Public guarantee on lending from private banks to SMEs and entrepreneurs or direct public lending via state-owned banks? I think it is important to examine the effectiveness of different public policies targeting SMEs and entrepreneurs especially during crisis time. Jiménez *et al.* (2018) exploit a new public credit facility set up in Spain during the credit crunch of 2010-2012 to examine the benefits and costs of government lending via state-owned banks. They find that the credit supply causes quantitatively large and persistent real effects and the crowding-in of credit from private banks. Their analysis focuses on the effect of credit supply on existing firms, I think it would be interesting to examine the extensive margin as state-owned banks that support existing firms may have negative externalities on potential entrants like entrepreneurs.

The NBER Entrepreneur Research Boot Camp is taught by outstanding and active researchers in this field. I would be interested to see how I can get involved. With a committed passion for research, I believe I can add a unique perspective and value to the program. At the same time, I would benefit a lot from your distinguished speakers and the excellent peers I'd interact with, as well as that well-balanced combination. I hope my growing academic potential can prove me qualified for the program.

References

BLOCK, JOERN H, COLOMBO, MASSIMO G, CUMMING, DOUGLAS J, & VISMARA, SILVIO. 2018. New players in entrepreneurial finance and why they are there. *Small Business Economics*, **50**(2), 239–250.

CORNAGGIA, JESS, MAO, YIFEI, TIAN, XUAN, & WOLFE, BRIAN. 2015. Does banking competition affect innovation? *Journal of financial economics*, **115**(1), 189–209.

CUSMANO, L, & KOREEN, M. 2015. New approaches to SME and entrepreneurship financing: Broadening the range of instruments. *Pariz: OECD Centre for Entrepreneurship, SMEs and Local Development*.

JIMÉNEZ, GABRIEL, PEYDRÓ, JOSÉ-LUIS, REPULLO, RAFAEL, & SAURINA SALAS, JESUS. 2018. Burning money? Government lending in a credit crunch. *CEPR Discussion Paper*.

LEVINE, ROSS, & RUBINSTEIN, YONA. 2017. Smart and illicit: who becomes an entrepreneur and do they earn more? *The Quarterly Journal of Economics*, **132**(2), 963–1018.

VLADIMIR, Y. 2020. The Liquidity Coverage Ratio and Corporate Liquidity Management. *FEDS Notes*.

Imperial College Business School

Imperial means Intelligent Business

April 11, 2020

Letter of reference for Zhengming (Zoe) Li

Dear colleague

I strongly recommend Ms. Zoe (Zhengming) Li for the NBER Entrepreneurship Research Boot Camp 2020 this coming July.

Zoe is creative, thorough, and has broad research interests. She is probably the most enthusiastic and exciting banking/shadow banking/digital lending PhD candidate one can imagine.

Zoe is a second year PhD student so she is still finishing the second year of PhD-level courses. However, her summer paper last year has shown good promise. This paper was investigating the regulation of lending platforms in China. Following a spectacular development of the most important market for lending platforms in the world, China has experienced a number of setbacks that have led to a major regulatory oversight. The objective of the new regulatory framework there is to restrict drastically the number of platforms. Zoe's work in progress is to investigate the costs and benefits of competition among lending platforms as well as implications for the banking and the shadow banking sectors and for innovation and

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entrepreneurship in fintech. This is a big endeavour that requires her to read literatures in banking, macro, fintech, and entrepreneurship. In parallel, Zoe has also already started project on the liability structure dynamics of traditional financial intermediaries such as banks and their interactions with the credit supply and on the heterogeneous effect of financial frictions on entrepreneurship.

Beyond her creativity, Zaici does extremely well in class. She did very well in the corporate finance theory course I teach with Franklin Allen as well as in our other PhD-level courses. She is humble, inquisitive, enthusiastic and positive and I have always seen her with a smile on her face. Her research interests are broad and range from banking to fintech and from macroeconomics to entrepreneurship.

Overall, I trust that Zoe will be a very productive, innovative, and enthusiastic scholar in the years to come. In the last two years, my three students on the job market were Mario Milone, Paul Beaumont, and Zaici Li, who placed at UC San Diego, McGill, and Manheim, respectively. I trust that Zoe could do at least as well as them.

Please feel free to contact me if you need any additional information about Zoe and her application.

Yours sincerely,



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