Customer Data Access and Fintech Entry: Early Evidence from Open Banking[†]

Tania Babina[‡] Greg Buchak[§] Will Gornall [¶]

Current Version: March 28, 2022
First Version: September 18, 2021

Abstract

Open banking is the trend of empowering customers to share their banking data with fintechs and other banks. We compile a novel dataset documenting that governments in 49 countries have implemented open banking policies and 31 more are in active discussions. Following adoption, fintech venture capital investment increases by 50%, with more comprehensive policies showing larger effects. We examine the policy tradeoffs with a quantitative model of consumer data production and usage. Our calibrations show that customer-directed data sharing increases entry by improving entrant screening ability and product offerings, but harms some customers and can reduce ex-ante information production.

Keywords: Open banking, entrepreneurship, fintech, financial innovation, data access, data right, data portability, Big Data, financial regulation, financial sector, banks

[†]Babina is the corresponding author and is located at Columbia University, 665 West 130th Street, New York, NY 10027. We are grateful to Mark Boyd for sharing Platformable's data, and Zhaochen Jiang for outstanding research support. For comments, we are grateful to Isha Agarwhal, Jonathan Berk, Bo Bian, Charlie Calomiris, Olivier Darmouni, Douglas Diamond, Sean Higgins, Luc Laeven, Steve Kaplan, Arvind Krishnamurthy, Stefan Nagel, Tomek Piskorski, Ragu Rajan, Luigi Zingales, Amit Seru, Amir Sufi, and seminar and confernece audiences at Columbia; Stanford; NBER Economics of Privacy Conference; UBC; UBC Winter Finance Conference; Universidad Carlos III de Madrid; USC. Gornall thanks the SSHRC for their support.

[‡]Columbia. Email: tania.babina@gsb.columbia.edu.

[§]Stanford. Email: buchak@stanford.edu.

[¶]University of British Columbia. Email: will.gornall@sauder.ubc.ca.