Customer data access and fintech entry: Early evidence from open banking[†]

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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

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