Cover Letter for NBER Entrepreneurship Research Boot Camp 2014

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EDUCATION

08/2011 – 05/2016 **UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN, COLLEGE OF BUSINESS** Champaign, IL
Ph.D. in Finance

08/2013 – 07/2014 **THE UNIVERSITY OF CHICAGO BOOTH SCHOOL OF BUSINESS** Chicago, IL
Visiting Ph.D. Student

05/2012 – 09/2012 **THE UNIVERSITY OF CHICAGO BOOTH SCHOOL OF BUSINESS** Chicago, IL
Visiting Ph.D. Student

09/2008 – 06/2010 **ATHENS UNIVERSITY OF ECONOMICS AND BUSINESS** Athens, GR
Master of Business Administration (MBA), specialization in Financial Engineering

09/2003 – 07/2008 **NATIONAL TECHNICAL UNIVERSITY OF ATHENS** Athens, GR
Diploma (5-year degree / equivalent to Master of Science) in Electrical and Computer Engineering

RESEARCH INTERESTS

Empirical Corporate Finance, Financial Intermediation, Innovation, Entrepreneurship

WORKING PAPERS

THE BANK LENDING CHANNEL AND CORPORATE INNOVATION

- To be presented at the **Seventh Annual Conference on Innovation Economics** (Searle Center on Law, Regulation, and Economic Growth at Northwestern University)

The purpose of the paper is to examine the impact of credit supply frictions on corporate innovation. In order to document the causal relationship between bank credit supply and corporate innovation, I exploit the cross-sectional dispersion in lender health induced by the collapse of Lehman Brothers as a source of exogenous variation in the availability of bank credit to borrowers. I find that there is a causal effect of disruptions in the bank credit market on both innovation output measured by the number of patents issued by a firm and the innovation impact captured by the number of non-self citations. In particular, firms that were maintaining a relationship with financial institutions that the liquidity shock induced a significantly less contraction in lending activity, increased innovative output by 7.2% followed by a 9.1% increase in non-self citations, as compared to firms that faced a higher credit supply decline. My evidence indicates that relationship lending fosters corporate innovation and that bank financing is material for the investment in the innovative process, thus leading to technological progress.

WORK IN PROGRESS

BANK CONCENTRATION RISK AND LIQUIDITY PROVISION

Financial institutions fail to perceive the extent of customer-supplier networks, thus, becoming overexposed to highly correlated risks. As a result, firms that maintain lending relationship with a financial institution that is exposed to higher levels of concentration risk face an amplified effect in times of a credit supply crunch or squeezing liquidity – an explicit contraction in the bank credit followed by an additional squeeze in trade credit supply by the firms that are exposed to the same financial institution. This is contrary to the literature that maintains that firms with high ex-ante liquidity fill the gap in liquidity provision in times of bank credit contraction, at least for firms exposed to high levels of concentration risk.

SOCIAL NETWORKS AND RELATIONSHIP LENDING

The purpose of the paper is to examine whether **1)** the presence of a CEO or a CFO with previous experience in a financial institution, and/or **2)** the existence of a firm executive in the BoD of a financial institution and vice versa may provide additional advantage in obtaining bank credit during the financial crisis, while leading to detrimental outcomes in terms of loan performance. In particular, I examine the impact of social ties with financial institutions on the probability to obtain bank financing when liquidity in the market is tight and the contractual terms and subsequent performance of the loans.

AWARDS

- Beatrice Fellowship (2011)
- ALBA-Koutsodontis Scholarship (2010)
- National Bank of Greece Scholarship (2008-2011)

NON-ACADEMIC EXPERIENCE

05/2007 – 10/2013 **NATIONAL BANK OF GREECE (NBG)** Athens, GR
Credit Risk Analyst, Group Risk Control and Structure Division

REFERENCES

Heitor Almeida
Professor of Finance and Stanley C. and Joan J. Golder
Distinguished Chair in Finance
University of Illinois at Urbana-Champaign
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Margarita Tsoutsoura
Assistant Professor of Finance
The University of Chicago Booth School of Business
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Completed Courses - University of Illinois at Urbana-Champaign (Ph.D. Level)

1st Year

Fall 2011

1. ECON 500 – General Microeconomic Theory (Instructor: Nolan Miller)
2. FIN 592 – Empirical Analysis in Finance (Instructor: Prachi Deuskar)
3. FIN 594 – Seminar in Corporate Finance (Instructor: Heitor Almeida)

Spring 2012

4. ECON 502 – Microeconomic Theory I (Instructor: Steven Williams)
5. ECON 507 – Econometric Analysis (Instructor: Walter Sosa-Escudero)
6. FIN 591 – Theory of Finance (Instructor: George Pennachi)

2nd Year

Fall 2012

7. ECON 508 – Applied Econometrics (Instructor: Roger Koenker)
8. FIN 590 – Individual Study and Research (Instructor: Heitor Almeida)
9. FIN 580 – Seminar in Corporate Finance (Instructor: Heitor Almeida)

Spring 2013

10. FIN 594 – Seminar in Dynamic Corporate Finance (Instructor: Dirk Hackbarth)
11. FIN 593 – Seminar in Investment (Instructor: Tim Johnson)
12. FIN 599 – Thesis Research (Instructor: Heitor Almeida)

Application of NBER Entrepreneurship Research Boot Camp 2014

Spyridon Lagaras
University of Illinois, Urbana-Champaign

March 17, 2014

1 Introduction

Small businesses constitute an indispensable force in the U.S. economy. Indeed, two of every three new jobs in the U.S are generated by small businesses, while contributing more than 45% to the U.S. Gross Domestic Product. Besides, the role of entrepreneurs as incubators for innovation and employment growth has been important in facilitating the current recovery. Therefore, the importance of entrepreneurship and innovation in fostering economic growth is one of the reasons that induced my focus on entrepreneurial research along with the fact that entrepreneurship is considered to be an understudied area, mainly because of the lack of data availability. Specifically, I am currently conducting research on the financing of corporate innovation, while I am also interested in financial intermediation and the association of both professional and corporate networks with access to heterogeneous financing sources.

As regards the research focus on corporate innovation, I examine the potential link between frictions in credit supply and the innovative activity of firms as innovation is facilitated by the well-functioning of financial systems. In order to document the causal relationship between bank credit supply and corporate innovation, I focus on the syndicated loan market and exploit the cross-sectional dispersion in lenders' exposure to the shock induced by the collapse of Lehman Brothers as a source of exogenous variation in the availability of bank credit to borrowers. Indeed, the causal effect of credit supply shocks on firms' innovative activity has escaped research attention, and the paper intends to complement the literature motivated by the recent financial crisis and provide empirical evidence in the aforementioned direction. The focus on corporate innovation is reinforced by the fact that innovation is an important driver of economic growth (Solow (1957)) and a source of competitive advantage for firms (Porter (1992)) implying that maintaining the innovative activity of firms has been potentially part of the reasoning behind the policymakers' stance towards government support in the recent financial crisis. Besides, while extant literature has investigated the connection between corporate innovation and venture capital or private equity funding (e.g. Kortum and Lerner (2000); Lerner et al. (2011)), the impact of bank financing on fostering innovation remains a matter of debate due to theoretically ambiguous predictions as well as endogeneity concerns. I find that there is a causal effect of disruptions in the bank credit market on both innovation output measured by the number of patents issued by a firm and the subsequent impact of innovation captured by the number of non-self citations. In particular, firms that were maintaining a relationship with financial institutions that the liquidity shock induced a significantly less contraction in lending activity, increased innovative output by 7.2% followed by a 9.1% increase in non-self citations, as compared to firms that faced a higher credit supply decline. My evidence indicates that relationship lending fosters corporate innovation and that bank financing is material for the investment in the innovative process, thus leading to technological progress.

Besides my research focus on innovation, I am interested in financial intermediation by exploring the impact of professional ties on acquiring access to bank lending and the association of corporate networks with liquidity provision. Specifically, I examine the impact of potential ties with financial institutions in an individual level on access to bank lending and loan contracting outcomes in the presence of liquidity constraints. As personal ties, I consider either the presence in a firm of an executive that has professional exposure and previous experience in a specific financial institution

or the existence of a firm executive in the Board of Directors of a financial institution and vice versa. The rationale is that firms that are associated with a financial institution through a personal relationship channel engage in preferential access to bank credit in the presence of a liquidity shortage in the form of either an increased likelihood of obtaining bank financing or favorable contractual terms; however, lending based on interpersonal linkages is proved to be detrimental for financial institutions as demonstrated by subsequent loan performance, thus providing limited support for better information flow or monitoring through the alleviation of informational asymmetry issues. Regarding the link between corporate networks and liquidity provision, I concentrate on customer-supplier networks and investigate the relation of bank concentration risk and liquidity provision on the corporate network. Specifically, the motivation stems from the fact that financial institutions fail to perceive the extent of customer-supplier networks, thus, being overexposed to highly correlated risks. As a result, firms that maintain lending relationship with a financial institution that is exposed to higher levels of concentration risk face an amplified effect in times of a credit supply crunch or squeezing liquidity, namely an explicit contraction in the bank credit followed by an additional squeeze in trade credit supply by the firms that are exposed to the same financial institution. This is contrary to existing literature that maintains that firms with high ex-ante liquidity fill the gap in liquidity provision in times of bank credit contraction, at least for firms exposed to high levels of concentration risk.

As regards my research focus on entrepreneurship, I am preparing a grant proposal to be submitted to the Ewing Marion Kauffman Foundation. The purpose of the proposal is to examine the relationship between bankruptcy law and the creation of small businesses, and the impact of financial constraints on entrepreneurship using a proprietary dataset on establishments. In order to document a causal relationship, I use the 2005 Bankruptcy Abuse Prevention and Consumer Protection Act in the U.S. as a natural experiment and exploit state dispersion in the automatic stay and homestead exemptions induced by the initiation of the BAPCPA as a source of exogenous variation in the availability of bank credit to entrepreneurs. Theoretically, a pro-debtor law provides an insurance against business failure and thereby encourages entrepreneurial investments. On the other hand, a pro-creditor law inhibits debtors abusive behavior, improving the selection of projects. Therefore, in states with higher homestead exemption levels, I expect higher establishment and business formation growth, higher employment rates and business migration exploiting a difference-in-differences setting.

Therefore, I firmly believe that the NBER Entrepreneurship Boot Camp is a unique opportunity for me to delve deeper into the the latest developments in the entrepreneurial field and acquire excellent exposure and an integrated insight into the majority of the issues involved with research in entrepreneurship so as to be able to conduct further research in the area.

2 References

Kortum S. and Lerner J. (2000), Assessing the Contribution of Venture Capital to Innovation, RAND Journal of Economics 31, 674-692.

Lerner J., Sorensen M. and Strömberg P. (2011), Private Equity and Long-Run Investment: The Case of Innovation, Journal of Finance 66, 445-477.

Porter M. (1992), Capital Disadvantage: Americas Failing Capital Investment System, Harvard Business Review 70, 65-82.

Solow R. (1957), Technical change and the aggregate production function, Review of Economics and Statistics, 39, 312-320

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19 March 2014

To whom it may concern:

I am pleased to have the opportunity to recommend our PhD student Spyros Lagaras for the NBER research camp on entrepreneurship. He is working on his dissertation under my supervision. Since August 2013 he has been visiting Chicago Booth and working closely with Margarita Tsoutsoura. I think this experience will further enhance his qualifications. I am also the director of the PhD program, so I know him and his work very well. Spyros is one of the best PhD students that we have here at UIUC, and I recommend him without reservations. I am confident that he will have a successful academic career.

Since he arrived at UIUC, Spyros has shown an uncommon enthusiasm for research and displayed clear signs that he will be able to become an independent researcher when the time comes. He already developed several research ideas of his own, some of them directly related to entrepreneurship, while others focus on different areas of corporate finance, particularly banking. His most developed paper focuses on the link between bank lending and innovation, using the 2008 financial crisis as a laboratory. He finds that firms that had relationships with banks more affected by the collapse of Lehman reduced patent creation and citations relative to firms that had relationships with less affected banks. He also has some ongoing research focusing on the impact of financial constraints on entrepreneurial activity, and other projects described in this CV.

In sum, I strongly recommend Spyros for the camp. He is an excellent PhD student who compares favorably with the best students from other top research Universities, and has an uncommon drive to achieve his academic goals.

Please feel free to call me if you have any questions.

Sincerely,

Heitor Almeida
Stanley C. and Joan J. Golder Professor of Corporate Finance
Professor of Economics
Director of the Finance Ph.D. Program