

Home Sweet Home: Financial Development and Asset Inequality (Job market paper)

(Awarded [Networks Financial Institute Dissertation Fellowship](#))

There is broad consensus that financial development boosts overall economic growth, but do some groups benefit disproportionately? I use a quasi-experimental setting provided by U.S. branch banking deregulation to explore this distributional question in the context of asset inequality, specifically access to homeownership. This deregulation removed geographic restrictions on banks' ability to open branches, representing an important episode of financial development which can also be regarded as plausibly exogenous to mortgage markets. Exploiting cross-state and cross-time variation in branching, and piecing together several micro-level datasets on mortgages and banks, I find an increase in the homeownership rate and mortgage lending. Overall homeownership rose by 2% over five years and mortgage lending increased by 5% after branching restrictions were removed. The effect of deregulation was strongest for the lower-middle quintile of the income distribution, as well as for black households and younger households. Down payments, which tend to be the binding constraint for new homeowners, fell on average by \$7,000. These results were driven only by commercial banks, the specific financial institutions subject to the policy, reinforcing the causal link between branching and housing market outcomes. Despite the expansion of credit to marginal borrowers, there was no increase in foreclosures or delinquencies following deregulation. I also provide evidence that the better economic conditions and reduced income inequality following branching did not drive the observed growth in homeownership. Next, I propose a channel linking branching deregulation to increased access to mortgage credit---enhanced screening by commercial banks. Expansion of branch networks allowed banks to exploit economies of scale and invest in new technologies, enabling faster and more accurate assessment of borrower risk. To proxy for technology adoption, I use measures of lending productivity (number of mortgage loans per employee) and risk-based pricing (standard deviation of the mortgage interest rate). Both of these variables rise post-branching, providing evidence for the increased prevalence of technology in the lending process.

Is Small Beautiful? Evidence from India's Product Reservation Policy for Small Industry (Awarded [Kauffman Dissertation Fellowship](#))

The preponderance of small firms in less-developed countries is striking. An influential body of mostly theoretical work suggests that the firm size distribution in less-developed countries, especially its thick left tail, reflects the misallocation of resources arising from distortionary policies and institutions. In this paper, I assess one important class of potentially distortionary policies-- government support for small enterprises. India's product reservation policy presents a unique quasi-experimental setting to estimate the impact of this type of government regulation on the manufacturing sector. The policy mandated that certain products were "reserved" for manufacture by small firms specifically, firms with capital below a certain threshold. Since 1997, this investment ceiling has been removed for different products at different times. Exploiting variation in the choice and sequencing of goods subject to this "dereservation," I find that firm productivity increases by 3% and output increases by 5% once size restrictions are lifted. The effects are disproportionately higher for industries with larger economies of scale, and for states where institutions make it is easier to increase firm size. Probing further into the channels behind

this effect, I find that although productivity increases across most of the industry firm size distribution, bigger firms grow disproportionately more both in terms of productivity and size. Additionally, the concentration of market share increases following the policy. There is no change in the rate of new entry and new entrants are not disproportionately larger or more productive. These results suggest that older, larger incumbents expand and move into the manufacture of products once the size restrictions governing the manufacture of these products are removed.