

HOW OPEN IS OPEN BANKING? DATA SHARING, BELIEFS, AND CREDIT ALLOCATION

STATEMENT OF RESEARCH PROJECT

This project examines how the extent of financial data sharing affects lending decisions, competition between banks, and access to credit. Its central research question is: under what conditions does open banking improve credit access and borrower welfare, and who benefits or loses?

Open banking allows borrowers to share their financial information with competing lenders. This can help lenders assess repayment risk and offer better loan terms. However, greater data availability may not benefit all borrowers equally. Its effects may depend on how much information is shared, initial expectations about repayment, and borrowers' decisions about whether to disclose their data.

There are several components of this project. The first component is the theory part, where I will develop a theoretical model and conduct incentivized laboratory experiments to address four questions.

First, is there a minimum level of data sharing needed to expand credit access? I will examine whether partial sharing improves information without making lending sufficiently attractive, leaving some borrowers excluded until a critical threshold is reached. This will test whether gradual increases in openness produce gradual improvements in inclusion or whether meaningful gains require substantially greater sharing.

Second, how do initial expectations about repayment affect the benefits of open banking? I will compare environments with higher and lower repayment probabilities to examine how information affects lending participation and loan terms. The objective is to understand when greater openness primarily intensifies competition among existing borrowers and when it enables lending to borrowers who would otherwise receive no credit.

Third, how are the gains from data sharing distributed between borrowers, incumbent banks, and fintech entrants? I will investigate how improved information and stronger competition jointly affect loan offers, bank profits, and borrower surplus. In particular, I will test whether incumbent profits respond differently to partial and full openness as the benefits of better information interact with the loss of informational advantage.

Fourth, how does voluntary consent affect credit allocation? When borrowers differ in repayment risk, I will examine who chooses to share data and how lenders respond to disclosure or non-disclosure. This will assess whether voluntary sharing creates market segmentation and disadvantages borrowers who keep their information private.

The experiments will assign participants to lender and borrower roles, with monetary rewards linked to their decisions and outcomes. They will compare closed banking, partial sharing, and full sharing under two repayment environments. An additional treatment will introduce borrowers with different risk profiles and voluntary disclosure. Outcomes will include lending participation, loan terms, credit access, bank profits, and borrower surplus.

The project aims to identify the conditions under which open banking delivers broader financial inclusion and clarify the trade-offs between competition, borrower choice, and the distribution of its benefits.

SCOPE OF WORK FOR SELECTED PHD STUDENT

The selected PhD student will contribute to a research project examining how financial data sharing affects competition between banks, lending decisions, and financial inclusion. Working closely with the supervisory team, the student will participate in theoretical analysis, experimental design, data collection, and empirical analysis, while developing an independent research contribution within the project.

The intended scope of work comprises six areas, namely, 1) literature review and theoretical development. The student will review research on open banking, information sharing, competition in the credit market, and voluntary disclosure; 2) experimental design and implementation. The student will help translate the theoretical framework into controlled laboratory experiments that compare closed banking, partial data sharing, and full data sharing across different repayment environments. They will contribute to an additional treatment examining voluntary disclosure among borrowers with different risk profiles.

Participant recruitment and data collection. The student will assist with preparing ethics application materials, recruiting participants, organizing laboratory sessions, and administering the experiments. They will help maintain consistent procedures across sessions, document implementation issues, and ensure accurate recording and secure management of research data; 3) data preparation and statistical analysis. The student will prepare reproducible datasets and analysis code, examine data quality, and evaluate the experimental predictions; 4) independent doctoral research. Under supervision, the student will take primary responsibility for a defined research component suitable for development into a thesis chapter; 5) research communication and publication. The student will contribute to research papers, present findings at seminars and conferences, and help prepare accessible summaries of the project's policy implications.