Stereotypes in Person-to-Person Lending:

Evidence from Debt Crowdfunding

Iftekhar Hasan
Gabelli School of Business, Fordham University

Qing He
School of Finance, Renmin University of China

Haitian Lu
School of Accounting and Finance, Hong Kong Polytechnic University

This version: November 2017

Abstract

How much do stereotypes affect person-to-person economic exchange? We present evidence from a debt-crowdfunding website that individual borrowers from high social capital regions enjoy higher funding success, larger loan size and bid size, lower interest rates, and more concentrated loan ownership. The effect is more pronounced among borrowers of no credit history or lower quality. Dyadic data show lenders from regions higher in social capital offer smaller loans at higher interest rates to borrowers from lower social capital regions. We consider a range of explanations and find our results most easily explained by investors using region-based stereotype as a heuristic in making credit decisions.

Key words: Stereotype, Social Capital, Person-to-Person Lending, Debt Contracting.

JEL Classification Code: Z10, G10, O16.
1. Introduction

Stereotypes, defined as widely held thought or impression about the attributes that people think characterize a group, are ubiquitous in human interactions. The social psychology views stereotypes as a “representativeness” heuristic for human decision-making (Kahneman and Tversky 1972; Schneider 2004). Prior economic work uses field experiment to study stereotype in markets. For example, Bertrand and Mullainathan (2004) send fictitious resumes to employers using African-American or White-sounding names to test the labor market discrimination. In this paper, we study stereotypes in the credit market. This investigation uses to be difficult, due to short of observational data on person-to-person credit. In the past decade, technological innovations in finance has enabled online credit between anonymous individuals without credit intermediaries. Moreover, the improved underwriting process allows a loan to be crowdfunded by multiple lenders. These unique features necessitate the observation of not only the “wisdom of the crowd”, i.e., the market’s aggregate assessment borrower’s quality, but also dyadic analysis on how individual lenders assess the borrower. This article fills this gap using data from real transactions on a person-to-person (P2P) lending website in China.

Stereotypes take many forms. In this paper we focus on lenders’ stereotype on the “representative” social capital of the borrower’s home province. Unlike institutions which screen borrowers using algorithms, stereotypical thinking among individuals are “instantaneous” (Durlauf and Fafchamps, 2006), exogenous to each economic transaction (Bottazzi, Da Rin, and Hellmann, 2016), and could be overweighed in probability judgements (Bordalo et al. 2016). As Zingales (2015) pinpoints:

“Even within the United States, immigrants from different locations seem to carry a ‘cultural’ marker, which fades only slowly over time. Americans of Swedish origin are more trusting, more in favor of redistribution, and less thrifty than Americans of Italian origin, in the same way that Swedes are more trusting, more in favor of redistribution, and less thrifty than Italians.”

We hypothesize that when individual lenders face uncertainty on borrower’s quality, they use region-based stereotypes as a mental shortcut to make investment decisions. Stereotype affect credit outcomes through lender’s judgement on the probability of opportunistic behavior of borrowers from a particular region. In high social capital regions, reciprocity and cooperative norms help to constrain opportunistic behaviors, even in the absence of strong legal and market
institutions (Coleman, 1988). This is so because dense social networks intensify internal sanctions such as social ostracism (Uhlaner, 1989) stigmatization (Posner, 2000), and heighten negative moral sentiments associated with perpetuating opportunistic behaviors (Elster, 1989), causing borrowers from high social capital regions to be assigned a higher probability to behave cooperatively. This leads to the prediction that, all else being equal, borrowers from high social capital regions have higher funding success, and conditional upon the funding success, more favorable debt terms, than borrowers from low social capital regions.

To measure regional social capital we employ a battery of proxies. The objective is to capture the civic norms and social trust in a province, two elements that both Coleman (1990) and Putman (1993) refer to as manifestation of social capital. We first include (population weighted) voluntary blood donation without compensation, as well as registered NGO members in a province (Guiso, Sapienza, and Zingales 2004). We also employ two national surveys. One asks respondents to rank “the top 5 provinces where the enterprises are most trustworthy” (Zhang and Ke, 2003). The other asks respondents to rate “how trustworthy are the people in your city” (Knack and Keefer, 1997). Our fifth, composite trust index is based on principal component analysis of the four variables.

We find strong evidence that social capital of a province positively affects their borrowers’ loan outcome. Ceteris paribus, individuals from regions higher in social capital enjoy a higher probability of their loans’ being fully funded, borrow larger amounts, and at lower interest rates. These borrowers also have more concentrated loan ownership, suggesting less risk sharing demand from loan investors. The economic magnitude of regional social capital is non-trivial: One standard deviation increase in our provincial trust index increases the average loan size by RMB 2,600 ($400), and reduces adjusted interest rate by 1.2%. Our result is robust to the control of variables at borrower, loan, and region levels, individual lender fixed effect, the Heckman correction on funding success, and bootstrapping tests.

1 Other eco-social conditions, such as the legal environment (Qian and Strahan, 2007), and culture-level religiosity (Cai and Shi, 2014) may have similar effects in constraining opportunistic behavior. However, as Kranton (1996) shows, reciprocal exchange can be a self-enforcing and self-sustaining system. In this study, we control for alternative institutions but note that our proxies of regional social capital capture non-legal and non-religious social norms that constrain self-serving behaviors.
To the extent that regional social capital can be endogenous, we employ two instruments related to the formation of cooperative norms in a province: The first traces a province’s agricultural history of growing rice versus wheat (Talhelm et al. 2014). The second investigates the fraction of the largest ethnic group in a province’s total population (Easterly and Levin 1997). Our instrumental variable analysis strongly supports the baseline result.

If our proposition is correct that lenders use stereotype as mental shortcut to ease their decision making, then the theory of adverse selection (Akerlof, 1970) predicts such stereotype to benefit borrowers whose credit quality (by hard information) is “below the stereotypical average”. This is precisely what we find: Interaction effect shows stereotype matters more when the borrowers are female, have lower income, and shorter working experience. We also find stereotype matters more when the borrower had previously no credit history on the website (“first-time” borrower), and when their education level is low.

We carefully test several alternative hypotheses. The first is in-group biases (Yamagishi et al. 1988; Cornell and Welch, 1996; Huff and Kelley, 2003; Guiso, Sapienza, and Zingales, 2009). For example, Fisman, Paravisini, and Vig (2017) find that cultural proximity (shared codes, beliefs, and ethnicity) between borrowers and bank loan officers increases loan size and reduces default. Giannetti and Yafeh (2012) find banks offer smaller loans at higher interest rates to more culturally distant borrowers. To examine how common traits between lender and borrower affect debt contracting, we take advantage of a large sample of loans where complete personal information of counterparties is available. Specifically, we are able to assess how observable differences at each lender-borrower pair (e.g. age, gender, credit rating, education, marital status, income, house ownership, working experience, and home environment) affect the lending outcomes. After controlling for these differences, we find robust result that individual lenders bid less (more), and require higher (lower) interest rates when borrowers are more downward (upward) distant from them in social capital, confirming our baseline findings.

We next investigate the alternative explanation of investor’s “home bias” (Coval and Moskowitz 1999; Grinblatt and Keloharju 2001; Chan, Covrig and Ng 2005). Two pieces of evidence suggest they are not driving our results. First, we show our finding is robust after

---

2 This is so because some lenders are also borrowers on the same platform, thus have to supply personal information.
excluding loans in which both lenders and borrowers are from the same province. Second, in our dyadic level analysis, by allowing the effect of social capital to depend on whether the home provinces of the counterparties share the same border (Rose 2004), we find the effect of social capital attenuates, but remains significant, when lender and borrower are geographically distant.

Finally, we test other sources of stereotypes. Duarte, Siegal, and Young (2012) show that trustworthy appearance in the borrower’s photographs is associated with better loan outcomes. Happily, this argument does not affect our result, because our studied P2P website does not allow borrowers to post their photos. On the other hand, we do little evidence of stereotypes based on age, gender, or social groups.

Our main conclusion, that region-based stereotypes affects person-to-person economic exchange, has a number of economic implications. The first is the value of social capital in economics and finance. Knack and Keefer (1997) show that country social capital is associated with measurable economic performance. Guiso, Sapienza, and Zingales (2004) find that regions of high social capital have deeper financial markets. At the firm level, studies find that firms in regions of higher social capital show higher financial reporting quality (Garrett, Hoitash, and Prawitt, 2014), less variance in returns (Hilary and Hui 2009), and more innovation (Laursen, Masciarelli, and Prencipe, 2012). A few studies examine the value of social capital in credit. For example, Guiso, Sapienza, and Zingales (2004) show that household in regions of higher social capital in Italy have higher access to institutional credit. Wu, Firth, and Rui (2014) provide evidence that Chinese firms located in higher trust regions obtain more trade credit from suppliers. Hasan et al. (2015) find that U.S. firms headquartered in high social capital counties receive favorable loan conditions. However, none of this work addresses lending between individuals and they are not able to distinguish local and non-local credit. We fill this gap by focusing on the online environment in which anonymous individuals extend credit to others. To our best knowledge, this paper provides the first empirical evidence on region-based stereotypes in person-to-person lending.

This paper also contributes to emerging work that studies the determinants of funding on P2P platforms. Duarte, Siegal, and Young (2012) show that trustworthy appearance in the borrower’s photographs is associated with better loan outcomes. Lin, Prabhala, and Viswanathan (2013) find
that the friendship network on the P2P platform increases the likelihood of a loan’s being funded and reduces interest rates. Their findings are consistent with the role of signaling in reducing information frictions. Our test of regional social capital differentiates from theirs in that we point to the impact of social capital as providing environmental pressure constraining opportunistic behaviors. We show that high regional social capital facilitates not only in-group trust, but also out-group perceptions of the quality of borrowers from the region. In this regard, our evidence finds synergy with a stream of country-of-origin (COO) literature that documents the impact that perceptions about a country have on a person’s evaluations of the country’s products in international business (Li and Wyer, 1994; Lampert and Jaffe, 1996; Newburry Gardberg, and Belkin, 2006; Knight, Holdsworthy, and Mather, 2007). We confirm the COO effect in person-to-person economic exchange using regional evidence from China.

Finally, we contribute to work on how geographical, cultural, and other heterogeneities between trading partners affect trust-intensive contracts, such as credit. Fisman, Paravisini, and Vig (2017) find cultural proximity (shared codes, beliefs, and ethnicity) between borrowers and bank loan officers increases loan size and reduces default. Giannetti and Yafeh (2012) find that cultural distance between bank loan officers and borrowers leads to more restrictive loan terms. We extend this line of research by showing that gaps in regional social capital increases distrust. Lenders from high trust regions are more cautious when lending to borrowers from low trust regions.

The remainder of this paper proceeds as follows: Part II introduces the mechanism of online marketplace lending and institutional settings in China. Part III describes our sample data and variables. Part IV presents empirical results. Part V draws conclusions.

2. Institutional Background

This article brings forward novel evidence from the emerging market of China. In emerging markets, formal institutions like the law and market are often ineffective in protecting investors (La Porta et al. 1998), necessitating alternative governance, such as that based on social capital. Due to historical reasons such as ethnicity, regional dialect, cultures and geography, the social
capital stocks in China is unevenly distributed among its 31 provinces. For example, using data from the World Values Survey, Ang, Cheng, and Wu (2015) show differences among provinces in China are often greater than the differences across 13 European countries.

The formal credit market in China is dominated by banks, with five state banks splitting almost half the total loan market. The capital market is relatively underdeveloped, and a majority of listed firms are owned or controlled by the government (Allen, Qian, and Qian, 2005). Not surprisingly, most of the bank credit is extended by state-owned banks to state-owned enterprises (SOEs) or to large private firms, while private small and medium sized firms face substantial obstacles in obtaining external finance from the formal financial sector (He, Xue, and Zhu, 2017).

The “shadow banks”, or financial firms outside the formal banking sector primarily serve the financial needs of the vast private sector (Elliott, Kroeber, and Yu, 2015). These financial firms take various forms, such as trust companies; inter-corporate loans via financial institutions (“entrusted loans”), microfinance companies, guarantee firms, leasing companies, pawn shops and various unofficial lenders. They perform credit functions similar to banks, but are not subject to the intensive banking regulations.

The investment and credit demand of Chinese individuals has surged in the past decade with the country’s rising middle class, and technological development in finance has greatly facilitated person-to-person lending on the internet. China has over 700 million internet users, many develop the habit of shopping online and making digital payments. Unlike in the U.S. where borrowers are required to have a minimum FICO score to enter the P2P lending market, in China any person with identity card and a bank account can post loan requests on the website. Data from Wangdaizhijia show that the number of operating OML websites soared from only 10 in 2010 to 3,984 by March 2016, and facilitated cumulatively RMB 1.745 trillion ($ 268.4 billion)

---

3 In a survey by Ernst & Young (2017) of 20 markets, in China, 58% of consumers have used Fintech savings and investment services, compared with 27% of US consumers. The contrast is even greater for the adoption of Fintech borrowing services, with 46% of Chinese consumers indicating they have used these services, compared with 13% of US consumers. See EY Fintech Adoption Index 2017, available at: http://www.ey.com/Publication/vwLUAssets/ey-fintech-adoption-index-2017/$FILE/ey-fintech-adoption-index-2017.pdf
4 For example, In the U.S., online marketplaces like Prosper requiring a minimum FICO score of 640, Lending Club requiring a minimum of 660 for borrowers to engage in the market.
5 Note that in China, there is no personal credit scoring system like FICO in the U.S., nor is there a personal bankruptcy law to protect creditors.
in loans. Though this emerging market is relatively small compared with the country’s colossal financial system,\textsuperscript{6} by any measure of size, China is the world’s leader in online marketplace lending (The Economist, 2017).

3. Sample and Variables

3.1 Measuring Province Level Social Capital

Trust, cooperative norms, and associations within groups each fall within the elastic definitions that most scholars have applied to the term, social capital (Knack and Keefer, 1997). In online marketplace lending, lenders and borrowers are anonymous strangers. We focus on provincial social capital of the borrower because lenders choose borrowers (not vice versa) based on an array of borrower information, including borrower’s (ID card consistent) place of origin.

Following the social capital literature in economics and finance, then, we measure provincial social capital using the following indicators: Our first measure is voluntary blood donation per capita in a province. As Guiso, Sapienza, and Zingales (2004) argue, there are neither legal nor economic incentives to donate blood. The activity is likely driven by peoples’ civic-mindedness in overcoming collective action problems. Several notes of this variable are in order: First, following Ang, Cheng, and Wu (2015), this variable is measured as the milliliters of blood donated voluntarily in a province, divided by its population in 2000, the only year that complete province-level data from the Chinese Society of Blood Transfusion is available.\textsuperscript{7} Second, in China, the blood donation law clearly states that blood donation can only be collected by the National Blood Center (NBC) of China, and is without compensation. The NBC has operating branches in all provinces, and adopts the same medical procedures across all regions, mitigating the concern that the blood donation level is affected by the quality of health care or medical infrastructure among provinces. We conjecture that individuals that live and grow up in regions with high incidence of blood donation are under higher social pressure and internal norms to behave cooperatively. Table 1 Panel B (Column 2) shows large variance among

\textsuperscript{6}For example, the outstanding balance of P2P credit is roughly 0.8% of China’s total bank loans in 2016. (The Economist, 2017).

\textsuperscript{7}We are grateful to Ang, Cheng, and Wu (2015) for sharing the data with us.
Chinese provinces, with an average blood donation of 3.43 milliliter per thousand people in Shanghai to only 0.017 in Yunnan province.

Our second indicator is NGO participation, measured by the number of people registered in non-governmental organization (NGO) per thousand populations in a province. NGOs are typically funded by donations, operated by volunteers, with aims to address the social needs such as poverty reduction, environment protection, and rights of disadvantaged groups. Individuals growing up in regions with higher NGO participation develop more civic traditions, are more caring and less likely to behave in opportunistic manner. Our provincial NGO participation data are hand-collected from the Chinese Civil Affairs Statistical Yearbook of 2010.\footnote{For robustness test, we use the average of the level from 2010 to 2015, and the results are similar across years.} Panel B (Column 3) shows Shanghai is the province with highest NGO participation (4.4 registered NGO members per thousand population), the lowest being Tibet, with only 0.03.

Apart from outcome-based proxies of social capital, we measure the perception of Chinese citizens on the “trustworthiness” of non-specific members of other, or their own, province. Our third measure, provincial “enterprise trustworthiness”, draws from a national survey of Chinese enterprises in 2000 (Zhang and Ke, 2003).\footnote{A similar, enterprise trustworthiness survey was used by Burns, Meyers, and Bailey (1993) and Guiso, Sapienza, and Zingales (2009) in five major European Community countries.} In this survey, questionnaires were sent to over 15,000 managers from companies in every province of China. Over 5,000 usable responses were received and respondent managers cover firms in every two-digit industry and ownership type. Specifically, our “enterprise” variable is elicited from their answers on the question, “\textit{According to your experience, could you list the top five provinces where the enterprises are most trustworthy?}” We assign scores to each ranking of provinces and aggregate to obtain the province’s average score of enterprise trustworthiness.\footnote{To alleviate home bias, Zhang and Ke (2003) created another score by excluding managers who select their own province as one of the top five. They show the two scores are not significantly different from each other.} Panel B (Column 4) shows Shanghai (22.7) leads Chinese provinces in enterprise trustworthiness, followed by Beijing (16.6) and Guangdong (10.1). The least enterprise-trustworthy province appears to be Hainan (0.1).

Our fourth measure, “citizen trustworthiness”, follows Wu, Firth, and Rui (2014) and uses data from the China General Social Survey (CGSS). The CGSS is conducted jointly by the Survey Research Center of the Hong Kong University of Science and Technology and the
Sociology Department of the Renmin University of China in 2003, and received 5,894 completed responses. The respondents cover Chinese residents in 125 counties from 28 provinces. Our “citizen” variable is elicited from respondent answers to one question, “How trustworthy are the people in your city?” The response ranges from 1 (“highly untrustworthy”) to 5 (“highly trustworthy.”). We calculate province $i$’s level of trustworthiness by aggregating the average score of citizens from that province. One important caveat is that, unlike the third, “enterprise” measure which is based on respondents’ ranking of other provinces, our fourth, “citizen” measure reflects in-group bias. That is, people tend to place higher generalized trust on people from their own cities, even if the overall social capital level of that province may be low. Consistent with this conjecture, Panel B (Column 5) shows much smaller variances among scores given by citizens of each province. Shanghai ranks second (2.40), surpassed by Jiangxi (2.442) and the least trusting province appears to be Gansu (2.014) and Guizhou (2.014).

To account for the intrinsic biases / limitation in each of the indicator, we construct a composite, provincial “Trust” Index by applying principal component analysis (PCA). Table 1 (Panel A) shows the results of the PCA for our proxies of trust. This method shows that we have only one component with an eigenvalue larger than one (2.967). All four indicators have positive loadings and closely correlate with the index. Our composite index gives a roughly equal weighting to the blood donation, the participation of NGO and enterprise trustworthiness, but somewhat lower weights to the citizen trustworthiness score. Based on the composite trust index (Panel B, Column 1), Shanghai, Beijing, and Guangdong are the top 3 most trusting provinces, with Gansu, Guizhou, and Yunnan being the bottom 3.

[Insert Table 1 here]

3.2 The Renrendai Online Marketplace

Much of our data comes from the Renrendai online marketplace (“RRD”), which contains loan-level and each investment-level data for all transactions on RRD from September 2010 to December 2015. RRD is one of the largest person-to-person lending platforms in China, following the model of the Lending Club in the U.S. Since its official launch in 2010, RRD has over 2.5 million members and has facilitated 13 billion RMB (USD 2 billion) in funded loans as
of Dec 31, 2015. We obtained this proprietary dataset from Changsha Aijie Information Technology Co. Ltd (Aijie).

The lending process on RRD starts with a loan application. Users join renrendai.com by providing a cellphone number, which is verified by the website. To post a loan request on RRD, a prospective borrower must go through additional verification. Borrowers should have a valid national identity card, a valid bank account, and personal information about themselves including age, gender, education, income, marriage status, house ownership, working information, address and so on. This information is verified by RRD, which also require borrowers to provide supporting materials, e.g., a copy of National ID, work certification and diploma. All users are identified by user-name that is chosen when registered in RRD.

A minimum credit rating grade is obtained once the three items are verified. To make a loan request, called listings, borrowers need to fill a title, description, loan amount, and maturity. All loans are unsecured personal loans that range between RMB 1,000 (USD 154) and up to 50,000 (USD 7,692), and their maturity ranges from 1 month to 48 months. In addition, the listing shows personal information such as age, gender, education, income, marriage status, house ownership, working information, location and so on. RRD normal take 1-3 working days to verify loan information. Loans with incomplete information or unverified are not allowed for online listing.

Two important features for listings on RRD are worth highlighting: First, unlike other platforms, on RRD, borrowers are not allowed to upload their photograph. Duarte, Siegal, and Young (2012) show that on Prosper, trustworthy appearance in the borrower’s photographs is associated with better loan outcomes. This factor can be safely dismissed in our setting. Second, borrowers have no choice on their interest rate - RRD will assign interest rate and calculate monthly repayment based on its proprietary credit rating model and self-reported information of the borrower. This is a useful feature of the institutional setting, since given the pre-set interest

---

11 Bundling one’s bank account to one’s RRD user account is to enable the transfer of money in loan transaction. If the user does not have a bank account, the RRD would automatically create a bank account for the user at Minsheng Bank.

12 The exact credit rating model used by RRD to assign a credit rating is unknown due to its proprietary nature. However, unlike in the U.S. where individual’s FICO scores can be acquired, in China the personal credit score system is non-existent. Each P2P claims to have its own credit rating model based on available information. For example, RRD classifies borrower credit ratings into seven categories: AA, A, B, C, D, E, and HR (high risk). A minimum rating is acquired when the borrower inputs the minimum information required by RRD to open an
rate, the equilibrium outcome of whether the loan is provided depends directly on the willingness of lenders to supply credit at the given interest rate.

Individual lenders on RRD can choose one of the two channels to make investment on loan listings. The “automatic bidding” (zidongbiao) channel allows lenders to lock in a sum of money at RRD with pre-set criteria for bidding, and authorize RRD to make investments for them once the eligible loan listings are available. The other, “manual bidding” (sanbiao) channel requires lenders to manually pick and make investment decisions by themselves. The manual bidding channel is P2P lending in its essence, for it reflects bounded rationality of individual lenders based on the information they have, cognitive limitations of their minds, and the finite amount of time they have to make a decision, and it is these data that we use.

For manual bidding, a listing is typically open for several days. Figure 1 shows the entry page for lenders, where all active listings are shown with borrower’s user ID, loan title, borrowing amount, asking rate, credit rating, percent completed, and time remaining. Lenders can search, filter, and sort these listings. By clicking in a particular listing, lenders can observe additional information about the listing, such as loan description, borrower’s age, gender, place of origin, education, income, house-ownership, and authentication status, but no photograph of the borrower is allowed (Figure 2).

To bid on a listing, a lender must submit the bid amount. The minimum bid amount is RMB 50 (USD 7.7) and RRD does not encourage one lender to bid for the whole loan. A listing that reaches 100 percent funding status becomes a successful loan, otherwise the borrower receives zero funding. As a result, a successful loan typically has multiple lenders. Once a successful loan is verified by RRD, funds are transferred from lenders to borrowers, minus a platform service fee. The service fee varies depending on borrower’s credit rating.

Subsequently, borrowers are obligated to repay the principal and interest in monthly installments. The repayments are proportionally distributed to the lenders of the loan. If a repayment is overdue (i.e., there is insufficient fund in borrower’s bank account to repay the account. If borrowers voluntarily update more documentary proof, such as bank income statement, house-ownership certificate, and these details are verified by the website, their credit rating will increase. Moreover, if the borrower has a good repayment history on this platform, the credit rating will also increase.
interest), RRD makes several attempts to recover the loan, including email, text messages, and calling the borrower. However, as a platform, RRD does not bear the credit risk of the borrower.

3.3 Variables of Interest and Controls

Table 2 contains summary statistics on our variables, and Appendix A includes detailed definitions of each variable. We categorize our variables of interest into: (1) listing and loan characteristics; (2) borrower characteristics; (3) provincial environment variables; and (4) lender characteristics. Each is introduced in order.

For each loan listing, we have information on their funding success or failure. For each funded loan, we have their size (in RMB), maturity (in months), interest rate (in basis point spread over benchmarked lending rate of PBOC), the number of lenders involved, stated purpose of the loan (in descriptive text), the number of words used to describe a loan, and its default status.

For each borrower, we have their user ID, age, gender, place of origin (province), marriage status, income range, education, working experience, home ownership status, and borrowing history on RRD. We also have the credit rating assigned to each borrower by RRD (in seven categories: AA, A, B, C, D, E, and HR).

For provincial institutional variables, other than the five trust measures described above, we first include GDP per capita to measure the economic environment. To capture the legal environment of a province we include the number of law offices per ten thousand residents. The intensity of law offices captures the demand for legal services in a province and is positively associated with the rule of law (Ray, Shleifer, and Vishny, 1996). We proxy the financial environment of a province: Loan is the ratio of total bank loans to provincial GDP, which measures the size of the financial market (Rajan and Zingales, 1998). In our regressions, institutional variables of a province in the year $t-1$ is matched with loans originating in year $t$.

3.4 Summary Statistics

Our sample comprises 247,565 loan listings on RRD with complete information on each variable from September 2010 to December 2015. Panel A of Table 2 reports that about 24.9%
of loan listings are fully funded. Of the 61,641 fully funded loans, the mean of loan size varies significantly from RMB 48.1 thousand (USD 7,400) to 3 million (USD 461,538). On average, the loan rate is 2.13 times the bench market lending rate, with significant variation from 0.59 to 5.38 times the bench market lending rate. Compared with the few changes in China’s bench market lending rate, these large pricing differences, at least in part, reflect the differences in borrower risks. For the loan maturity, the mean and median loan maturity is 18.78 and 18 months, respectively. We construct an additional variable *longterm*, a dummy variable that equals one if the loan maturity is more than 12 months, and zero otherwise. It shows that 80% of borrowers request a long-term loan. The loan ownership also varies considerably across borrowers. The average loan has 35.48 lenders, ranging from 1 to 1370 lenders. Finally, about 5% of funded loans incur default.

Panel B reports the summary statistics of demographic, income, and education information of each borrowers. It suggests that most borrowers are young, male, married, low credit score, less educated, and have a credit history on RRD. In addition, the median income level of borrowers is less than ten thousand RMB (USD 1,538) per month, and only 44% of borrowers own a house.

Panel C of Table 1 also report the summary statistics for provincial level variables. It shows that there is a large variation in the development of economy and financial markets across China’s provinces.

[Insert Table 2 here]

It is worth mentioning that we do not include either province-level and borrower-level fixed effects in most of our regressions, because our trust index is time-invariant for all borrowers in the same province. In addition, most borrowers have only one loan in our sample period. However, to examine the impact of the interactions between borrower’s characteristics and the trust index on loan items (Table 5), we do perform province-level fixed effect regressions while dropping all provincial level variables.

4. Social Capital and Credit: Loan Level Empirical Results
In our regression model, we begin by testing how the trust index affects the probability of a listing being fully funded and loan characteristics. We next consider how investors’ reliance on social trust varies across heterogeneous borrower characteristics, such as their credit history and education. In a robust check, we implement a two-stage, least squares instrument regression.

4.1 Funding Success

Table 3 reports the logit regression result of a listing’s being fully funded. Specification 1 includes our trust index with all available information on the borrower’s characteristics and regional environmental variables. Consistent with our expectation, it shows that social trust in the borrower’s home province increases the probability of a listing’s being funded. The coefficient is statistically significantly at the 1-percent confidence level. As the reported coefficients are the effect of a marginal change in the repressors on the probability of obtaining a loan, we can estimate the economic size of this trust effect. Comparing the extreme case, the probability of obtaining a loan for borrowers in the highest trust province (Shanghai) is 1.5 percent points higher than borrowers in the lowest trust province (Gansu), about a tenth of the sample mean. All else being equal, borrowers in highest trust province (Shanghai) have about 5% higher probability than those in Gansu to obtain a loan.

The signs of control variables are consistent with our expectation. For example, borrowers with higher credit ratings, higher personal income, higher educational level, and longer working experience have higher probability to have their loans fully funded. On the other hand, we find that borrowers with house ownership and those with larger numbers of past borrowings have a lower probability to have their loans fully funded. This is consistent with investors’ being more hesitant to fund borrowers with other concurrent liabilities (e.g., house mortgage, other outstanding loans on RRD). Finally, we find female borrowers are less likely to have their loans fully funded than are male borrowers.

All provincial-level control variables have the expected sign and most of them are statistically significantly different from zero. The level of per capital GDP and measure of financial development (loan) of a province have a positive and statistically significant effect on
funding probability. In contrast, in areas with a relatively better legal environment, the borrower’s loan list is less likely to be funded.\(^{13}\)

In specifications 2-5, we check the robustness of findings by using four proxies of trustworthiness, and keep the same set of controlling variables. It shows that three out of four proxies of trustworthiness (except “citizen”) are positively and statistically significantly related to funding probability.

[Insert Table 3 here]

4.2 Loan Ownership, size and pricing

Table 4 uses the same specifications to estimate the effect of trust on the number of lenders for a given loan (Ownership), loan size (Amount) and pricing (Interest rate), using all fully funded loans. In addition, we also controlled for whether the loan is long term (maturity over 12 months) or short term (maturity below 12 months). Panel A of Table 4 reports the estimated effects of our trust index on these variables. We find first that the borrower’s credit profile, income, and education enter as expected: a better rated, educated, and high income borrower with longer working experience, borrows a larger amount, at lower interest rates. The loan ownership becomes more diffuse when borrowers are old, female, married, and have higher credit scores, higher income levels, and own a house. Much of these results are consistent with the findings of the small business-lending literature (e.g., Petersen and Rajan, 1994). As expected, the long term loan is also associated with a larger loan amount, higher interest rate, and diffused ownership.

Turning to our trust index, we find that social trust in the borrower’s home province has a negative and statistically significant effect on the number of lenders for a given loan (Column (1) and (2)). A one-standard-deviation increase in social capital reduces the number of lenders by 1.6 percentage points. It indicates that there is more risk-sharing demand by investors when the borrowers are perceived as less trustworthy. This result is consistent with Ongena and Smith (2000) and Qian and Strahan (2007), who show that the credit rights in a country are positively

---

\(^{13}\) One possible explanation is that the efficiency of the legal system reduces the reliance on peer-to-peer lending for external finance.
associated with the concentration of loan ownership. In addition, the level of per capital GDP has a positive effect on the number of lenders for a given loan.

We find a positive and statistically significant association between the trust index and loan amount in both specifications (Column (3) and (4)). The economic effect of trust is also large: A one-standard-deviation increase in social trust is associated with a 2-thousand RMB increase in loan amount. Thus, impressions about the borrowers’ trustworthiness have a positive effect on the loan size.

Finally, Column 5 and 6 show that our trust index is negatively related with loan interest rates, and that the coefficients are both statistically and economically significant. A one-standard-deviation increase in borrower’s trust index leads to about a 0.7% decline in interest rate. Taking an extreme case, a loan to a borrower in Gansu (where the trust index is -1.887) would pay an interest rate around 3.1% higher than a loan to a borrower in Shanghai (where the trust index is 5.768). Thus, borrowers from high trust regions are more likely to obtain credit at a lower interest rate. Table 4 also shows that in provinces where the legal environment is better, the borrowers pay a lower interest rate, consistent with the finding of Qian and Strahan (2007). Finally, greater economic and financial development is associated with higher interest rates (Column (4)).

Panel B of Table 4 repeats the tests in Panel A, using our four proxies of borrower’s social trust, controlling for borrower’s characteristics, regional environmental variable and loan maturity. It shows that most proxies of social trust are negatively (and significantly) related to the loan ownership, positively (and significantly) related to loan size, and negatively (and significantly) related to interest rate, validating our baseline results.

[Insert Table 4 here]

4.3 When Does Social Capital Matter More?

If our proposition is correct that investors assess borrowers’ quality based on social capital of their origins, then we expect that the marginal benefit of social capital to differ between low- and high-quality borrowers. The hypothesis is that lower quality borrowers shall benefit more from
the high social capital of their region, since high-quality borrowers can obtain credit based on their superior, hard information.

To test this hypothesis, we first study whether the effect of social capital on credit varies across borrower’s gender, income, and work experience. Table 5 reports provincial-level, fixed-effect regressions relating funding success and our ownership, loan size, and pricing variables into control variables and the interactions of trust and various borrower characteristics. Each cell shows the estimates for the interactions between trust and specific borrower characteristics, e.g., age, gender, marriage, income, and working experience. The direct effect of trust is not identified in the models of province fixed-effect regressions, as the fixed effects absorb the cross-province variations. As there are many loans for each province but no variation in our trust index within province, we cluster errors across all borrowers in the same province.

We first find that the impact of our trust index on the loan ownership varies significantly with borrower’s gender, income, and working experience. Given the overall negative effect of trust on the number of lenders (Table 4), the positive coefficients for the interactions of borrower income and trust, and working experience and trust suggest that trust affects the loan ownership more when the borrower has lower income and shorter work experience. The interaction between trust and gender is negative, suggesting that trust affects the loan ownership most when the borrower is female.

We also find marriage, borrower income and working experience complements the effects of trust on the loan size. Married borrowers, with a higher level of income, and longer working experience located in trust-intensive provinces obtain the largest loan amount (Column 5 and 6). As for the loan’s interest rate, we find that the interaction between working experience and trust is positive. Thus, given that overall relation between trust and interest rate is significantly negative (Table 4), the impact of trust on lowering interest rates is stronger for borrowers with less working experience.

[Insert Table 5 here]

4.3.1 Low-educated Borrowers
We separately investigate the impact of social capital for low- and high-educated borrowers. This is because prior research shows a person’s human capital is closely correlated with education (Lusardi and Mitchell 2008; Behrman et al., 2012), and that low-educated borrowers are often discriminated by the formal financial institution for credit. Thus, if regional social capital benefits lower quality borrowers, we shall expect its effect on credit to be stronger for lower than for more highly educated borrowers. To test this hypothesis, we re-estimate our benchmark specifications, splitting the sample between high-educated borrowers and low-educated ones. A borrower is classified as high (low) education if his or her highest qualification is a bachelor’s degree or above (post-tertiary or below).

Table 6 Panel A presents the results. The first two columns report the logit estimates of the effect of social trust on the likelihood of funding success. Among high-educated borrowers, social trust does not have a significant impact on their funding success. In contrast, in sample with low-educated borrowers, the effect is two times larger and statistically significant at the 1-percent confidence level.

Column (3) and (4) show that our trust index has a negative and statistically significant effect on the number of lenders in both subsamples. It seems that the number of lenders is more sensitive to social capital among highly educated people, but the difference between low- and high-educated groups is not statistically significant.

Column (5) and (6) show that the effect of social capital on loan size is both large and statistically significant among less educated borrowers, but insignificantly negative among high-educated borrowers. Their difference is statistically significant at the 5-percent level.

Column (7) and (8) report the estimates of social capital on interest rate. Surprisingly, the loan interest rate is more sensitive to social capital among highly educated people. This difference is also statistically significant at 5-percentage level. In conjunction with the impact of social trust on the loan size, our result appears to suggest that lenders are more willing to fund larger loans by uneducated people from regions of high social capital, but less willing to charge lower interest rates.

4.3.2 First-time Borrowers
On the RRD platform, a significant proportion of borrowers has more than one credit transaction. Rajan (1992) argues that the repeated interaction provides the lender with soft information about a borrower’s credit quality. If social capital reduces information friction in person-to-person lending, then we expect its effect to be larger in severe information asymmetries, that is, for “first-time” borrowers with no credit history on the platform. Panel B of Table 6 separately reports the regressions of social trust on our variables of interest on the sub-sample of “first-time” and “non-first time” borrowers. The results in Column (1)-(8) confirm this conjecture. Except for the loan amount, the coefficients for trust index on funding success, loan ownership, and interest rate are all statistically and economically stronger for first time than non-first time borrowers.

[Insert Table 6 here]

4.4 Robustness Tests on Sample and Selection

Our results so far have shown significant and pervasive correlations between regional social capital and loan outcomes for the borrowers. To gain more confidence on the causal relation, we perform the following robustness tests.

First, we are concerned that large sample size like ours can make insignificant results to become statistically significant, i.e., yield type 1 errors. To check the robustness of our results, we implement a bootstrap method. More specifically, we draw a subsample that has half as many observations as the whole sample, and repeat our regression analysis for this subsample. We then replicate this procedure 1000 times and obtain the resulting bootstrap statistics. Column (1)-(4) of Table 7 presents the bootstrap results, and shows that we obtain similar results.

Next, we address the issue of selection bias. Data on loan contract terms allow us to investigate how regional social capital affects loan size, pricing, and ownership. However, this data set is conditional on loans’ being fully funded. Loans not receiving 100% funding are not included in our sample. To correct for this possible problem, we employ the Heckman two-step treatment effects procedure. In the first equation, we estimate the probability of a loan’s being fully funded, where the dependent variable is a dummy variable for the approval of loan lists.
This equation uses the same specification in Column (1) of Table 3. In the second equation, we use the inverse Mills’ ratio to correct the selection bias for the performance equations. These equations use the same specifications (1), (3) and (5) of Table 4. Columns (5)-(7) of Table 7 present the results of a Heckman selection model, and we find that the effect of regional social capital on loan ownership, size, and pricing remains significant.

[Insert Table 7 here]

4.5 Unobserved Heterogeneity and Instrumental Variable Analysis

Region-based social capital is clearly not randomly assigned. Nor, however, is it a choice variable. Accordingly, we treat regional social capital as both historically and econometrically predetermined. The main identification challenge is hence not self-selection but systematic differences between high and low, social capital regions. In our regressions, we control for the observable differences such as economic, legal, and financial environment to ensure that they do not drive any differences in borrower loan outcomes, which leaves unobserved heterogeneity.

Short of random assignment, the presence of unobserved heterogeneity in observational data is inevitable. However, it is important to note what unobserved heterogeneity does and does not affect in our setting. It does not affect the validity of the fact that we establish: borrowers from high social capital regions have better loan outcomes, regardless of any systematic unobservable dimensions of difference between high and low trust regions. It may, however, affect our interpretation of this fact. In other words, do our trust index and proxies truly capture social trust, or they merely reflect unobservables? To tackle this potential problem, we employ an instrumental variable approach.

We employ two instruments related to the cooperative norms in a province. The first is the province’s agricultural history. Talhelm et al. (2014) find Chinese regions that have a history of farming rice have a more cooperative culture than regions with a history of growing wheat. This is because farmers in rice-growing regions are more likely to form cooperative labor exchanges, especially during transplanting and harvesting, which need to be done within a short window of time. In economic terms, paddy rice makes cooperation more valuable, encouraging rice farmers

\[\text{For example, regional social capital can be highly correlated with government intervention.}\]
to form tight relationships based on reciprocity, and avoid behaviors that create conflict. In comparison, wheat is easier to grow. Wheat does not need to be irrigated, and wheat farmers can rely on rainfall, which they do not coordinate with their neighbors. Consequently, we calculate the logarithm of “rice suitability” index of Chinese regions ($Rice_{suit}$). The index is a $z$ score of the environmental suitability of each province for growing wetland rice based on the United Nations Food and Agriculture Organization’s Global Agro-ecological Zones database.

Our second instrumental variable is the fraction of the largest ethnic group in a province’s total population ($Ethic$). Prior studies have shown that ethnic diversity is associated with increases in social conflict (Easterly and Levin 1997), and reduces the trust environment in an area (Guiso, Sapienza, and Zingales, 2009). There are 56 ethnic groups unequally distributed in China’s 31 provinces, each with its own language, core values, and customary beliefs. The diversity of ethnic groups in a region increases communication cost thus should be inversely related to cooperative behaviors (Ang, Cheng, and Wu, 2015).

To argue the exclusion restriction, it is conceivable that regional rice suitability and ethnic inhabitants, which are developed generation by generation, cannot directly affect any traits of today’s internet lending, other than through its impact on the norms and behaviors of borrowers from a particular region. This is consistent with an eco-social approach in cross-cultural psychology (Berry et al. 1992; Georgas, van de Vijver, and Berry 2004), which argues that biological and cultural adaptations are implanted in the human capital of a social system, and psychological characteristic of that population.

Table 8 reports the results from the instrument variable regression of both probit and linear model for funding success, and linear regression models for loan ownership, amount, and interest rate, respectively. We have control for the loan and borrower variables, regional environmental variables, and year fixed effect, but their coefficients are not reported for brevity. The first stage results in Panel B show that both variables are positively and statistically significantly correlated with the trust index. The partial F-statistics in the first stage are more than 10,000, which are sufficiently large to alleviate concerns with weak instrumental variables. The rice suitable index and the population percentage of major ethnic groups are strong predictors of the level of trust.
panel A of Table 8, second stage results are presented. It is clear that the trust index is still a strong determinant of funding success, loan ownership, amount, and interest rate.

[Insert Table 8 here]

5. Dyadic Level Analysis

One important feature of debt crowd funding is that each loan is sliced into smaller investments by multiple lenders. On the RRD platform, lenders are encouraged to diversify their risk through bidding in small amounts to different borrowers. This procedure allows us to conduct more informative, dyadic-level analysis by observing the size of stake that an individual lender is willing to place for a particular borrower, and at what interest rate.

In our dyadic-level analysis, each unit of observation is a lender-borrower pair. We first examine the robustness of our baseline results by controlling for lender fixed effects. We then isolate a subsample of lender-borrower dyads for which we can collect individual characteristics at both ends of the loan. This enables the investigation of how lender-borrower dissimilarities affect credit outcomes.

5.1 Lender fixed effect

In our fully funded loans, we identify a sample of 2,173,006 investment observations, in which, 114,123 lenders invest in 61,641 loan lists. Each observation represents a lender-borrower pair and a borrower that obtain funding from multiple lenders will generate multiple observations. We conduct a multivariate ordinary least squares (OLS) regression analysis in lenders’ bid amount and interest rate, modeled as a function of borrowers’ characteristics:

\[
\text{bid}_i(t) = \beta_0 + \beta_1 \text{trust}_j + \beta_2 \text{control}_j(t) + \delta_i + \delta_t + \epsilon_{ij,t}
\]  

where \( \text{bid}_i(t) \) represents the bid amount (interest rate) of lender \( i \) in borrower \( j \) in time \( t \). trust \( j \) is the social capital of borrower \( j \), control \( j(t) \) represents loan and borrowers’ characteristics and regional economic and financial variables. \( \delta_i, \delta_t \) represent the lender fixed effect and year fixed effect, respectively. \( \epsilon_{i,t} \) are standard errors.

Results presented in Table 9 confirm the baseline finding: Social capital of the borrower has a positive impact on lender’s bid amount, and a negative impact on interest rate. These effects are all statistically significant at the 1-percent level. A one-standard deviation increase in the
borrower’s social capital increases the lender’s investment by 86.1 RMB, an increase of almost a fifth in the median amount of lender’s investment (500RMB).

[Insert Table 9 here]

5.2 Lender-Borrower Pairs

One caveat to note with our data is that though RRD assigns each lender a unique user id, it does not require lenders to provide their personal particulars. Fortunately, a group of lenders is also borrowing on the same platform thus required to provide personal information. This generates a sizable, paired sample where both borrower and lenders information are available.

We use the lender’s user id to match the id of borrowers. This leaves us 1,745 unique lenders. They invest in 22,084 loan projects, generating 51,796 lender-borrower pairs with complete information. As we know the location of both lenders and borrowers, we are able to measure the physical distance between them (the distance of province capitals between a lender and a borrower).

Panel A of Table 10 reports summary statistics for the main variables of both lenders and borrowers. Individuals from high social capital regions are more likely to be lenders. The difference in social trust between the two groups is economically large and statistically significant. Borrowers are more likely to be female, married, older, less-educated, with shorter work experience, and less likely to own property. Interestingly, borrowers tend to have higher credit ratings and income, indicating the importance of repayment ability. In addition, lenders are more likely from rich regions with better legal and financial development.

Panel B of Table 10 shows the investment information for our subsample. The mean and median size of lender’s investment are 1,000 RMB and 300 RMB, respectively. Most loans are long-term and charge 2.22 times as large as those benchmark lending interest rates\(^\text{15}\). The mean and median distances between lender and borrower are 968.07 KM and 969.31 KM, suggesting that most lendings are cross-province.

\(^{15}\) One natural concern is that borrower-lenders can differ from non-borrower lenders in systematic ways. For example, one can expect borrower-lenders to be more risk-taking than ordinary lenders. Assuming that is true, then we should find systematic differences in loan properties of our average and paired-loan sample. However, as Panel B shows, there are no statistically significant differences in loan terms as reported in Table 2. This result mitigates concerns about selection bias.
Panel C reports results from the following multivariate ordinary least squares (OLS) regression analysis in lenders’ bid amount \( \text{bid}_i j t \) and interest rate \( \text{interest}_i j t \)

\[
\text{bid}_i j t (\text{interest}_i j t) = \beta_0 + \beta_1 d_{trust} + \beta_2 d_{control} + distance_{ij} + \delta_t + e_i j t \tag{2}
\]

where \( d_{trust} \) represents the difference for social capital region between lender \( i \) and borrower \( j \). The negative (positive) value implies that the borrowers are from higher (lower) social capital region than the lenders. Thus, results from applying this formula allow us to estimate directly whether loans flow from individuals in low social capital regions to individuals in high social capital regions, or whether the interest rate is lower when individuals in low social capital regions extend loans to individuals in high social capital regions. \( d_{control} \) represents the difference for control variables between lender \( i \) and borrower \( j \). We also include the physical distance between lender \( i \) and borrower \( j \) \( (\text{distance}_{ij}) \). As the distance between lender \( i \) and borrower \( j \) is time invariant, \( \text{distance}_{ij} \) also captures the lender-borrower pair fixed effect in our regression.

The first three columns in Panel C report results for lenders’ bid amount in a given loan with different specifications. In line with previous findings, the negative coefficient of the difference in trust \( d_{trust} \) confirms that individuals in low social capital regions lend more to those from high social capital regions. We also find that the bid amount increases when the borrower is female, married, and has longer working experience (the coefficients of these variables are negative). Finally, the positive coefficients in the variables of age, education, law_office and pgdp means that bid amount increases as the lender are older, higher educated, from regions with better legal and economic development than borrowers. The distance between lender and borrower seems to have a limited impact on bidder’s investment.

Column (4) to (6) report the results on the interest rate with different specifications. The coefficient of the difference in social capital \( d_{trust} \) is positive and statistically significant at the 1 percent level, indicating that interest rate decreases as the borrower has higher social capital than the lender. The positive coefficients on the differences in control variables, i.e., age, gender, education, and marriage confirms that interest rate decreases as the borrowers are older, female, married, and highly educated in rich regions. We also find that the interest rate declines as the
lenders have lower credit scores than the borrowers. Finally, the positive coefficient in $Indistance$ means that interest rate increases as the distance between lender and borrower increases.

Taken together with results of Table 9, these results suggest that lenders from high social capital regions offer smaller loans at higher interest rates to borrowers from low social capital regions.

[Insert Table 10 here]

5.3 Social Capital or Home Bias?

Does the effect of regional social capital on credit merely reflect the “home bias” of the investor? Prior work shows investors tend to trust counterparties in their home than remote regions (Grinblatt and Keloharju, 2001), for distance is associated with higher cost of information (Petersen and Rajan, 2002). For example, Coval and Moskowitz (1999) find US investment managers exhibit strong preference for locally headquartered firms. Chan, Covrig, and Ng (2005) show mutual fund managers allocate a disproportionately larger fraction of investment to domestic stocks. Therefore, our results can be spurious, if they are driven by lenders’ overweighting borrowers in a few, high social capital provinces.

To disentangle the effect of home bias from that of social capital on credit, we perform the following tests. We first exclude investments in which both lenders and borrowers are from the same province. We then include an indicator variable, which equals one if the two provinces share the same border ($border$) and zero otherwise. We repeat the regression in Panel C of Table 10, and include both the dummy variable $border$ and the interaction term $border*d_{trust}$.

For the first two columns, we find slightly larger impact of the difference in social capital between lender and borrower ($d_{trust}$) on the loan offering, relative to what was estimated in Table 10. Thus, the effect of social capital persists after including only cross-border investments. The coefficient of $border$ is negative and statistically significant at the 10 percent level, indicating that lenders tend to offer smaller loans to borrowers in adjacent provinces. Furthermore, the interaction term $border*d_{trust}$ is significantly positive, which is the opposite
sign as the effect of $d_{trust}$, indicating that social capital affects loan size more when the lender and borrower’s provinces are not adjacent.

Columns (3) and (4) of Table 11 shows that the impact of the difference in social capital between lender and borrower ($d_{trust}$) on the interest rate is similar to those in Table 10. Lenders from high social capital regions require higher interest rates from borrowers from low social capital regions. This result still holds when we exclude investments in which both lenders and borrowers are from the same province. In addition, the interaction term $\text{border} \times d_{trust}$ is significantly negative in Column (4), opposite in sign compared to the effect of $d_{trust}$. This result suggests that social capital affects interest rate more when the lender and borrower’s provinces are not adjacent.

Taken together, these results suggest that our results are not driven by the “home bias” of the investor. Meanwhile social capital has a more pronounced impact on loan contracts when lenders offer loans to remote borrowers.

[Insert Table 11 here]

6. Conclusion

How much do region-based stereotypes affect person-to-person economic exchange? We answer this question using highly granular data from a debt-crowdfunding website. Drawn on the real credit that individual lenders extend to a stranger, we find borrowers from high social capital regions have higher funding success, larger loan size and bid size, lower interest rate, and more concentrated loan ownership. Our evidence is consistent with the theory that the collective reputation of a region, which develops generation by generation, has positive externalities on their agent’s access to finance, especially from “outside” and “outgroup” investors. To our best knowledge, this is the first paper to investigate the role of regional social capital in direct rather than institutional lending.

We also find that borrowers of inferior credit quality benefit the most from the social capital of their home province. This is consistent with adverse selection, but also sheds light on the
financial inclusion theory: low-income, low-education borrowers and borrowers without credit history are likely to be rejected by formal financial institutions, such as banks. Our result shows these disadvantaged people can leverage on their home social capital to access finance through the internet.

Finally, our evidence finds the informative role of regional social capital becomes weaker when counterparties share geographical or other similarities. To the extent that regional social capital provides environmental pressure against opportunistic behavior, our results show the possible supplementary relationship between heterogeneous networks in person-to-person economic exchange.

Reference


Table 1 Social Trust Proxies
Panel A represents the results of applying principal component analysis to four proxies of social trust: Namely, blood donation, NGO participation, enterprise trustworthiness and citizen trustworthiness. Proportion explained, eigenvalue and factor loading for the first factor are presented. The social trust index (Trust) is constructed by applying loadings (coefficient) to standardized four proxies of social trust. Panel B reports the values of trust index and four proxies across regions. The definitions and data sources of all variables are presented in Appendix.

Panel A Principal component analysis
| Loadings | 0.5201 | 0.5380 | 0.5423 | 0.3822 |
| Proportion explained | 0.742 |
| Eigenvalue | 2.967 |

Panel B Measures of trustworthiness across regions

<table>
<thead>
<tr>
<th>Province</th>
<th>Trust</th>
<th>Blood</th>
<th>NGO</th>
<th>Enterprise</th>
<th>Citizen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai</td>
<td>5.768</td>
<td>3.433</td>
<td>4.380</td>
<td>22.7</td>
<td>2.402</td>
</tr>
<tr>
<td>Beijing</td>
<td>4.035</td>
<td>3.314</td>
<td>3.594</td>
<td>16.6</td>
<td>2.225</td>
</tr>
<tr>
<td>Guangdong</td>
<td>2.193</td>
<td>1.331</td>
<td>3.145</td>
<td>10.1</td>
<td>2.344</td>
</tr>
<tr>
<td>Zhejiang</td>
<td>1.530</td>
<td>1.259</td>
<td>3.361</td>
<td>3.5</td>
<td>2.321</td>
</tr>
<tr>
<td>Shandong</td>
<td>1.389</td>
<td>1.454</td>
<td>2.088</td>
<td>6.4</td>
<td>2.382</td>
</tr>
<tr>
<td>Jiangsu</td>
<td>1.135</td>
<td>1.179</td>
<td>2.846</td>
<td>5.7</td>
<td>2.239</td>
</tr>
<tr>
<td>Fujian</td>
<td>0.269</td>
<td>1.086</td>
<td>1.599</td>
<td>0.9</td>
<td>2.374</td>
</tr>
<tr>
<td>Tianjing</td>
<td>0.224</td>
<td>0.828</td>
<td>2.326</td>
<td>1.7</td>
<td>2.251</td>
</tr>
<tr>
<td>Jiangxi</td>
<td>-0.068</td>
<td>0.115</td>
<td>1.849</td>
<td>0.2</td>
<td>2.442</td>
</tr>
<tr>
<td>Hainan</td>
<td>-0.207</td>
<td>0.654</td>
<td>1.893</td>
<td>0.1</td>
<td>2.283</td>
</tr>
<tr>
<td>Hebei</td>
<td>-0.225</td>
<td>1.315</td>
<td>1.328</td>
<td>1.4</td>
<td>2.207</td>
</tr>
<tr>
<td>Shanxi</td>
<td>-0.308</td>
<td>1.428</td>
<td>1.642</td>
<td>0.6</td>
<td>2.125</td>
</tr>
<tr>
<td>Liaoning</td>
<td>-0.314</td>
<td>1.383</td>
<td>1.881</td>
<td>1.9</td>
<td>2.046</td>
</tr>
<tr>
<td>Hubei</td>
<td>-0.316</td>
<td>0.760</td>
<td>2.104</td>
<td>0.5</td>
<td>2.175</td>
</tr>
<tr>
<td>Chongqing</td>
<td>-0.365</td>
<td>0.554</td>
<td>2.380</td>
<td>0.5</td>
<td>2.150</td>
</tr>
<tr>
<td>Shaanxi</td>
<td>-0.373</td>
<td>0.807</td>
<td>1.935</td>
<td>0.7</td>
<td>2.173</td>
</tr>
<tr>
<td>Heilongjiang</td>
<td>-0.628</td>
<td>1.050</td>
<td>1.056</td>
<td>0.7</td>
<td>2.208</td>
</tr>
<tr>
<td>Hunan</td>
<td>-0.703</td>
<td>0.540</td>
<td>1.316</td>
<td>0.4</td>
<td>2.249</td>
</tr>
<tr>
<td>Henan</td>
<td>-0.810</td>
<td>1.174</td>
<td>1.151</td>
<td>0.6</td>
<td>2.111</td>
</tr>
<tr>
<td>Sichuan</td>
<td>-0.938</td>
<td>0.309</td>
<td>1.780</td>
<td>0.9</td>
<td>2.119</td>
</tr>
<tr>
<td>Guangxi</td>
<td>-1.014</td>
<td>0.272</td>
<td>1.182</td>
<td>0.6</td>
<td>2.225</td>
</tr>
<tr>
<td>Anhui</td>
<td>-1.015</td>
<td>0.489</td>
<td>1.501</td>
<td>0.4</td>
<td>2.127</td>
</tr>
<tr>
<td>Xinjiang</td>
<td>-1.044</td>
<td>0.494</td>
<td>1.068</td>
<td>1.1</td>
<td>2.175</td>
</tr>
<tr>
<td>Inner</td>
<td>-1.178</td>
<td>0.703</td>
<td>1.086</td>
<td>0.7</td>
<td>2.100</td>
</tr>
<tr>
<td>Jilin</td>
<td>-1.637</td>
<td>0.495</td>
<td>0.897</td>
<td>0.7</td>
<td>2.033</td>
</tr>
<tr>
<td>Yunnan</td>
<td>-1.649</td>
<td>0.017</td>
<td>1.056</td>
<td>1.4</td>
<td>2.075</td>
</tr>
<tr>
<td>Guizhou</td>
<td>-1.864</td>
<td>0.383</td>
<td>0.826</td>
<td>0.2</td>
<td>2.014</td>
</tr>
<tr>
<td>Gansu</td>
<td>-1.887</td>
<td>0.230</td>
<td>0.938</td>
<td>0.3</td>
<td>2.014</td>
</tr>
<tr>
<td>Ningxia</td>
<td>.</td>
<td>.</td>
<td>1.118</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Qinghai</td>
<td>.</td>
<td>.</td>
<td>0.741</td>
<td>.</td>
<td>.</td>
</tr>
<tr>
<td>Tibet</td>
<td>.</td>
<td>.</td>
<td>0.034</td>
<td>.</td>
<td>.</td>
</tr>
</tbody>
</table>
Table 2 Summary Statistics

Panel A reports the summary statistics of listing and loan characteristics. Panel B reports the summary statistics of demographic, income and education information of borrowers. Panel C reports the summary statistics of trustworthiness measures, economic and financial variables. The definitions and data sources of all variables are presented in Appendix A.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Panel A: Listing and Loan characteristics</th>
<th>Panel B: Borrower’s characteristics</th>
<th>Panel C: Provincial variables</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mean</td>
<td>sd</td>
<td>min</td>
</tr>
<tr>
<td>fund</td>
<td>0.249</td>
<td>0.432</td>
<td>0</td>
</tr>
<tr>
<td>words</td>
<td>114.560</td>
<td>70.317</td>
<td>0</td>
</tr>
<tr>
<td>amount</td>
<td>4.81</td>
<td>7.01</td>
<td>0.3</td>
</tr>
<tr>
<td>maturity</td>
<td>18.78</td>
<td>10.16</td>
<td>1</td>
</tr>
<tr>
<td>longterm</td>
<td>0.80</td>
<td>0.40</td>
<td>0</td>
</tr>
<tr>
<td>interest rate</td>
<td>2.13</td>
<td>0.31</td>
<td>0.588</td>
</tr>
<tr>
<td>ownership</td>
<td>35.48</td>
<td>48.96</td>
<td>1</td>
</tr>
<tr>
<td>default</td>
<td>0.05</td>
<td>0.23</td>
<td>0</td>
</tr>
<tr>
<td>bid_time</td>
<td>4417.94</td>
<td>29838.70</td>
<td>0</td>
</tr>
<tr>
<td>age</td>
<td>32.679</td>
<td>7.456</td>
<td>17</td>
</tr>
<tr>
<td>gender</td>
<td>0.136</td>
<td>0.343</td>
<td>0</td>
</tr>
<tr>
<td>grade</td>
<td>5.976</td>
<td>1.939</td>
<td>1</td>
</tr>
<tr>
<td>edu</td>
<td>1.933</td>
<td>0.780</td>
<td>1</td>
</tr>
<tr>
<td>marriage</td>
<td>0.556</td>
<td>0.497</td>
<td>0</td>
</tr>
<tr>
<td>income</td>
<td>3.131</td>
<td>1.221</td>
<td>1</td>
</tr>
<tr>
<td>house</td>
<td>0.428</td>
<td>0.495</td>
<td>0</td>
</tr>
<tr>
<td>work_exp</td>
<td>2.351</td>
<td>1.019</td>
<td>1</td>
</tr>
<tr>
<td>past_num</td>
<td>4.152</td>
<td>5.654</td>
<td>1</td>
</tr>
<tr>
<td>Trust_index</td>
<td>0.000</td>
<td>1.722</td>
<td>-1.887</td>
</tr>
<tr>
<td>Trust1: Blood</td>
<td>0.966</td>
<td>0.802</td>
<td>0.017</td>
</tr>
<tr>
<td>Trust2: NGO</td>
<td>1.745</td>
<td>0.944</td>
<td>0.034</td>
</tr>
<tr>
<td>Trust3: Enterprise trust</td>
<td>2.730</td>
<td>5.161</td>
<td>0.100</td>
</tr>
<tr>
<td>Trust4: Citizen trust</td>
<td>2.200</td>
<td>0.120</td>
<td>2.014</td>
</tr>
<tr>
<td>pgdp</td>
<td>1.116</td>
<td>0.387</td>
<td>0.554</td>
</tr>
<tr>
<td>loan</td>
<td>0.567</td>
<td>1.098</td>
<td>0.095</td>
</tr>
<tr>
<td>law_office</td>
<td>0.163</td>
<td>0.143</td>
<td>0.060</td>
</tr>
</tbody>
</table>
Table 3 Funding Success
This Table presents results from logit regressions of the Fund indicator onto measures of trustworthiness, trust index (Column 1) and four proxies of trustworthiness (Column 2-5), as well as sets of control variables. We report the estimated marginal effects, and the Psedo R2. Year dummies are also included. Robust standard errors are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively. The definitions and data sources of all variables are presented in Appendix A.

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust_index</td>
<td>0.002***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>blood</td>
<td>0.002*</td>
<td>0.002***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ngo</td>
<td></td>
<td>0.004***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.001)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>citizen</td>
<td></td>
<td></td>
<td>0.001***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>age</td>
<td>0.001***</td>
<td>0.001***</td>
<td>0.001***</td>
<td>0.001***</td>
<td>0.001***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>gender</td>
<td>-0.007***</td>
<td>-0.007***</td>
<td>-0.007***</td>
<td>-0.007***</td>
<td>-0.007***</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>grade</td>
<td>-0.072***</td>
<td>-0.072***</td>
<td>-0.072***</td>
<td>-0.072***</td>
<td>-0.072***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>edu</td>
<td>0.006***</td>
<td>0.006***</td>
<td>0.006***</td>
<td>0.006***</td>
<td>0.006***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>marriage</td>
<td>0.008***</td>
<td>0.008***</td>
<td>0.009***</td>
<td>0.008***</td>
<td>0.009***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>income</td>
<td>0.004***</td>
<td>0.004***</td>
<td>0.004***</td>
<td>0.004***</td>
<td>0.004***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>house</td>
<td>-0.004***</td>
<td>-0.005***</td>
<td>-0.004***</td>
<td>-0.004***</td>
<td>-0.005***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>work_exp</td>
<td>0.007***</td>
<td>0.007***</td>
<td>0.007***</td>
<td>0.007***</td>
<td>0.007***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>words</td>
<td>0.000***</td>
<td>0.000***</td>
<td>0.000***</td>
<td>0.000***</td>
<td>0.000***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>past_num</td>
<td>-0.002***</td>
<td>-0.002***</td>
<td>-0.002***</td>
<td>-0.002***</td>
<td>-0.002***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>law_office</td>
<td>-0.051***</td>
<td>-0.052***</td>
<td>-0.044***</td>
<td>-0.060***</td>
<td>-0.045***</td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td>(0.008)</td>
<td>(0.006)</td>
<td>(0.008)</td>
<td>(0.006)</td>
</tr>
<tr>
<td>loan</td>
<td>0.010***</td>
<td>0.010***</td>
<td>0.008***</td>
<td>0.012***</td>
<td>0.009***</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>pgdp</td>
<td>0.002***</td>
<td>0.003***</td>
<td>0.002***</td>
<td>0.002***</td>
<td>0.004***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Observations</td>
<td>243,489</td>
<td>243,489</td>
<td>245,087</td>
<td>244,962</td>
<td>243,489</td>
</tr>
<tr>
<td>Pseudo R-squared</td>
<td>0.599</td>
<td>0.599</td>
<td>0.598</td>
<td>0.598</td>
<td>0.599</td>
</tr>
</tbody>
</table>
Table 4 Loan ownership, size and pricing
This table presents the regression results of ownership, amount and interest rate for a given loan onto measures of trustworthiness as well as different set of control variables. Panel A reports the results for trust index. Panel B reports the results for four proxies of trustworthiness index respectively. Borrowers’ personal characteristics and regional economic and financial variables are included, but not reported for simplicity. Robust standard errors are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively. The definitions and data sources of all variables are presented in Appendix A.

**Pane A: social trust index**

<table>
<thead>
<tr>
<th></th>
<th>Ownership</th>
<th>Amount</th>
<th>Interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Trust_index</td>
<td>-0.009**</td>
<td>-0.009**</td>
<td>0.115***</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.004)</td>
<td>(0.043)</td>
</tr>
<tr>
<td>age</td>
<td>0.010***</td>
<td>0.010***</td>
<td>0.048***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.004)</td>
</tr>
<tr>
<td>gender</td>
<td>0.087***</td>
<td>0.081***</td>
<td>0.597***</td>
</tr>
<tr>
<td></td>
<td>(0.009)</td>
<td>(0.009)</td>
<td>(0.084)</td>
</tr>
<tr>
<td>grade</td>
<td>-0.966***</td>
<td>-0.787***</td>
<td>-0.722***</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.003)</td>
<td>(0.031)</td>
</tr>
<tr>
<td>edu</td>
<td>0.017***</td>
<td>0.020***</td>
<td>0.201***</td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.005)</td>
<td>(0.048)</td>
</tr>
<tr>
<td>marriage</td>
<td>0.069***</td>
<td>0.071***</td>
<td>0.215***</td>
</tr>
<tr>
<td></td>
<td>(0.009)</td>
<td>(0.009)</td>
<td>(0.044)</td>
</tr>
<tr>
<td>income</td>
<td>0.151***</td>
<td>0.154***</td>
<td>1.005***</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.003)</td>
<td>(0.023)</td>
</tr>
<tr>
<td>house</td>
<td>0.164***</td>
<td>0.167***</td>
<td>1.450***</td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td>(0.008)</td>
<td>(0.096)</td>
</tr>
<tr>
<td>work_exp</td>
<td>-0.059***</td>
<td>-0.049***</td>
<td>0.093**</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.004)</td>
<td>(0.046)</td>
</tr>
<tr>
<td>words</td>
<td>-0.014***</td>
<td>-0.011***</td>
<td>-0.088***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.000)</td>
<td>(0.004)</td>
</tr>
<tr>
<td>past_num</td>
<td>0.001***</td>
<td>0.001***</td>
<td>0.005***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>longterm</td>
<td>0.273***</td>
<td>0.410**</td>
<td>0.148***</td>
</tr>
<tr>
<td></td>
<td>(0.011)</td>
<td>(0.181)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>law_office</td>
<td>-0.056</td>
<td>-0.040</td>
<td>-0.121</td>
</tr>
<tr>
<td></td>
<td>(0.059)</td>
<td>(0.058)</td>
<td>(0.564)</td>
</tr>
<tr>
<td>loan</td>
<td>0.022</td>
<td>0.024</td>
<td>0.116</td>
</tr>
<tr>
<td></td>
<td>(0.016)</td>
<td>(0.016)</td>
<td>(0.095)</td>
</tr>
<tr>
<td>pgdp</td>
<td>0.010***</td>
<td>0.007***</td>
<td>0.035*</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.003)</td>
<td>(0.021)</td>
</tr>
<tr>
<td>Constant</td>
<td>1.688***</td>
<td>1.529***</td>
<td>-3.266***</td>
</tr>
<tr>
<td></td>
<td>(0.087)</td>
<td>(0.084)</td>
<td>(0.408)</td>
</tr>
<tr>
<td>Observations</td>
<td>61,027</td>
<td>61,027</td>
<td>61,031</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.184</td>
<td>0.191</td>
<td>0.141</td>
</tr>
</tbody>
</table>
## Panel B Four proxies of Social trust

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
<th>(8)</th>
<th>(9)</th>
<th>(10)</th>
<th>(11)</th>
<th>(12)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blood</td>
<td>0.010</td>
<td></td>
<td></td>
<td>0.197**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.010)</td>
<td></td>
<td></td>
<td>(0.100)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ngo</td>
<td></td>
<td>-0.015**</td>
<td></td>
<td></td>
<td>0.327***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.007)</td>
<td></td>
<td></td>
<td>(0.054)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enterprise</td>
<td></td>
<td></td>
<td>-0.003***</td>
<td></td>
<td></td>
<td>0.039***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.001)</td>
<td></td>
<td></td>
<td>(0.014)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Citizen</td>
<td></td>
<td>-0.193***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.622***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.040)</td>
<td></td>
<td></td>
<td></td>
<td>(0.217)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan and borrower variables</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Regional variables</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Constant</td>
<td>1.372***</td>
<td>1.094***</td>
<td>1.159***</td>
<td>1.328***</td>
<td>-0.930***</td>
<td>-1.026***</td>
<td>-0.769**</td>
<td>-2.192***</td>
<td>1.954***</td>
<td>1.821***</td>
<td>1.999***</td>
<td>1.976***</td>
</tr>
<tr>
<td></td>
<td>(0.176)</td>
<td>(0.196)</td>
<td>(0.175)</td>
<td>(0.167)</td>
<td>(0.333)</td>
<td>(0.334)</td>
<td>(0.335)</td>
<td>(0.582)</td>
<td>(0.135)</td>
<td>(0.134)</td>
<td>(0.135)</td>
<td>(0.135)</td>
</tr>
<tr>
<td>Observations</td>
<td>61,027</td>
<td>61,150</td>
<td>61,142</td>
<td>61,027</td>
<td>61,031</td>
<td>61,154</td>
<td>61,146</td>
<td>61,031</td>
<td>61,031</td>
<td>61,154</td>
<td>61,146</td>
<td>61,031</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.191</td>
<td>0.191</td>
<td>0.191</td>
<td>0.191</td>
<td>0.096</td>
<td>0.097</td>
<td>0.097</td>
<td>0.096</td>
<td>0.248</td>
<td>0.248</td>
<td>0.248</td>
<td>0.248</td>
</tr>
</tbody>
</table>
Table 5 Province fixed-effect regressions

This table reports how the interactions of trust and borrower’s characteristics affect the funding probability and loan ownership, size and pricing. Each entry reports the estimates for the interactions of trust and specific borrower’s characteristics, namely age, gender, marriage, income and working experience, respectively. Loan, borrowers’ personal characteristics and regional economic and financial variables are included, but not reported. Year, and regional fixed effects are included. Robust standard errors clustered at province level are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively. The definitions and data sources of all variables are presented in Appendix A.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Ownership</th>
<th>Amount</th>
<th>Interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>age*Trust_index</td>
<td>-0.0000</td>
<td>-0.0000</td>
<td>0.0003</td>
</tr>
<tr>
<td>(0.0001)</td>
<td>(0.0001)</td>
<td>(0.0005)</td>
<td>(0.0005)</td>
</tr>
<tr>
<td>gender*Trust_index</td>
<td>-0.0013</td>
<td>-0.0012</td>
<td>-0.0184***</td>
</tr>
<tr>
<td>(0.0012)</td>
<td>(0.0011)</td>
<td>(0.0068)</td>
<td>(0.0067)</td>
</tr>
<tr>
<td>income*Trust_index</td>
<td>0.0002</td>
<td>0.0002</td>
<td>0.0092</td>
</tr>
<tr>
<td>(0.0010)</td>
<td>(0.0010)</td>
<td>(0.0070)</td>
<td>(0.0066)</td>
</tr>
<tr>
<td>work_exp*Trust_index</td>
<td>-0.0006</td>
<td>-0.0006</td>
<td>0.0185***</td>
</tr>
<tr>
<td>(0.0005)</td>
<td>(0.0005)</td>
<td>(0.0066)</td>
<td>(0.0069)</td>
</tr>
<tr>
<td>Loan and borrower</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>variables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional variables</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Year fixed effect</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Province fixed effect</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Observations</td>
<td>243,489</td>
<td>243,489</td>
<td>61,027</td>
</tr>
</tbody>
</table>


Table 6: Sub sample analysis
Panel A re-runs regressions in a subsample, splitting the sample on the basis of the level of education of the borrower. A borrower is defined as low educated if his or her highest qualification is below bachelor’s degree. Consequently, a borrower is defined as highly educated if his or her highest qualification is a bachelor’s degree or above. Panel B re-runs regressions in a subsample, splitting our sample into those of first borrowing, which take place when a borrower appears for the first time on the RRD platform (First) and the rest (Non). Borrowers’ personal characteristics and regional economic and financial variables are included. The difference is the coefficient of trust index in low education (first time) group minus the coefficient of trust index in high education (non-first time) group. Year dummies are also included. Robust standard errors are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively. The definitions and data sources of all variables are presented in Appendix A.

### Panel A Low- and high-educated borrowers

<table>
<thead>
<tr>
<th>Fund</th>
<th>Ownership</th>
<th>Amount</th>
<th>Interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Trust_index</td>
<td>0.002*** 0.001</td>
<td>-0.009* -0.021***</td>
<td>0.138** -0.007 -0.004*** -0.010***</td>
</tr>
<tr>
<td>(0.001) (0.001)</td>
<td>(0.005) (0.008)</td>
<td>(0.054) (0.082)</td>
<td>(0.001) (0.002)</td>
</tr>
<tr>
<td>Loan and borrower variables</td>
<td>yes yes</td>
<td>yes yes</td>
<td>yes yes yes yes</td>
</tr>
<tr>
<td>Regional variables</td>
<td>yes yes</td>
<td>yes yes</td>
<td>yes yes yes yes</td>
</tr>
<tr>
<td>Year fixed effect</td>
<td>yes yes</td>
<td>yes yes</td>
<td>yes yes yes yes</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.187 0.204</td>
<td>0.156 0.127</td>
<td>0.287 0.193</td>
</tr>
<tr>
<td>Pseudo R2</td>
<td>0.625 0.531</td>
<td>0.145** 0.006**</td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>184447 59042 45484 15543 45487 15544</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dif</td>
<td>0.001 0.012</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Panel B First- and non-first time Borrowers

<table>
<thead>
<tr>
<th>Fund</th>
<th>Ownership</th>
<th>Amount</th>
<th>Interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>Non</td>
<td>First</td>
<td>Non</td>
</tr>
<tr>
<td>Trust_index</td>
<td>0.0025*** 0.0017**</td>
<td>-0.0081* -0.0044</td>
<td>0.0787* 0.4839*** -0.0034*** 0.0080</td>
</tr>
<tr>
<td>(0.0007) (0.0008)</td>
<td>(0.0043) (0.0095)</td>
<td>(0.0413) (0.1728)</td>
<td>(0.0008) (0.0052)</td>
</tr>
<tr>
<td>Loan and borrower variables</td>
<td>yes yes</td>
<td>yes yes</td>
<td>yes yes yes yes</td>
</tr>
<tr>
<td>Regional variables</td>
<td>yes yes</td>
<td>yes yes</td>
<td>yes yes yes yes</td>
</tr>
<tr>
<td>Year fixed effect</td>
<td>yes yes</td>
<td>yes yes</td>
<td>yes yes yes yes</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.1387 0.1952</td>
<td>0.1352 0.1063</td>
<td>0.2939 0.1060</td>
</tr>
<tr>
<td>Pseudo R2</td>
<td>0.69 0.2441</td>
<td>0.145** 0.006**</td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>121,095 122,394 49,841 11,186 49,844 11,187</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dif</td>
<td>0.0008* -0.0037</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

42
Table 7 Alternative specifications

This Table presents results from a series of regressions of the funding indicator, loan ownership, size and pricing onto our trust index, and sets of control variables. In Column (1)-(4), we implement a bootstrap method, which draws a subsample that has half as many observations as the whole sample, and repeat our regression analysis for this subsample. In Column (5)-(7), we employ the Heckman two-step treatment effects procedure to correct the selection bias. Loan, borrowers’ personal characteristics and regional economic and financial variables are included, but not reported. Year and regional fixed effects are included. Robust standard errors clustered at province level are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively. The definitions and data sources of all variables are presented in Appendix A.

<table>
<thead>
<tr>
<th></th>
<th>Bootstrap</th>
<th>Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fund (1)</td>
<td>Ownership amount (2)</td>
</tr>
<tr>
<td>Trust Index</td>
<td>0.002**</td>
<td>-0.010*</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.006)</td>
</tr>
<tr>
<td>Loan and borrower variables</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Regional variables</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Year fixed effect</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>IML</td>
<td>-0.498***</td>
<td>4.676***</td>
</tr>
<tr>
<td></td>
<td>(0.033)</td>
<td>(0.228)</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.1838</td>
<td>0.1414</td>
</tr>
<tr>
<td>Pseudo R2</td>
<td>0.599</td>
<td></td>
</tr>
<tr>
<td>Wald chi2</td>
<td>243,489</td>
<td>61,027</td>
</tr>
<tr>
<td>Observations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

43
Table 8 Instrumental Variable Analysis

This table reports the first and second stage result of our instrumental variable analysis. Our first instrument *rice_suit*, is suitability of each province for growing wetland rice based on the United Nations Food and Agriculture Organization’s Global Agro-ecological Zones database. The second instrument is *Ethnic*, is the fraction of the largest ethnic group in a province. Borrowers’ personal characteristics and regional economic and financial variables are included. Year dummies are also included. Robust standard errors are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively. The definitions and data sources of all variables are presented in Appendix A.

<table>
<thead>
<tr>
<th>Panel A: Second stage</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust_index</td>
<td>0.018**</td>
<td>0.002**</td>
<td>-0.021***</td>
<td>0.203***</td>
<td>-0.007***</td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td>(0.001)</td>
<td>(0.007)</td>
<td>(0.050)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>Constant</td>
<td>1.124***</td>
<td>1.673***</td>
<td>-2.078***</td>
<td>2.728***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.016)</td>
<td>(0.087)</td>
<td>(0.373)</td>
<td>(0.112)</td>
<td></td>
</tr>
<tr>
<td>Loan and borrower variable</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Regional variable</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Year fixed effect</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Observations</td>
<td>241,370</td>
<td>241,370</td>
<td>60,882</td>
<td>60,886</td>
<td>60,886</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.681</td>
<td>0.183</td>
<td>0.108</td>
<td>0.236</td>
<td></td>
</tr>
</tbody>
</table>

Panel B: First Stage

| rice_suit             | 0.479*** | 0.479*** | 0.461*** | 0.462*** | 0.462*** |
|                       | (0.002) | (0.002) | (0.004) | (0.004) | (0.004) |
| ethnic                | 2.396*** | 2.396*** | 2.727*** | 2.747*** | 2.747*** |
|                       | (0.011) | (0.011) | (0.029) | (0.029) | (0.029) |
| Loan and borrower variable | yes | yes | yes | yes | yes |
| Regional variable     | yes | yes | yes | yes | yes |
| Year fixed effect     | yes | yes | yes | yes | yes |
| R-squared             | 0.820 | 0.805 | 0.805 | 0.805 |
| Loglikelihood         | -322825.63 |
| Partially F-statistics for the joint significance of the instruments | 57778.9 | 13319.4 | 13476.9 | 13476.9 |
| Over-identification(P value J stat) | 0.065 | 0.061 | 0.163 | 0.417 |
Table 9 Lender fixed effect

This table estimates the basic regressions by controlling lender fixed effect. RRD platform assigned a unique id to its customers. A lender can bid for many loan lists. This enables us to control the lender fixed effect. The regression results of bid_amount and interest rate of a given investment onto differences of measure of trustworthiness index as well as control variables. Borrowers’ personal characteristics and regional economic and financial variables are included. Year dummies are also included. Robust standard errors are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively. The definitions and data sources of all variables are presented in Appendix A.

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>bid amount</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust_index</td>
<td>0.004***</td>
<td>0.005***</td>
<td>-0.003***</td>
<td>-0.003***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>age</td>
<td>-0.000</td>
<td>0.000</td>
<td>-0.000***</td>
<td>-0.000***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>gender</td>
<td>0.002***</td>
<td>0.003***</td>
<td>-0.005***</td>
<td>-0.006***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>grade</td>
<td>-0.009***</td>
<td>-0.011***</td>
<td>0.041***</td>
<td>0.047***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>edu</td>
<td>0.001**</td>
<td>0.001</td>
<td>-0.002***</td>
<td>-0.001***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>marriage</td>
<td>0.000</td>
<td>0.000</td>
<td>-0.012***</td>
<td>-0.011***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>income</td>
<td>0.010***</td>
<td>0.010***</td>
<td>-0.007***</td>
<td>-0.007***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>house</td>
<td>0.006***</td>
<td>0.006***</td>
<td>0.054***</td>
<td>0.055***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>work_exp</td>
<td>0.022***</td>
<td>0.021***</td>
<td>0.006***</td>
<td>0.011***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>words</td>
<td>0.000***</td>
<td>0.000***</td>
<td>-0.000***</td>
<td>-0.000***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>past_num</td>
<td>-0.000</td>
<td>-0.000***</td>
<td>-0.002***</td>
<td>-0.000***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>longterm</td>
<td>-0.043***</td>
<td>-0.043***</td>
<td>0.168***</td>
<td>0.168***</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.004)</td>
<td>(0.002)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>law_office</td>
<td>0.011**</td>
<td>0.004</td>
<td>-0.146***</td>
<td>-0.120***</td>
</tr>
<tr>
<td></td>
<td>(0.005)</td>
<td>(0.005)</td>
<td>(0.003)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>loan</td>
<td>-0.002</td>
<td>-0.001</td>
<td>0.042***</td>
<td>0.039***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>pgdp</td>
<td>-0.000</td>
<td>0.000</td>
<td>0.005***</td>
<td>0.004***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.049</td>
<td>-0.021</td>
<td>2.378***</td>
<td>2.271***</td>
</tr>
<tr>
<td></td>
<td>(0.031)</td>
<td>(0.031)</td>
<td>(0.032)</td>
<td>(0.034)</td>
</tr>
<tr>
<td><strong>Interest rate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Observations</td>
<td>2,173,006</td>
<td>2,173,006</td>
<td>2,173,006</td>
<td>2,173,006</td>
</tr>
</tbody>
</table>
Table 10 Lender-borrower pairs
Panel A reports the summary statistics for both lenders and borrowers. We conduct t-value tests for the mean difference and Wilcoxon signed-ranks tests for the median difference, respectively. Panel B reports the summary statistics of the lender’s investment. Panel C estimates the basic regressions using lender-borrower pairs. All variables, including controls are in the value of difference between that of lenders and borrowers. \( d_\) represents the variable of lenders minus the corresponding variables of borrowers. Year dummies are also included. Robust standard errors are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% level, respectively. The definitions and data sources of all variables are presented in Appendix A.

Panel A Characteristics for lenders and borrower

<table>
<thead>
<tr>
<th>variable</th>
<th>mean</th>
<th>median</th>
<th>mean</th>
<th>median</th>
<th>mean</th>
<th>median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust_index</td>
<td>1.944</td>
<td>1.530</td>
<td>0.870</td>
<td>0.269</td>
<td>1.075***</td>
<td>1.261***</td>
</tr>
<tr>
<td>age</td>
<td>35.404</td>
<td>33</td>
<td>38.708</td>
<td>37</td>
<td>-3.304***</td>
<td>-4.000***</td>
</tr>
<tr>
<td>gender</td>
<td>0.034</td>
<td>0</td>
<td>0.153</td>
<td>0</td>
<td>-0.119***</td>
<td>0.000***</td>
</tr>
<tr>
<td>grade</td>
<td>5.124</td>
<td>6</td>
<td>3.422</td>
<td>2</td>
<td>1.702***</td>
<td>4.000***</td>
</tr>
<tr>
<td>edu</td>
<td>2.681</td>
<td>3</td>
<td>1.989</td>
<td>2</td>
<td>0.692***</td>
<td>1.000***</td>
</tr>
<tr>
<td>marriage</td>
<td>0.742</td>
<td>1</td>
<td>0.786</td>
<td>1</td>
<td>-0.044***</td>
<td>0.000***</td>
</tr>
<tr>
<td>income</td>
<td>3.159</td>
<td>3</td>
<td>3.998</td>
<td>4</td>
<td>-0.839***</td>
<td>-1.000***</td>
</tr>
<tr>
<td>house</td>
<td>0.700</td>
<td>1</td>
<td>0.472</td>
<td>0</td>
<td>0.228***</td>
<td>1.000***</td>
</tr>
<tr>
<td>work_exp</td>
<td>2.724</td>
<td>3</td>
<td>2.560</td>
<td>2</td>
<td>0.164***</td>
<td>1.000***</td>
</tr>
<tr>
<td>Past_num</td>
<td>7.062</td>
<td>2</td>
<td>4.770</td>
<td>1</td>
<td>2.293***</td>
<td>1.000***</td>
</tr>
<tr>
<td>law_office</td>
<td>0.323</td>
<td>0.160</td>
<td>0.193</td>
<td>0.149</td>
<td>0.130***</td>
<td>0.010***</td>
</tr>
<tr>
<td>loan</td>
<td>1.398</td>
<td>1.113</td>
<td>1.130</td>
<td>1.002</td>
<td>0.268***</td>
<td>0.111***</td>
</tr>
<tr>
<td>pgdip</td>
<td>5.759</td>
<td>5.925</td>
<td>5.194</td>
<td>5.171</td>
<td>0.564***</td>
<td>0.754***</td>
</tr>
</tbody>
</table>

Panel B Characteristics for investment

<table>
<thead>
<tr>
<th>variable</th>
<th>mean</th>
<th>sd</th>
<th>min</th>
<th>p50</th>
<th>max</th>
</tr>
</thead>
<tbody>
<tr>
<td>bid_amount</td>
<td>0.10</td>
<td>0.40</td>
<td>0.00</td>
<td>0.03</td>
<td>30.00</td>
</tr>
<tr>
<td>Interest rate</td>
<td>2.22</td>
<td>0.39</td>
<td>0.59</td>
<td>2.15</td>
<td>5.38</td>
</tr>
<tr>
<td>maturity</td>
<td>15.25</td>
<td>9.63</td>
<td>1.00</td>
<td>12.00</td>
<td>48.00</td>
</tr>
<tr>
<td>longterm</td>
<td>0.69</td>
<td>0.46</td>
<td>0.00</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td>distance</td>
<td>968.07</td>
<td>561.87</td>
<td>0.00</td>
<td>969.31</td>
<td>3463.17</td>
</tr>
</tbody>
</table>
### Panel C Regression Analysis using Differences between Lenders and Borrowers

<table>
<thead>
<tr>
<th></th>
<th>bid amount</th>
<th>interest rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>d_Trust_index</td>
<td>-0.009***</td>
<td>-0.009***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>d_age</td>
<td>0.001***</td>
<td>0.001***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>d_gender</td>
<td>-0.022***</td>
<td>-0.022***</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.006)</td>
</tr>
<tr>
<td>d_grade</td>
<td>-0.000</td>
<td>-0.000</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>d_edu</td>
<td>0.003*</td>
<td>0.003*</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>d_marriage</td>
<td>-0.013***</td>
<td>-0.012***</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>d_income</td>
<td>0.001</td>
<td>0.001</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>d_house</td>
<td>0.004*</td>
<td>0.004</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>d_work_exp</td>
<td>-0.003**</td>
<td>-0.003**</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>longterm</td>
<td>-0.023***</td>
<td>-0.022***</td>
</tr>
<tr>
<td>words</td>
<td>0.000***</td>
<td>0.000***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>d_law_office</td>
<td>0.100***</td>
<td>0.100***</td>
</tr>
<tr>
<td></td>
<td>(0.015)</td>
<td>(0.015)</td>
</tr>
<tr>
<td>d_loan</td>
<td>-0.009*</td>
<td>-0.010**</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.004)</td>
</tr>
<tr>
<td>d_pgdp</td>
<td>0.005***</td>
<td>0.005***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>lndistance</td>
<td>-0.001</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>0.033***</td>
<td>0.020***</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.007)</td>
</tr>
<tr>
<td>Observations</td>
<td>48,677</td>
<td>48,677</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.006</td>
<td>0.006</td>
</tr>
</tbody>
</table>
Table 11 Trust and border

This table estimates the basic regressions using lender-borrower pairs. All variables, including controls are in the value of difference between that of lenders and borrowers. \(d_\) represents the variable of lenders minus the corresponding variables of borrowers. \(d_{\text{Trust index}}\*\text{border} \) Year dummies are also included. Robust standard errors are reported in parentheses. \(*\), \(\ast\), and \(*\) denote statistical significance at the 1%, 5%, and 10% level, respectively. The definitions and data sources of all variables are presented in Appendix A.

<table>
<thead>
<tr>
<th>Bid amount</th>
<th>Interest rate</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>(d_{\text{Trust index}})</td>
<td>-0.010***</td>
<td>-0.010***</td>
<td>0.007***</td>
<td>0.007***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>(d_{\text{age}})</td>
<td>0.001***</td>
<td>0.001***</td>
<td>0.002***</td>
<td>0.001***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>(d_{\text{gender}})</td>
<td>-0.021***</td>
<td>-0.021***</td>
<td>0.043***</td>
<td>0.039***</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.006)</td>
<td>(0.003)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>(d_{\text{grade}})</td>
<td>-0.001</td>
<td>-0.001</td>
<td>-0.043***</td>
<td>-0.041***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>(d_{\text{edu}})</td>
<td>0.003</td>
<td>0.003</td>
<td>0.007***</td>
<td>0.008***</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>(d_{\text{marriage}})</td>
<td>-0.014***</td>
<td>-0.013***</td>
<td>0.035***</td>
<td>0.032***</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.004)</td>
<td>(0.003)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>(d_{\text{income}})</td>
<td>0.001</td>
<td>0.001</td>
<td>-0.003***</td>
<td>-0.002*</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>(d_{\text{house}})</td>
<td>0.005*</td>
<td>0.004</td>
<td>-0.019***</td>
<td>-0.011***</td>
</tr>
<tr>
<td></td>
<td>(0.003)</td>
<td>(0.003)</td>
<td>(0.003)</td>
<td>(0.003)</td>
</tr>
<tr>
<td>(d_{\text{work_exp}})</td>
<td>-0.003**</td>
<td>-0.003**</td>
<td>-0.033***</td>
<td>-0.030***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>(\text{longterm})</td>
<td>-0.021***</td>
<td>-0.021***</td>
<td>0.011**</td>
<td>0.011**</td>
</tr>
<tr>
<td></td>
<td>(0.006)</td>
<td>(0.006)</td>
<td>(0.005)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>(\text{words})</td>
<td>0.000***</td>
<td>-0.001***</td>
<td>-0.001***</td>
<td>-0.001***</td>
</tr>
<tr>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>(d_{\text{law_office}})</td>
<td>0.101***</td>
<td>0.101***</td>
<td>-0.078***</td>
<td>-0.077***</td>
</tr>
<tr>
<td></td>
<td>(0.015)</td>
<td>(0.015)</td>
<td>(0.013)</td>
<td>(0.013)</td>
</tr>
<tr>
<td>(d_{\text{loan}})</td>
<td>-0.009**</td>
<td>-0.010**</td>
<td>-0.025***</td>
<td>-0.022***</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.005)</td>
<td>(0.005)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>(d_{\text{pgdp}})</td>
<td>0.005***</td>
<td>0.005***</td>
<td>0.003***</td>
<td>0.003***</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>(d_{\text{Trust index}}*\text{border})</td>
<td>0.005***</td>
<td>0.005***</td>
<td>-0.002</td>
<td>-0.003*</td>
</tr>
<tr>
<td></td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.002)</td>
<td>(0.002)</td>
</tr>
<tr>
<td>(\text{border})</td>
<td>-0.007*</td>
<td>-0.007*</td>
<td>0.006</td>
<td>0.006</td>
</tr>
<tr>
<td></td>
<td>(0.004)</td>
<td>(0.004)</td>
<td>(0.005)</td>
<td>(0.005)</td>
</tr>
<tr>
<td>(\text{Constant})</td>
<td>0.031***</td>
<td>0.016*</td>
<td>2.823***</td>
<td>2.899***</td>
</tr>
<tr>
<td></td>
<td>(0.007)</td>
<td>(0.009)</td>
<td>(0.069)</td>
<td>(0.068)</td>
</tr>
<tr>
<td>(\text{Observations})</td>
<td>45,691</td>
<td>45,691</td>
<td>45,691</td>
<td>45,691</td>
</tr>
<tr>
<td>(\text{R-squared})</td>
<td>0.006</td>
<td>0.007</td>
<td>0.245</td>
<td>0.250</td>
</tr>
</tbody>
</table>
### Appendix A: Variable definition and data resource

<table>
<thead>
<tr>
<th>Definitions</th>
<th>source</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Borrowers' characteristics</strong></td>
<td></td>
</tr>
<tr>
<td><strong>grade</strong>&lt;br&gt;Credit score of the borrowers when the listing is created,</td>
<td>RRD</td>
</tr>
<tr>
<td>ranging from 1 (high) to 7 (low)</td>
<td></td>
</tr>
<tr>
<td><strong>age</strong>&lt;br&gt;The age of borrower</td>
<td>RRD</td>
</tr>
<tr>
<td><strong>gender</strong>&lt;br&gt;A dummy variable that equals 1 if the borrower is female and</td>
<td>RRD</td>
</tr>
<tr>
<td>zero otherwise</td>
<td></td>
</tr>
<tr>
<td><strong>education</strong>&lt;br&gt;Equals 4 if the borrower’s highest qualification is a</td>
<td>RRD</td>
</tr>
<tr>
<td>master’s degree or above; 3 if the borrower’s highest qualification is a</td>
<td></td>
</tr>
<tr>
<td>bachelor’s degree; 2 if the borrower’s highest qualification is</td>
<td></td>
</tr>
<tr>
<td>post-tertiary; and 1 if the borrower’s highest qualification is</td>
<td></td>
</tr>
<tr>
<td>secondary or below.</td>
<td></td>
</tr>
<tr>
<td><strong>work_exp</strong>&lt;br&gt;Employment length in years. Possible values are between 1</td>
<td>RRD</td>
</tr>
<tr>
<td>and 4 where 1 means less than one year, 2 means between one and three</td>
<td></td>
</tr>
<tr>
<td>years, 3 means three years and five years, 4 means more than five years.</td>
<td></td>
</tr>
<tr>
<td><strong>income</strong>&lt;br&gt;Monthly income provided by the borrower during registration.</td>
<td>RRD</td>
</tr>
<tr>
<td>Possible values are between 1 and 6 where 1 indicate less than one</td>
<td></td>
</tr>
<tr>
<td>thousand RMB, 2 means between one and five thousand, 3 means between</td>
<td></td>
</tr>
<tr>
<td>ten thousand and ten thousand, 4 means between ten thousand and twenty</td>
<td></td>
</tr>
<tr>
<td>thousand, 5 means between twenty thousand and fifty thousand, 6 means</td>
<td></td>
</tr>
<tr>
<td>more than fifty thousand</td>
<td></td>
</tr>
<tr>
<td><strong>marriage</strong>&lt;br&gt;A dummy variable that equals 1 if the borrower is married,</td>
<td>RRD</td>
</tr>
<tr>
<td>and zero otherwise</td>
<td></td>
</tr>
<tr>
<td><strong>House</strong>&lt;br&gt;A dummy variable that equals 1 if the borrower has housing,</td>
<td>RRD</td>
</tr>
<tr>
<td>and zero otherwise</td>
<td></td>
</tr>
<tr>
<td><strong>ownership</strong>&lt;br&gt;The number of bids placed on a listing when the listing</td>
<td>RRD</td>
</tr>
<tr>
<td>is fully funded</td>
<td></td>
</tr>
<tr>
<td><strong>past_num</strong>&lt;br&gt;The number of past borrowing</td>
<td>RRD</td>
</tr>
<tr>
<td><strong>nonperform</strong>&lt;br&gt;The number of past overdue loans</td>
<td>RRD</td>
</tr>
<tr>
<td><strong>Loan information</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Interest rate</strong>&lt;br&gt;The interest rate that borrower pays on the loan</td>
<td>RRD</td>
</tr>
<tr>
<td>The rate is adjusted by the benchmark rate of PBOC</td>
<td></td>
</tr>
<tr>
<td><strong>amount</strong>&lt;br&gt;The requested loan amount in ten thousands of RMB</td>
<td>RRD</td>
</tr>
<tr>
<td><strong>bid amount</strong>&lt;br&gt;The amount that lenders bid on the loan in ten thousands</td>
<td>RRD</td>
</tr>
<tr>
<td>of RMB</td>
<td></td>
</tr>
<tr>
<td><strong>maturity</strong>&lt;br&gt;The loan maturity in months</td>
<td>RRD</td>
</tr>
<tr>
<td><strong>Fund</strong>&lt;br&gt;An indicator equals one if a listing is fully funded and zero</td>
<td>RRD</td>
</tr>
<tr>
<td>otherwise</td>
<td></td>
</tr>
<tr>
<td><strong>ownership</strong>&lt;br&gt;Number of lenders in a given loan</td>
<td>RRD</td>
</tr>
<tr>
<td><strong>Listing date</strong>&lt;br&gt;The date when the listing is created</td>
<td>RRD</td>
</tr>
<tr>
<td><strong>Bid time</strong>&lt;br&gt;The time (in seconds) between the time the listing is</td>
<td>RRD</td>
</tr>
<tr>
<td>created and the time the listing is fully funded</td>
<td></td>
</tr>
<tr>
<td><strong>Fund</strong>&lt;br&gt;An indicator that equals one if a listing is fully funded and</td>
<td>RRD</td>
</tr>
<tr>
<td>becomes a loan and is zero otherwise</td>
<td></td>
</tr>
<tr>
<td><strong>title</strong>&lt;br&gt;The loan title provided by the borrower</td>
<td>RRD</td>
</tr>
<tr>
<td><strong>content</strong>&lt;br&gt;The state provided by the borrower in the loan application</td>
<td>RRD</td>
</tr>
<tr>
<td><strong>words</strong>&lt;br&gt;The number of words used by the borrower in the listing text.</td>
<td>RRD</td>
</tr>
<tr>
<td><strong>default</strong>&lt;br&gt;An indicator that equals one if the loan status is</td>
<td>RRD</td>
</tr>
<tr>
<td>&quot;repayment by platform&quot;, or &quot;overdue&quot; and is zero otherwise.</td>
<td></td>
</tr>
<tr>
<td><strong>Trust variable</strong></td>
<td></td>
</tr>
</tbody>
</table>
Trust_index constructed by applying loadings (coefficient) to standardized four proxies of social trust

blood the milliliters of blood donated voluntarily in a province, divided by its population in 2000

The participation of NGO is measured as registered members of non-governmental organizations (NGO) per thousand population in a province.

Enterprise Survey System (Trust 3: Enterprise trust). In this survey, managers answer the following question: “According to your experience, could you list the top five provinces where the enterprises are most trustworthy?”

The Chinese Society of Blood Transfusion in 2000

China Statistical Yearbook, various years

NGO

The participation of NGO is measured as registered members of non-governmental organizations (NGO) per thousand population in a province.

China Statistical Yearbook, various years

Enterprise

the response to the following question: “How trustworthy are the people in your city?” The response ranges from 1 (“highly untrustworthy”) to 5 (“highly trustworthy.”). We capture a region’s level of trustworthiness by its cities’ average score in a province.


citizen

the response to the following question: “How trustworthy are the people in your city?” The response ranges from 1 (“highly untrustworthy”) to 5 (“highly trustworthy.”). We capture a region’s level of trustworthiness by its cities’ average score in a province.

China General Social Survey (CGSS)

Provincial variable

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>pgdp</td>
<td>GDP in the province in ten thousands of RMB divided by population in the province</td>
<td>China Statistical Yearbook, various years</td>
</tr>
<tr>
<td>law_office</td>
<td>Number of law office units per ten thousands population in the province</td>
<td>Provincial reports of qualification examinations for attorneys and certified accountants, Various year</td>
</tr>
<tr>
<td>loan</td>
<td>Ratio of total bank loans to GDP</td>
<td>China Statistical Yearbook, various years</td>
</tr>
<tr>
<td>rice_suit</td>
<td>The logarithm of “rice suitability”, which is a z score of the environmental suitability of each province for growing wetland rice based on the United Nations Food and Agriculture Organization’s Global Agro-ecological Zones database (27).</td>
<td>China Statistical Yearbook</td>
</tr>
<tr>
<td>ethic</td>
<td>The population percentage of major ethic groups.</td>
<td>China Statistical Yearbook</td>
</tr>
</tbody>
</table>

51
## Figure 1 Entry page

List of the biddings

<table>
<thead>
<tr>
<th>Loan Use</th>
<th>Annual interest rate</th>
<th>Amount</th>
<th>Maturity</th>
<th>Progress</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow</td>
<td>10.20%</td>
<td>132,500.00 Yuan</td>
<td>48 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Cash flow</td>
<td>10.20%</td>
<td>70,000.00 Yuan</td>
<td>48 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Cash flow</td>
<td>10.20%</td>
<td>187,500.00 Yuan</td>
<td>48 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Cash flow</td>
<td>10.20%</td>
<td>135,000.00 Yuan</td>
<td>48 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Cash flow</td>
<td>10.20%</td>
<td>71,800.00 Yuan</td>
<td>48 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Decoration</td>
<td>10.20%</td>
<td>135,200.00 Yuan</td>
<td>48 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Daily consumption</td>
<td>10.20%</td>
<td>130,000.00 Yuan</td>
<td>48 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Cash flow</td>
<td>9.60%</td>
<td>118,900.00 Yuan</td>
<td>36 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Production operation expansion</td>
<td>9.60%</td>
<td>189,000.00 Yuan</td>
<td>36 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Daily consumption</td>
<td>9.60%</td>
<td>30,300.00 Yuan</td>
<td>36 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Daily consumption</td>
<td>9.60%</td>
<td>145,500.00 Yuan</td>
<td>36 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Cash flow</td>
<td>9.60%</td>
<td>91,500.00 Yuan</td>
<td>36 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Cash flow</td>
<td>9.60%</td>
<td>101,900.00 Yuan</td>
<td>36 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Cash flow</td>
<td>9.60%</td>
<td>145,500.00 Yuan</td>
<td>36 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Production operation expansion</td>
<td>9.60%</td>
<td>89,200.00 Yuan</td>
<td>36 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Decoration</td>
<td>9.60%</td>
<td>104,000.00 Yuan</td>
<td>36 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Cash flow</td>
<td>9.60%</td>
<td>156,000.00 Yuan</td>
<td>36 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Cash flow</td>
<td>9.60%</td>
<td>28,300.00 Yuan</td>
<td>24 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Decoration</td>
<td>9.60%</td>
<td>116,400.00 Yuan</td>
<td>36 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
<tr>
<td>Decoration</td>
<td>9.60%</td>
<td>91,000.00 Yuan</td>
<td>36 Months</td>
<td>100%</td>
<td>Fully Funded</td>
</tr>
</tbody>
</table>

Tips: the regular tender offering time is 11:00, 13:30, and 17:00, other tender offering time is random.
### Loan Listing

<table>
<thead>
<tr>
<th>Details of the loan</th>
<th>Bidding records</th>
<th>Repayment performance</th>
<th>Claims information</th>
<th>Transfer record</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lender information</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nickname</th>
<th>Credit rate</th>
<th>Age</th>
<th>Qualification</th>
<th>Undergraduate</th>
<th>Marriage status</th>
<th>Married</th>
</tr>
</thead>
<tbody>
<tr>
<td>MaY_23751991616yX</td>
<td></td>
<td>53</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Basic information</th>
<th>Credit lines</th>
<th>Loan application</th>
<th>Loan</th>
<th>Debts paid off</th>
<th>Asset information</th>
<th>Income</th>
<th>Property</th>
<th>Cars</th>
<th>Cars loan</th>
<th>Housing loan</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Once</td>
<td>Once</td>
<td>0</td>
<td></td>
<td>5000-10000 Yuan</td>
<td>Yes</td>
<td></td>
<td>No</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total amount of loan</th>
<th>Capital and interest remaining</th>
<th>Overdue amount</th>
<th>Overdue</th>
<th>Long overdue</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>104,800 Yuan</td>
<td>113,246.88 Yuan</td>
<td>0.00 Yuan</td>
<td>0 Times</td>
<td>0 Times</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Annual interest rate</th>
<th>Maturity</th>
<th>Remaining period</th>
<th>Next payment date</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.80%</td>
<td>48个</td>
<td>42月</td>
<td>2017-10-27</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flow</th>
<th>Loan Agreement (Template)</th>
</tr>
</thead>
<tbody>
<tr>
<td>104,800 Yuan</td>
<td>10.80%</td>
</tr>
</tbody>
</table>
## Working information

<table>
<thead>
<tr>
<th>Company industry</th>
<th>Commonweal organizations</th>
<th>Company size</th>
<th>Years of service</th>
<th>Position</th>
<th>Regular employee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Less than 10 people</td>
<td>More than 5 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City</td>
<td>Chengdu, Sichuan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Reviewing status

<table>
<thead>
<tr>
<th>Project</th>
<th>Status</th>
<th>Pass date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit report</td>
<td>✔️ Completed</td>
<td>2017-03-27</td>
</tr>
<tr>
<td>Identity authentication</td>
<td>✔️ Completed</td>
<td>2017-03-27</td>
</tr>
<tr>
<td>Working authentication (working class)</td>
<td>✔️ Completed</td>
<td>2017-03-27</td>
</tr>
<tr>
<td>Income authentication</td>
<td>✔️ Completed</td>
<td>2017-03-27</td>
</tr>
<tr>
<td>Field authentication</td>
<td>✔️ Completed</td>
<td>--</td>
</tr>
</tbody>
</table>

1. Renrendai undertakes to always uphold objectivity and impartiality principles, strictly control the risk, and exercise due diligence in authenticating the borrower's information, but does not guarantee that the authenticated information is 100% correct.

2. If the borrower is long-term overdue, his/her personal information will be publicized.

3. The Renrendai platform is only an information publishing platform. It does not provide any guarantee or promise to protect the borrower in any express or implied manner. The lender should make independent judgment and make decisions based on its investment preferences and risk tolerance, and bear the risk of their own funds and responsibilities. Market risk, the investment need to be cautious.

### Use of funds

**Status:** Minsheng Bank has accepted

### Narrative

Company staff, now living in Chengdu, Sichuan Province, engaged in public management, social organizations and international organizations industry, job income is stable, loans for cash flow. The above information has been field certification Fang Youzhong letter company inspection certification. At the same time, the auditors of the information provided by the borrower is true and effective, in line with the loan approval criteria.
### Details of scatter

<table>
<thead>
<tr>
<th>Rank</th>
<th>Bidder</th>
<th>Amount</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>W^*^5</td>
<td>500.00 Yuan</td>
<td>2017-03-27 2011</td>
</tr>
<tr>
<td>2</td>
<td>W^*^7</td>
<td>500.00 Yuan</td>
<td>2017-03-27 2011</td>
</tr>
<tr>
<td>3</td>
<td>V^*^η</td>
<td>500.00 Yuan</td>
<td>2017-03-27 2011</td>
</tr>
<tr>
<td>4</td>
<td>W^*^3</td>
<td>500.00 Yuan</td>
<td>2017-03-27 2011</td>
</tr>
<tr>
<td>5</td>
<td>W^*^3</td>
<td>500.00 Yuan</td>
<td>2017-03-27 2011</td>
</tr>
<tr>
<td>6</td>
<td>l^*^4</td>
<td>350.00 Yuan</td>
<td>2017-03-27 2011</td>
</tr>
<tr>
<td>7</td>
<td>G^*^G</td>
<td>500.00 Yuan</td>
<td>2017-03-27 2011</td>
</tr>
<tr>
<td>8</td>
<td>q^*^4</td>
<td>500.00 Yuan</td>
<td>2017-03-27 2011</td>
</tr>
<tr>
<td>9</td>
<td>W^*^0</td>
<td>500.00 Yuan</td>
<td>2017-03-27 2011</td>
</tr>
<tr>
<td>10</td>
<td>b^*^η</td>
<td>500.00 Yuan</td>
<td>2017-03-27 2011</td>
</tr>
</tbody>
</table>

### Tender records

- **Number of people**: 178
- **Amount**: 104,800 Yuan

### Repayment performance

- **Rank**
- **Bidder**
- **Amount**
- **Time**

### Claims information

- **Number of people**: 178
- **Amount**: 104,800 Yuan

### Transfer record

- **Number of people**: 178
- **Amount**: 104,800 Yuan

---

**MaY_23751991616.yx**

- **Registration date**: 2017-3-23

### Investment statistics

- **Personam**: 0
- **U project**: 0
- **Xin project**: 0

### Loan statistics

- **Loan application**: 1
- **Overdue amount**: 0.00 Yuan
- **Overdue**: 0
- **Loan**: 1
- **Overdue**: 0
- **Loans under repayment**: 1
- **Overdue**: 0
- **Overdue**: 0

### List of the biddings

<table>
<thead>
<tr>
<th>Title of loan</th>
<th>Annual interest rate</th>
<th>Amount</th>
<th>Time limit</th>
<th>Overdue</th>
<th>Borrowing date</th>
<th>Fully Funded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decoration</td>
<td>10.80%</td>
<td>104,800.00 Yuan</td>
<td>48 Months</td>
<td>Never</td>
<td>2017-03-27</td>
<td>Fully Funded</td>
</tr>
</tbody>
</table>