

# Information Advantage, Relationship Advantage and Competition in Banking Industry\*

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I study the competition between incumbent banks and Fintech in loan markets. It is said that Fintech erode the market share of incumbent banks because without paying cost, Fintech can collect more accurate hard information about firms productivity than incumbent banks and provide the more beneficial contract to firms. However, even though banks can not collect such an accurate information, by paying additional cost, they can collect soft information. I find that as the results of the competition, the contract based on hard information is provided by Fintech and the contracts based on soft information is provided by incumbent banks. And the competition improves social welfare.

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