

On the Rise of FinTechs: Credit Scoring Using Digital Footprints

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Kang Guo, March 14, 2025

1. What are the research questions?

- Whether the digital footprint helps augment information traditionally considered to be important for default prediction?
- Whether the digital footprint can be used for the prediction of consumer payment behavior and defaults?

2. Why are the research questions interesting?

- In the digital era, the use of unstructured data may threaten the informational advantage of traditional financial intermediaries.

3. What is the paper's contribution?

- Existing: Prior papers have highlighted the role of relationship-specific information for lending as well as the informativeness of nontraditional data sources.
- Expansion: The information they are looking at is provided simply by accessing or registering on a Web site.

4. What hypotheses are tested in the paper?

- People's digital footprints are closely related to their financial decisions.

5. Comment on the appropriateness of the sample selection procedures

- The data relies on user self-descriptions for classification, which may overrepresent certain groups like the general public and underrepresent others such as professional economists or financial analysts.

6. Comment on the appropriateness of variable definition and measurement

- Dependent variables: Inflation expectations are measured solely from tweets containing "price", neglecting indirect expressions through other topics like employment and wages.

7. Comment on the appropriateness of the regression model specification

- Endogeneity: There may exist reverse causality between public reactions and monetary policy adjustments.

8. What difficulties arise in drawing inferences from the empirical work?

- Lack of Causal Inference: The study struggles to establish causal links between Fed communications and inflation expectations due to the absence of randomized controlled trials.

9. Describe at least one and feasible extension of this research?

- How tweets from different groups influence adjustments in monetary policy.
- Cross-platform comparison of the effectiveness of the Federal Reserve's social media communication.

10. What links exist among these papers?

- All three papers highlight the significant role of social media in central bank communication.