

Unemployment Insurance decreases bank deposits as it reduces households' precautionary savings as their income risk is lower

| | Dependent Variable: $\Delta \log(\text{County Deposit})$ | | | | |
|---|--|----------------------|----------------------|----------------------|----------------------|
| | (1) | (2) | (3) | (4) | (5) |
| $\Delta \log(\text{UI Benefit})$, State | -0.053*** (0.015) | -0.054*** (0.015) | -0.055*** (0.015) | -0.055*** (0.015) | -0.056*** (0.015) |
| $\Delta \log(\text{Income})$, County | | | 0.036** (0.014) | 0.035** (0.014) | 0.037** (0.014) |
| <u>Controls & Fixed Eff:</u> | | | | | |
| Unemp. | N | N | N | Y | Y |
| cubic(Unemp.) | N | N | N | N | Y |
| Pair \times Year FE | Y | Y | Y | Y | Y |
| County FE | N | Y | Y | Y | Y |
| Obs. | 36,596 | 36,596 | 36,596 | 36,596 | 36,596 |
| R ² | 0.557 | 0.601 | 0.601 | 0.601 | 0.601 |

Hence, unemployment insurance reduces loan supply, especially SME lending

| | Dependent Variable: $\log(\text{new lending})$ | | | |
|-------------------------------------|--|----------|----------|-----------|
| | (1) | (2) | (3) | (4) |
| $\Delta \log(\text{UI Exposure})$, | -0.022** | -0.023** | -0.026** | -0.024*** |
| Bank | (0.010) | (0.010) | (0.010) | (0.009) |
| <u>Controls & Fixed Eff:</u> | | | | |
| Bank controls | N | N | Y | Y |
| Bank exposures | N | N | N | Y |
| Bank FE | Y | N | N | N |
| County \times Year FE | Y | Y | Y | Y |
| County \times Bank FE | N | Y | Y | Y |
| Obs. | 364,643 | 364,643 | 364,643 | 364,643 |
| R ² | 0.396 | 0.645 | 0.650 | 0.654 |

This, in turn, increases unemployment and reduces wages in counties that are more exposed to unemployment insurance via the banking system

| | <i>log(unemployment rate)</i> | | | $\Delta \log(\text{average wage})$ | | |
|--|-------------------------------|--------------------------|---------------------------|------------------------------------|--------------------------|---------------------------|
| | (1) All | (2) County DEF Low | (3) County DEF High | (4) All | (5) County DEF Low | (6) County DEF High |
| $\Delta \log(\text{UI Exposure}),$ County | 0.038** (0.014) | 0.025 (0.017) | 0.055** (0.021) | -0.007* (0.004) | -0.002 (0.006) | -0.012* (0.007) |
| <u>Controls & Fixed Eff:</u> | | | | | | |
| State \times Year FE | Y | Y | Y | Y | Y | Y |
| County FE | Y | Y | Y | Y | Y | Y |
| County bank exposures | Y | Y | Y | Y | Y | Y |
| County controls | Y | Y | Y | Y | Y | Y |
| Obs. | 35,764 | 17,966 | 17,743 | 35,764 | 17,966 | 17,743 |
| R ² | 0.921 | 0.926 | 0.918 | 0.164 | 0.155 | 0.197 |