Mgfd25 assignment2

Extracted from the role of alternative data and machine learning in fintech lending, three of the best references to use from article are:

1.Lin, Prabhala, and Viswanathan (2013) found that the credit quality of borrowers' friends was related to increased financing success, lower interest rates, and lower default rates. It is a significant finding. It means that alternative data is necessary because, in the past, it was rarely, if ever, trying to check the data of the applicant's friends and guarantors in traditional credit checks. 2. Lenders may now originate and service loans more affordably and effectively because of technological advances and AI/ML algorithms. This means that using technology can have a positive impact, with borrowers being able to borrow money with fewer restrictions. 3.The loan grades assigned by LendingClub were found to be the strongest predictive factor of defaults using data from 2008 to 2014, indicating that LendingClub was able to properly risk rank the borrowers. The ability of fintech to directly help find the critical points from a wide range of information and organize them according to the results has greatly improved effective forecasting.

**Create Value**: P2P lending platforms like The Lending Club and others add value for the borrowers by giving borrowers access to the financing they might not otherwise be able to get through traditional banks. Compared to credit card firms and other alternative lenders, the platforms also provide quicker approval timeframes and lower interest rates. Lending Club and comparable platforms provide online applications and e-signature capabilities to attract investors and borrowers. By delivering automated investment tools and customizable investment portfolios, the platforms also make it simpler for individuals to invest in loans. Also, they have put in place several risk management methods, including credit scoring models and loan grading systems, to help reduce the risks connected with investing in P2P loans.

**Challenging for P2P lending**: Challenges faced by P2P lending platforms include regulatory uncertainty, credit risk management, and reputational risk. Regulatory uncertainty describes the difficulties involved when lending the intricate regulatory framework. Reputational risk refers to the potential for damage to a platform's reputation due to inadequate credit risk management or unsatisfactory service from investors or borrowers.

**Taiwan P2P application**: P2P lending started late in Taiwan, mainly due to existing financial services regulations. LnB is currently Taiwan's most successful P2P operation, with over 38,000 customers and over NT$5.2 billion (US$173.33 million) in approved loans. LnB was the first P2P lender to collaborate with Standard Chartered Bank Taiwan Limited in 2018. LnB will provide Standard Chartered Bank with information on potential borrowers in the arrangement. Rather than encouraging development, the government tends to act as a regulator. This company gives reason for the Taiwanese government to pay more attention to fintech.

Reference

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Soung, A. (2019, July 18). Taiwan P2P will be a useful supplement to financial industry. Kapronasia. Retrieved March 5, 2023, from https://www.kapronasia.com/asia-banking-research-category/taiwan-p2p-will-be-a-useful-supplement-to-financial-industry.html