

“Banking without Branches” by Amberg and Becker

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Much to like about this paper

- ▶ More evidence that branches (and local market structure) still matter
Célerier and Matray 2019; Buchak and Jorring 2021; Emiris et al. 2024; Liebersohn 2024

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 - ▶ Potentially different mechanisms at play
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- ▶ Econometrics are carefully done and well explained
 - ▶ What are the conditions under which the 2SLS estimates identify the effect we're interested in?

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- ▶ Are banks lending less overall when they close branches? (But aren’t banks shooting themselves in the foot if they’re simply reducing lending?) Does their lending get more concentrated in certain locations?
- ▶ Do they change their screening methods? Can’t banks develop relations without branches these days? Why is proximity still important?
 - ▶ Assumption here is that it mainly matters for the supply of credit but possibility that it matters for *demand* for credit?

► Determinants of bank branch closures:

	Dependent variable: $\mathbb{1}\{\Delta Branches_{b,j,t} < 0\}$					
	(1)	(2)	(3)	(4)	(5)	(6)
$\Delta Branches_{b,t}$			-1.080***	-0.722***	-0.714***	-0.769***
			[0.055]	[0.057]	[0.059]	[0.064]
$\ln Branches_{b,j,t-1} \cdot \Delta Branches_{b,t}$				-1.444***	-1.458***	-1.539***
				[0.190]	[0.206]	[0.209]
Estimation period	2001-22	2001-22	2001-22	2001-22	2001-22	2009-22
Savings banks included?	Yes	Yes	Yes	Yes	No	No
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- “branch closures are **largely driven** by institution-wide initiatives”: not sure
- “when banks reduce the number of branches, they tend to **concentrate the closures** in municipalities where they have more branches”: not sure

IV strategy (cont.)

► OLS vs. IV:

Table 4: The effect of branch closures on local credit supply

	Estimation horizon $h = 2$			
	First stage	Reduced form	2SLS	OLS
$Z_{j,t}$	1.168*** [0.091]	0.214** [0.102]		
$\Delta Branches_{j,t}$			0.183** [0.089]	0.029* [0.017]
Number of observations	596,261	561,465	561,465	561,465

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- “OLS estimation... most likely suffers from severe omitted variable bias”
- I agree, but in which direction would we expect the bias to run?

Mechanism

- ▶ “Soft information” vs. alternative explanations. Role for (decreased) competition?
- ▶ Paper shows effect on short-term vs. long-term loans—but not surprising that effect is bigger on short-term loans given faster turnover? Consider flow of new loans rather than stock of loans?
- ▶ Paper focuses on what happens to existing firms. Interesting to look at locational and leverage choices of new firms?

More minor comments about empirics

- ▶ It wasn't clear to me when several branches by the same bank in the same postal code are counted as one branch—and when not
- ▶ Main effect becomes borderline significant when controlling for municipality-level variables. Reason for excluding those controls from baseline specification?
- ▶ Effect on exit rate seems quite large (10% fewer branches → increase in exit rate of 0.6 p.p.)? What is baseline exit rate?

Conclusion

- ▶ Great read, lots of interesting results
- ▶ Can we learn more about banking without branches?
- ▶ Can we learn more about mechanism behind main results?