Platform Credit and E-Commerce Market Structure*

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Abstract

As transaction and data hubs, e-commerce platforms are uniquely positioned to extend credit to users and have become leading players in FinTech. This paper provides the first evidence on how platform credit shapes the e-commerce market structure. Using data from Alibaba, we estimate the effects of platform credit on the allocation of customer attention, and consequently, the sales distribution of e-commerce merchants. We explore regression discontinuity and difference in difference settings for causal inference. We find that platform credit amplifies the selection of merchants by customers, and thereby, can contribute to platform prosperity especially through the cross-side externality.

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