Public Guarantees to SME Borrowing. An RDD Evaluation

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The paper evaluates the impact of the guarantees provided by the Italian scheme Fondo di Garanzia on the access to credit for the small and medium enterprises. It also assesses to what extent firm performances, in terms of investments and sales, have been affected by the scheme. The study exploits the mechanism that assigns the guarantees, which is based on a scoring system to assess eligibility. By using regression discontinuity techniques, the paper finds that:
(i) at the threshold between eligible and non-eligible firms, the program has a positive impact on bank loans to firms; however, the scheme has no impact on the interest rate charged by the banks, while it affects positively the likelihood that a firm is unable to repay its loans. No effect is found for firm investments and only a mixed impact is detected for sales; the guaranteed loans were mostly used to finance working capital;
(ii) these findings broadly hold also for infra-marginal (far-from-the-cutoff) firms, at least for a bandwidth of the threshold for which the conditional independence assumption is maintained.
For these firms, our results would suggest that:
a) a lowering of the eligibility criteria would increase the effectiveness of the program in fostering bank loans;
b) the scheme has a favorable impact both on borrowing and interest rates
for the firms that easily pass the admission threshold;
c) the unfavorable effect on bad loans remains mostly undisputed.