

Discussion

“Are all mutual guarantee institutions the same?
Improving the economic allocation of public
guarantees to favour SMEs”
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Big picture

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Understand the role of Public Credit Guarantee Schemes (PCGSs)

- Initiatives which are meant to increase access to credit
- Of particular interest to Small and Medium Enterprises (SMEs) and firms that lack track record

Firms in Italy are more dependent on bank finance

This has encourage the use of an extensive network of guarantee instruments

The role of Central Guarantee Fund (CGF)

- It provides access to credit for micro and SMEs

Big picture

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- **Data on 12 Italian Mutual Guarantees Institutions (MGIs)**
- **Test a number of hypotheses which are summarised as follows:**
- **The size and the level of financial liability of MGI are negatively correlated with the risk of default**
- **There is a link between geographical concentration and industrial specialization of MGI and the default risk**

Main results

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Using a logit model the authors find:

- Unsecured loans are riskier compared to mortgage loans
- Evidence for the importance of MGI's financial liability
- Geographical concentration matters
- Size and capitalization help reduce the probability of default

Comments



Use of a proportional hazard model is more indicated

- Given the interest in capturing the timing of the default

What is the magnitude of the results?

- Use marginal effects for the logit model and exponentiated coefficients for a hazard model

What about endogeneity in the model?

- Use some IV estimation methods to show that the findings are not driven by endogeneity

Comments

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Frame the question in a different way:

- Can you identify borrowers that made use of the PCGS and those that did not and create “treatment” and “control” groups?
- Use matching and diff-in-diff techniques to evaluate the impact of the initiative

Conclusion

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- An insightful and useful piece of research
- Perhaps a bit of repositioning will be valuable
- Results are interesting but perhaps could be conveyed in more reader friendly ways
- Results could be strengthen with a couple of robustness checks
- Overall, I wish the authors the best of luck with their work