DANIEL PARAVISINI

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DATE OF BIRTH: December 10th, 1972 **SEX**: Male **CITIZENSHIP**: Venezuela

UNDERGRADUATE/ PREVIOUS GRADUATE STUDIES:

B.S. in Mechanical Engineering, *Cum Laude* (1994). Universidad Simón Bolívar, Caracas, Venezuela.
MBA, with honors (1997). IESA, Caracas, Venezuela.

CURRENT GRADUATE STUDIES: Massachusetts Institute of Technology

DATES: 1999-present.

THESIS TITLE: Essays on Banking, Information and Public Policy in Developing Countries

EXPECTED COMPLETION DATE: June 2005

THESIS COMITEE AND REFERENCES:

Professor Esther Duflo
Department of Economics, E52-252g
Massachusetts Institute of Technology
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Professor Antoinette Schoar
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Professor Abhijit Banerjee
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Professor Sendhil Mullainathan
Department of Economics, Littauer 208
Harvard University
Cambridge, MA 02138
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DESIRED RESEARCH AND TEACHING:

Primary Fields: Development Economics, Corporate Finance
Secondary Fields: Banking and Financial Intitutions, Applied Econometrics

TEACHING EXPERIENCE:

Spring 2002, 2003 and 2004:	Microeconomics (undergraduate). Teaching Assistant to Professor Paul Joskow. MIT
1997 to1999:	Microeconomics (graduate – MBA), Lecturer, IESA, Venezuela.

RESEARCH EXPERIENCE AND PROFESSIONAL ACTIVITIES:

Sep. 2001/ June 2002:	Research Assistant to Professor Roberto Rigobón, Sloan School of Management, MIT.
Sep. 1997/ August 1999:	Researcher, Public Policy Department, IESA, Caracas, Venezuela.
Sep. 2004:	Referee for the Journal of Development Economics

HONORS, SCHOLARSHIPS, AND FELLOWSHIPS:

Summer 2004:	George Schultz Fund Grant
2003 to 2004:	Corporación Andina de Fomento Research Grant
2001 to 2002:	MIT World Economy Lab Scholarship
1999 to 2001:	MIT Graduate Fellowship

PUBLICATIONS:

(with María Helena Jaén) 2001, "Wages, Capture and Penalties in Venezuela's Public Hospitals", in *Diagnosis Corruption: Fraud in Latin America's Public Hospitals*, in Di Tella, Raphael and Savedoff, W. (eds.), Washington: Inter-American Development Bank.

JOB MARKET PAPER:

"Constrained Banks, Constrained Borrowers: The Effects of Bank Liquidity on the Availability of Credit"

Bank liquidity constraints affect investment only if bank credit cannot easily be substituted for other sources of finance. This paper provides evidence that banks are constrained and hold private information about borrowers that hinders substitution of financing sources. I test for liquidity constraints by showing that the amount of bank lending is sensitive to an exogenous change in the financial position of banks caused by a credit market intervention by the Argentine government. I estimate that lending increases by $0.7 for each dollar of additional liquidity. Furthermore, this expansion appears to be profitable: the additional loans are not more likely to default than other loans. Using loan level data from a public credit bureau, I track the effects of the liquidity shock on the composition and default risk of loans across borrowers for which the bank has an information advantage vis a vis other lenders. I find that when banks hold an information advantage they rely less on collateral to ration credit and are able to screen out high risk borrowers. Conversely, when banks are relatively uninformed they are reluctant to extend credit and attract high risk borrowers. The results suggest that adverse selection prevents full arbitrage by competing lenders and thus liquidity constraints propagate to bank-dependent borrowers.

RESEARCH IN PROGRESS

"Does Targeting Through Banks Work? An Evaluation of the Treatment Effect of a Directed Credit Government Intervention in Argentina"

Targeting loans through existing financial intermediaries is a common practice of development agencies and governments around the world. The conventional wisdom that this type of credit market interventions is successful is based on evaluations that show program loan recipients have outstanding repayment performances. This paper evaluates one of such lending programs in Argentina that targeted credit to small firms with less than 20 workers and $200,000 in annual sales. I merge program data with loan level credit history data from a Public Credit Registry to assess the effect of the program on the evolution of bank debt of the target firms. I show first that banks selected the safest and fastest growing firms among their existing eligible borrowers to receive program loans. This firm selection explains most of the observed post-program performance of the target firms. Second, I estimate the effect of the program on target firms by comparing their debt growth with that of ineligible firms close to the eligibility threshold. The results indicate that target firms' total bank debt increased by less than 7 cents for every dollar of program financing provided to the banks. I show that banks circumvented the targeting rule by re-labeling the debt

of existing borrowers as "program loans" and were largely unconstrained in their use program financing. Finally, I show that the impact of the program on target firms is larger when the intermediary bank is more likely to lend to smaller firms according to observable measures such as size and ownership.

"Credit History Disclosure and Debt Composition of Small Businesses"

The public disclosure of credit information entails a trade off between privacy issues and efficiency. The existing empirical evidence supporting the efficiency gain is mostly anecdotal or based on cross-country comparisons. This paper evaluates the effect of credit history disclosure on the debt structure of a sample of manufacturing firms in Argentina. I exploit a natural experiment provided by the expansion of the set of firms eligible for public disclosure by a public credit registry administered by the Central Bank. Starting 1998, information about the smallest debtors (less than $200,000 in bank debt) became publicly available. The effect of disclosure is identified by comparing the evolution of the debt structure of firms below the threshold with firms above it. I find that disclosure has no effect on the level of bank debt held by firms with a previous bank credit history. Disclosure however increases the amount of trade credit. For banks with no previous bank credit history, I find weak evidence that the probability of receiving bank credit increases with disclosure and that the new bank debt partially substitutes for trade credit.