



The University of British Columbia's Centre for Southeast Asia Research (CSEAR), Master of Food and Resource Economics (MFRE) and Institute of Asian Research (IAR) presents:

Policing Loan Sharks: Evidence from the unlicensed money lending market in Singapore

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Friday, November 18, 2016 | 2:00 – 4:00 pm

1001 - Orchard Commons, 6363 Agronomy Rd, UBC Vancouver

Using a unique dataset, the speakers study the unlicensed money lending market in Singapore. In this market, borrowers search for loan sharks to borrow from and loan sharks decide how much money to extort from the borrowers. In equilibrium, they observe dispersion over the degree of extortion by different lenders. A sizable number of borrowers are the recurring customers of some loan sharks. Lastly, as search friction increases due to



heightened enforcement efforts to arrest unlicensed moneylenders, it becomes increasingly difficult for borrowers to find loan sharks in the market. Loan sharks who previously extorted heavily from borrowers and thus had difficulty retaining customers are now finding it easier to do so. Finally, they find that increasing enforcement efforts by the authorities, on average, have the following effects: The initial interest rate attached to the loan agreed upon by both the lender and the borrowers increases, the loan amount that the lender is willing to give out to the borrower decreases, the amount of money the lender extorts from the borrower increases and harassment activities by the lenders directed against the borrower fell in terms of both severity and frequency.



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SEMINAR SERIES 2016/2017

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