Title: E-commerce platforms and credit

Abstract:
We develop a model where an e-commerce platform can benefit from offering credit to merchants in addition to access to consumers. While the volume of credit offered by the platform increases with its ability to monitor merchants, the platform may provide credit even when its monitoring technology is inferior to that of a competitive banking sector. Credit provided by the platform endogenously selects more financially constrained merchants and co-exists with bank credit. Relative to a benchmark where only banks provide credit, overall trading on the platform and access fees paid by merchants and consumers are higher when the platform provides credit. Welfare improves for the more financially constrained merchants but worsens for the less financially constrained ones. Overall, our model suggests the expansion of e-commerce platforms into the credit market is related to the market power they hold vis-à-vis merchants.