

# Platform Credit and E-Commerce Market Structure\*

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## Abstract

As transaction and data hubs, e-commerce platforms are uniquely positioned to extend credit to users and have become leading players in FinTech. This paper provides the first evidence on how platform credit shapes the e-commerce market structure. Using data from Alibaba, we estimate the effects of platform credit to e-commerce merchants on the allocation of customer attention and the sales distribution of merchants. We explore two semi-experimental settings created respectively by the platform's algorithmic lending rules and shopping holidays. We find that platform credit accelerates the selection of merchants by customers, and thus, may help the platform attract more customers. Therefore, different from traditional lenders, a platform may extend credit not only for the loan profits but also to boost online activities.

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