

Jingfeng Zhang

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Education

London School of Economics, United Kingdom

PhD in Economics	2020 - 2025
Supervisors: Francesco Caselli, Maarten De Ridder(advisor)	
MRes in Economics	2018 - 2020
M.Sc. in Economics	2017 - 2018

University of Cambridge, United Kingdom

BA(Hons). Economics	2014 - 2017
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Research Fields

Macroeconomics, corporate finance.

Job Market Paper

Credit Relationships and Dynamic Credit Constraints

Abstract: This paper presents microeconomic evidence from the U.S. syndicated loan market showing that as a credit relationship between a lender and a borrower strengthens, borrowing is more likely to be based on a firm's earnings rather than physical assets as collateral. I rationalize this in a model with limited commitment and information asymmetry, in which heterogeneity in relationship status leads to heterogeneous borrowing constraints. In a credit relationship, access to earnings-based credit increases over time because of a learning mechanism. The lender learns about the borrower's private information through repeated interactions and so updates their beliefs. This leads to a dynamic borrowing constraint for the firm, with a switch from collateral-based to earnings-based constraints as the relationship develops. Empirically, I find that the use of loan covenant, which increases credit supply by more than collateral use, increases as the lender-borrower relationship matures. Moreover, covenants tend to replace collateral requirements in a relationship. This provides direct evidence of a dynamic credit constraint in relationship lending, and demonstrates a new channel through which relationships increase credit supply by expanding access to earnings-based contracts. Finally, the effect of relationships on access to earnings-based credits is larger for smaller, typically more informationally opaque firms, underscoring the importance of the learning mechanism.

Presented at: EEFS (2024), Midwest Macro (2024), Australasian Finance & Banking Conference (incl. PhD Forum, scheduled), New Zealand Finance Meeting (scheduled), Sydney Banking and Financial Stability Conference (scheduled)

Working Papers

Project Heterogeneity and Financial Frictions in Long-Term Credit Relationships 2024

Early-Stage Technology Acquisitions under Market Competition and Information Asymmetry 2022

with Xiaolan Fu, Du Liu, & Yu Xiong

Presented at: BAM Conference (2022), R&D Management Conference (2022)

Work in Progress

Dynamic Credit Constraints and Macroeconomic Fluctuations

Related Experiences

London School of Economics, United Kingdom

Teaching Assistant to Prof. Ricardo Reis & Dr. Kevin Sheedy (EC210) 2020 - 2021

Teaching Assistant to Prof. Francesco Caselli & Prof. Ronny Razin (EC102) 2019 - 2020

China Internatioanl Capital Corporation Limited, China

Research Intern in Global Institute 2021

University of Oxford, United Kingdom

Research Assistant to Prof. Xiaolan Fu 2019

Credit Suisse AG, Hong Kong S.A.R, China

Summer Analyst at APAC Investment Banking and Capital Markets 2017

Awards

Postgraduate Travel Fund, LSE 2024

Teaching Bonus Award, LSE 2020

Santander Homerton Scholarship, University of Cambridge 2016

Skills and Languages

IT: MATLAB, Dynare, Stata, Eviews, R, L^AT_EX

Languages: Mandarin (native), English, Cantonese