

FIGURE 4

Borrower Capacity and Firm Survival

Figure 4 displays regression discontinuity results characterizing the impact of borrower capacity scores on the probability of firm survival as of May 2012. The results are displayed for all applicants between the 10th percentile and 90th percentile of applicant capacity scores, in which 0 is the threshold for recommendation of denial of the automatic review. The thick curved lines represent the predicted probability of survival from an OLS regression of an indicator for firm survival on a third-degree polynomial in borrower capacity. The 95% confidence interval is portrayed in thin lines, and the connected points describe the average survival probability for each of the buckets of 0.5 units of capacity.

