

## ABSTRACT

This dissertation consists of three essays which are unified by the common theme of bank monitoring. The first essay provides novel evidence for the role of bank monitoring in the sustenance and growth of microenterprises. Specifically, the study examines the effect of monitoring by a Small Finance Bank (SFB) on the repayment behavior of its women microentrepreneur borrowers. The study also provides empirical evidence for the entrepreneurship development role of bank monitoring by documenting its effect on entrepreneurial self-efficacy (ESE) of women microentrepreneurs. The study uses unique primary data on repayment behavior and monitoring of 749 women microentrepreneur borrowers of a SFB in India. The empirical results reveal that continuous monitoring by the bank, at the organizational level and the loan officer level, significantly reduces the delinquency of women microentrepreneurs. Another notable finding is that, monitoring by the bank positively influences the ESE of women microentrepreneurs which in turn augments the ability of monitoring to reduce delinquency. The findings imply that policymakers and managers of SFBs must emphasize on maintaining relationships with the borrowers and instill positive behavioral changes in the course of monitoring borrowers to improve asset quality.

The second essay examines the effect of bank appointed director's monitoring on investment efficiency of Indian listed firms. Building on the bank monitoring literature, we contend that bank appointed director's monitoring reduces agency issues and information asymmetry, thereby alleviating overinvestment and underinvestment tendency of firms. Unlike previous research, that use investment cash flow sensitivity as a proxy for investment efficiency, this study for the first-time measures over and underinvestment as deviations of firm's investment from the expected investment and reports its relationship with bank monitoring. After controlling for corporate governance and other firm characteristics, we find that, firms monitored by bank appointed directors have lesser tendency to overinvest. This study also provides evidence of conditional negative (positive) association between bank appointed director monitoring and investment of firms operating in settings more prone to overinvestment (underinvestment). Nevertheless, we find

**that the benefit of bank appointed director's monitoring gets reduced when the firm maintains multiple bank relationship and also when it is affiliated to a business group.**

Third essay investigates for the first time the role of bank monitoring in the implementation of conditional conservative accounting of Indian listed firms. Drawing on bank monitoring and relationship lending literature that documents the ability of a single banker to reduce information asymmetry, the study hypothesize **that monitoring by a single bank reduces the bank's demand for conservatism-facilitated control transfers.** Using data on Indian firms listed in NSE and BSE for the period 2000-2019, and market based firm year measure and accrual cash flow based firm year measure of conditional conservatism, the empirical results indicate that firms which are monitored by a single bank tend to be less conservative. In addition, we find that negative influence of single bank monitoring on conditional conservatism is stronger when the debt structure of the firm is dominated by bank debt. These findings are consistent with the view that effective monitoring and strong bank firm relationship which reduces information asymmetry can reduce the debt holder's demand for conservatism.

JEL Classification: M41, F23, 016, D53, G34, G21, G41

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