

Abstract

We present three essays in the backdrop of the banking industry in India. In the first essay, we model and estimate the effect of task complementarity and external monitoring by the informed investors on the social and financial performance of banks. In the second essay, we examine further how task complementarity can be improved using Government-bank partnership in a development program so that it is incentive compatible for banks to lend to improve financial inclusion in the economy. For this purpose, we model two designs of programs using credit subsidies and study how mechanisms for incentive alignment embedded in the two programs affect the level of bank lending in the two programs. Finally, in the third essay, we study the problem of debt concentration and over-leverage in the economy to explore the relationship between over-leverage and natural resource curse. We empirically test whether natural resource sectors in India in particular and countries with an abundance of natural resource, in general, are prone to over-leverage in the economy. Together, the three essays seek to contribute to improve our understanding of the strategies and performance of banks in a developing economy.