Economics Seminar, Indian Statistical Institute, New Delhi.

SPEAKER: Kaniska Dam, CIDE Mexico City


TIME: 3:30 PM - 5:00 PM.

DAY & DATE: Friday, 18th January, 2013

PLACE: Seminar Room 2

Abstract:

We analyze a model where micro-finance institutions (MFIs) offer repayment-based incentive contracts to the credit agents whose principal task is to gather information regarding a borrower by exerting costly monitoring efforts. Monitoring by one agent benefits the other, and hence there is externality across contractual relationships. The agents may collude with the borrower by taking bribes, and hide information. We show that, under competition, collusion possibility increases, individual monitoring efforts are lower. Competition may lead to more high-powered incentives relative to a situation where there is a single MFI. We further show that when the monitoring technology is submodular (log-supermodular) in the individual monitoring efforts, optimal monitoring efforts and incentives are strategic substitutes (complements).

http://www.isid.ac.in/~pu/seminar.html