

Manpreet Singh is a PhD student in the finance department at Hong Kong University of Science and Technology. He will be graduating in the summer of 2016. Coming from a business family in India, it was a natural choice for him to study finance in India.



Manpreet Singh

Singh's paper "Do Debt Contract Enforcement Costs Affect Financing and Asset Structure" - coauthored with Radhakrishnan Gopalan and Abhiroop Mukherjee - uses financial data from Prowess to determine how firms changed their financing decisions when enforcement of Debt Recovery Tribunals was only partial in India in the 1990s. This paper will be presented at the 2015 American Finance Association Meeting.

Singh's other papers include, "Do Corporate Taxes Hinder Innovation" and "Credit Rationing in Informal Markets: The Case of Small Firms in India." You can read more about his research on his [website](#).

Amanda : You have chosen to study India in a few of your papers. Why India?

Manpreet : I grew up in a business family in India. Given my interest in firm policies, studying India was a natural choice. In addition, India went through various regulatory changes in the early 1990s which served as a nice laboratory for observing natural experiments.

Amanda : If you are from India, how did you end up attending grad school in Hong Kong?

Manpreet : I worked as a Researcher at Center for Analytical Finance at Indian School of Business after completing my Masters in Economics at Delhi School of Economics. While looking up good business schools offering PhD programs (Finance) in Asia, I found HKUST Business School as an obvious choice. Presently, the school ranks among the top B-schools in Asia.

Amanda : Are you moving back to India after school or would you like to live abroad?

Manpreet : I haven't decided yet. I am applying across the world for good positions in research-oriented business schools.

Amanda : You received your Bachelors and Masters degrees in Economics. Why did you switch to Finance for your PhD?

Manpreet : Finance is a sub-field of Economics. While studying Economics, I found courses in corporate finance and industrial organization more interesting than development economics.

Amanda : What are the research topics that interest you?

Manpreet : My current research includes the role of institutions in firms' policy. In particular, how firms change their policies when they are hit by government regulations.



Amanda : **Describe the main findings of your paper, "Do Debt Contract Enforcement Costs Affect Financing and Asset Structure?"**

Manpreet : We find that a reduction in enforcement costs causes an increase in long-term debt and a decrease in short-term debt and trade-credit. The increase in debt maturity is confined to firms that borrow from multiple lenders, have abnormally low levels of long-term debt before the reform, and to smaller firms. Firms also reduce the number of banking relationships and increase the proportion of long-term assets after the reform. Our results highlight an important causal effect of debt contract enforcement costs on firm financing and investment.

Amanda : **You mention a number of theoretical works to provide a background to your empirical work. Are there other empirical works of this kind and is your paper among the very few that test the theory?**

Manpreet : As per my understanding, I did not find any other paper directly testing Diamond (2004). [Presidential Address, Committing to Commits Short-term Debt when Enforcement is costly: Journal of Finance, 2004.]

Amanda : **Describe how you were able to use the establishment of DRTs to study the effect of contract enforcement costs on firm borrowing behavior?**

Manpreet : The staggered nature of the establishment of DRTs which reduced the enforcement costs in early states versus late states helps in identifying the effect on firms' borrowing behavior.

Amanda : **You use the quasi-natural experiment of the temporary suspension of implementation of new DRTs. Such opportunities of natural experiments could be rare. Tell us something about how you saw an opportunity in this natural event and how common are papers based on such events in studying debt structure of firms.**

Manpreet : These kind of quasi-natural experiments are rare to find, where underlying law does not change but only the enforcement costs go down. I was browsing through some papers on the AFA 2011 program and saw a paper using this event. Then I start thinking what kinds of other finance problems can be solved using this setting. The presidential speech of Douglas Diamond addressing the AFA in 2004 was an obvious choice.

Amanda : **Your paper studies the impact of enforcement cost on the structure of debt. Would the impact on the level of debt also be a relevant question?**

Manpreet : Yes, level of debt may change as well, but what's more intriguing is the structure of debt.



Prowess_{dx} Scholar of the Month

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Amanda : **Does the quasi-natural experiment of staggered implementation of the DRTs still offer opportunities to study firm behavior in India?**

Manpreet : Yes, one can look at other aspects of financing. But before doing any empirical tests, one should be careful about the predictions from lower enforcement costs.

Amanda : **Do certain types of firms benefit more than others when there is a reduction in contract enforcement cost? Why?**

Manpreet : Lilienfeld-Toal, U. v., D. Mookherjee, and S. Visaria (2012) shows that larger firms benefit more than smaller firms with the reduction in contract enforcement costs.

Amanda : **What was your experience using Prowess like? Have you seen Prowess_{dx}?**

Manpreet : I worked on Prowess when I was doing my Masters at Delhi School of Economics and later used it at Indian School of Business. I think this is the only database that provides detailed information on firms in India. Yes, I have access to Prowess_{dx}.

Amanda : **You used state level macroeconomic indicators in your paper. Were you aware that CMIE has a database with over 3 million time series at the state and district level, called [States of India](#)?**

Manpreet : Thanks for sharing this information. I wasn't aware of this.

Amanda : **When are you graduating? What kind of job would you like after graduation?**

Manpreet : I am graduating in the summer of 2016. I would prefer an academic job.

Amanda : **What are some of your hobbies?**

Manpreet : I usually jog, meditate and cook food in my free time.

Amanda : **Which researchers have inspired you?**

Manpreet : While working at ISB I met many prolific researchers, but I am very much inspired by the present RBI Governor, Dr. Raghuram Rajan.

Amanda Aversano

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