**Abstract of the Job Talk**

**Indervir Singh**

My job talk is based on my paper titled, “*Screening and Monitoring in Informal Credit Markets: Evidence from Rural Punjab*”, published in **South Asia Economic Journal**.

The paper examines the screening and monitoring strategies used by lenders to solve the problem of imperfect information in the rural informal credit market. It uses data from a primary survey conducted in Punjab, India. The survey focuses on informal lending between commission agents and farmers. Data were collected from 120 randomly selected commission agents from four blocks. Each of the blocks represents a different development level.

The results show that commission agents invested significant time and resources in screening and monitoring the farmers. Screening and monitoring of the borrower play an important role in decisions about extending a loan, limiting the size of the loan and discontinuing the relationship with the borrower. The screening helps commission agents in selecting borrowers who are interested in a long-term relationship. Commission agents could shift a significant share of the screening cost to the borrowers, thereby increasing their self-enforcement range.

Screening and monitoring were more stringent in areas that were underdeveloped and had higher default risk. Parties make more effort in screening in the first round of interaction. The cost of screening declines in the subsequent round. Monitoring takes a large amount of commission agents’ time. The study argues that high screening cost hurts small farmers. The regression results found a significant reduction in the default rate and the unrecovered loan due to screening strategies.

The paper argued for the development of a formal information-sharing mechanism by giving legal status to loans by commission agents to farmers and using appropriately designed institutions to compel them to share information with the government. A formal information-sharing mechanism will not only lower default risk but also benefit farmers by lowering commission agents’ monopoly power and facilitating the expansion of formal credit.