Monitoring by financial intermediaries: Banks vs. Nonbanks

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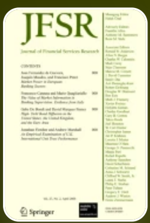

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Abstract

Recent empirical evidence indicates that captical markers respond positively to debt-financing announcements in the form of loan agreements. Nonbank firms, prompted largely by technological and telecommunications advances, have also entered the commercial lending market in recent years. This article finds evidence that borrowing firms experience positive abnormal returns upon announcing conclusions of loan agreements with nonbank firms. Our evidence suggests that nonbanks have replicated some of the unique attributes formerly enjoyed only by banks.

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