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Quiet Life No More? Corporate Bankruptcy and Bank Competition

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Abstract

Pursuing delinquent borrowers requires considerable effort, and creditors may lack the incentive to exert this costly effort in uncompetitive banking sectors. To examine this, we use a uniquely large dataset of public and private corporate bankruptcy filings spanning a banking-sector reform that deregulated bank entry across different regions of India. We find that increased banking competition is associated with more firms seeking a stay on assets, a decline in bankruptcy duration, and a shift towards workouts rather than liquidations. The results are consistent with creditors exerting greater effort to pursue delinquent firms and resolve bankruptcies more quickly when competition increases.

Keywords: Bankruptcy, creditor rights, bank competition, managerial incentives**JEL Classification:** G21, G23, G28, G38[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN_ID2850195_code525456.pdf?abstractid=1572797&mirid=1\)](#)[Open PDF in Browser \(Delivery.cfm/SSRN_ID2850195_code525456.pdf?abstractid=1572797&mirid=1&type=2\)](#)

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