Review of: "The Effect Credit Monitoring Activities on Financial Reporting Quality of Private Banks in Ethiopia"

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Potential competing interests: No potential competing interests to declare.

Review report

Dear,

This paper presents a significant contribution to the understanding of credit monitoring activities and their impact on financial reporting quality, particularly within the Ethiopian banking sector.

The study effectively addresses a crucial research gap by examining the specific components of credit monitoring activities and their relationship with financial reporting quality.

Through a well-structured literature review, the paper establishes a strong theoretical foundation and contextualizes the research within the existing body of knowledge. While the research objectives are clearly articulated, the methodology section would benefit from additional detail to enhance transparency and reproducibility.

Nonetheless, the findings of the study underscore the importance of collateral information, business rating information, customer credit status information, and consumer default information in improving the financial reporting quality of private banks in Ethiopia.

The implications of these findings are significant for policymakers and practitioners seeking to enhance credit risk management practices and promote financial reporting transparency. Overall, the paper offers valuable insights and recommendations for future research and practice in this area, warranting its consideration for publication pending minor revisions to address methodological clarity.

The review of literature in this paper effectively identifies a critical gap in existing research, specifically focusing on the relationship between credit monitoring activities and financial reporting quality in private banks in Ethiopia. By highlighting this gap, the study underscores the significance of its research question and the need for empirical investigation in this area. However, it could benefit from further contextualization of the literature within the broader academic discourse on credit risk management and financial reporting.

Regarding the research methodology, the paper adopts a quantitative approach, employing ordered logistic regression analysis to test hypotheses and examine the relationship between credit monitoring activities and financial reporting quality. This methodological choice aligns with the research objectives and allows for rigorous statistical analysis of the data collected through structured questionnaires. However, the paper lacks detailed justification for the sample size and sampling method employed, which could potentially affect the generalizability of the findings. Additionally, further discussion of potential biases and limitations of the methodology would enhance the transparency and robustness of the study.

Hence, as a reviewer, I find this research paper to be a comprehensive and insightful investigation into the relationship between credit monitoring activities and financial reporting quality in private banks in Ethiopia. The study effectively identifies a significant gap in the existing literature regarding this specific relationship within the Ethiopian banking context and provides valuable insights into the potential impact of credit monitoring activities on financial reporting quality. The methodology employed in the study, utilizing a quantitative research design and ordered logistic regression analysis, appears appropriate for addressing the research objectives and testing the hypothesized relationships between the variables of interest. However, it would be beneficial for the authors to provide further clarification and justification regarding the selection of the sample size and sampling method to ensure the study's validity and generalizability. The findings of the study are presented clearly and supported by robust statistical analysis, highlighting the positive effects of collateral information, business ratings information, customer credit status information, and consumer default information on financial reporting quality in private banks. The discussion of these findings within the theoretical frameworks of signaling theory, reputation theory, agency theory, and information signaling theory enhances the paper's theoretical underpinning and contributes to a deeper understanding of the mechanisms at play. The recommendations provided by the authors offer practical implications for both private banks and regulatory bodies in Ethiopia, emphasizing the importance of strengthening credit monitoring systems, enhancing collaboration with credit information providers, improving data management and reporting processes, and promoting transparency and accountability in the banking sector. In terms of future research directions, the paper suggests several valuable avenues for further exploration, including a deeper investigation into the specific mechanisms through which credit monitoring activities influence financial reporting quality, an assessment of potential barriers to effective credit monitoring, and an exploration of the long-term effects of improved financial reporting quality on banking sector stability and performance. Overall, this research paper makes a significant contribution to the literature on credit risk management and financial reporting in the Ethiopian banking sector. With minor revisions to address methodological clarity and further elaboration on certain aspects of the study, the paper has the potential to become a valuable resource for policymakers, bank management, and researchers interested in enhancing credit risk management practices and promoting financial reporting transparency in Ethiopia's private banking sector.

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