Politicians and banks: Political influences on government-owned banks in emerging markets.

I. Serdar Dinç

Abstract

Government ownership of banks is very common in countries other than the United States. This paper provides cross-country, bank-level empirical evidence about political influences on these banks. It shows that government-owned banks increase their lending in election years relative to private banks. This effect is robust to controlling for country-specific macroeconomic and institutional factors as well as bank-specific factors. The increase in lending is about 11% of a government-owned bank’s total loan portfolio or about 0.5% of the median country’s GDP per election per government-owned bank.
JEL classification
G21; G32; D72; D73

Keywords
Corporate governance; Political economy; Corruption; State-owned enterprises; Electoral cycle

I thank the referee, Sugato Bhattacharyya, Mark Carey, Giovanni Dell’Ariccia, Mara Faccio, Haizhou Huang, Simon Johnson, Han Kim, M.P. Narayanan, Charlotte Ostergaard, Francisco Perez-Gonzalez, Manju Puri, Nejat Seyhun, Andrei Shleifer, Anjan Thakor, and Ayako Yasuda as well as seminar participants at the American Finance Association, Chicago Federal Reserve, European Finance Association, International Monetary Fund, Massachusetts Institute of Technology, and University of Michigan for many helpful comments. Craig Brown provided outstanding research assistance.

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