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

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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.



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