

**LENDING BEHAVIORS OF TURKISH BANKS DURING  
ELECTIONS AND BUSINESS CYCLES**

**A Master's Thesis**

**By**

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**Ankara**

**September 2017**



To my father, mother and brothers

LENDING BEHAVIORS OF TURKISH BANKS DURING ELECTIONS AND  
BUSINESS CYCLES

Graduate School of Economics and Social Sciences  
of  
İhsan Doğramacı Bilkent University

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in

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September 2017

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## ABSTRACT

### LENDING BEHAVIORS OF TURKISH BANKS DURING ELECTIONS AND BUSINESS CYCLES

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This thesis examines the lending behavior of Turkish banks during elections and business cycles using quarterly data for the period December 2001-September 2016. Banks are classified on the basis of their ownership as public, private and foreign banks and their deposit collecting ability as deposit and development banks. Five general election and three local election events are studied during this period. I find that all banks except foreign development banks increase their nominal and real loan growth rates during general elections. Loan growth rates of public deposit and development banks are found to increase during local elections more than that of private banks. The results of one-step system GMM model suggests that loan growth rate of public banks is less pro-cyclical than that of private banks. Public deposit banks are found to lend pro-cyclically while public development banks are not. It is also found that public banks increase their loan growth rate in periods with negative GDP growth rate.

Keywords: Business Cycles, Elections, GDP Growth, Lending, Loan Growth

## ÖZET

### TÜRK BANKALARININ SEÇİM DÖNEMLERİ VE KONJEKTÜREL DALGALANMADAKİ KREDİ VERME DAVRANIŞI

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Yüksek Lisans, İşletme Bölümü

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Bu tez, Aralık 2001-Eylül 2016 döneminde üçer aylık veri kullanarak seçim dönemlerinde ve konjektürel dalgalanmada Türk bankalarının kredi verme davranışlarını incelemektedir. Bankalar, mülkiyetlerine göre kamu, özel ve yabancı banka olarak, mevduat toplama yeteneklerine göre, mevduat ve kalkınma bankaları olarak sınıflandırmıştır. Bu dönemde yapılan beş genel ve üç yerel seçim incelenmiştir. Genel seçim dönemlerinde, yabancı kalkınma bankaları dışındaki tüm bankaların nominal ve reel kredi büyüme oranlarını artırdıkları görülmüştür. Yerel seçim dönemlerinde, kamu mevduat ve kalkınma bankalarının kredi büyüme oranlarının özel bankalardan daha yüksek olduğu bulunmuştur. Tek aşamalı sistem genelleştirilmiş momentler metodu modelinin sonuçları, kamu bankalarının kredi büyümesinin, özel bankalardan daha az konjektürle aynı yönde hareket ettiğini göstermektedir. Kamu mevduat bankalarının kredi büyüme oranları konjektürle aynı yönde hareket etmesine rağmen, kamu kalkınma bankalarının kredileri konjektürle ters yönde büyüdüğü bulunmuştur. Ayrıca, negatif GSYİH büyüme oranı olduğu dönemlerde kamu bankalarının kredi büyüme oranlarını artırdığı görülmektedir.

Anahtar Kelimeler: Borç Verme, GSYİH Büyümesi, Konjektürel Dalgalanma, Kredi Artışı, Seçimler

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## **CHAPTER 1**

### **INTRODUCTION**

The presence of government owned banks is more common among developing countries than developed countries. In the literature, presence of governments owned banks, their importance and interventions of governments in management of public financial institutions have been the topic of debate for decades (e.g., Gerschenkron, 1962; Lewis, 1950; Stiglitz et al., 1993).

Many arguments have been presented in favor of existence of government owned banks. For example, government should create public banks so that it can have control over finance and resources of country and by having control over resources government can play an important role in development of industries especially in less developed countries (e.g., Gerschenkron, 1962). Presence of public banks also leads to availability of funds and economic growth during crisis periods. For example, public banks play positive role during crisis periods by providing credit and by maintaining liquidity in the market (e.g., Brei & Schclarek, 2013). However, some

studies have found that presence of public banks is associated with lower economic and financial growth especially in less developed countries (e.g., La Porta et al., 2002).

Researchers have presented two reasons behind the interference of governments in the management of public financial institutions. Development and social reasons and political reasons. Those supporting development and social view argue that these interventions are necessary especially in developing markets for proper functioning of financial markets. These interventions are also helpful in maintaining capital flow and liquidity in financial markets (e.g., Gerschenkron, 1962; Stiglitz et al., 1993).

Those supporting the political view argue that politicians can misuse public resources for their personal benefits. Politicians can either force the management of public banks by using their influence or through bribes to invest in projects that do not necessarily need to be social but can help them to win elections. Politicians can also force public banks to give loans to politically connected firms and on favorable conditions, such as loans with low interest rates and with long maturities (e.g., Lewis, 1950; Shleifer and Vishny, 1994).

Previous studies found that during elections loan growth rate of public banks increases in developing countries while it is not significantly different from loan growth rate of private banks in developed countries (e.g, Dinç, 2005). These empirical findings support the political use of public banks in developing countries. In the literature, it is also found that in countries with good governance, lending by public banks is less pro-cyclical than that of private banks and public banks provide more credit during negative GDP growth rate periods (e.g., Bertay et al., 2015). Increase in loan growth rate of public banks during negative GDP growth rate periods supports the social and development view about the intervention of government in public banks. This behavior of public banks also supports the argument that the main objective of public banks is not to earn profit but to maintain liquidity in financial markets.

In this thesis, I study how lending behavior of public, private and foreign banks in Turkey changes during elections and with the GDP growth rate. In addition to their ownership types, banks are also classified based on their deposit collecting ability as deposit and development banks.

Turkey is an emerging economy and among the G20 countries. It experienced banking crisis in the early 2000's. After the crisis, Banking Regulations and Supervision Agency (BRSA) was established and many changes were made in banking regulations such as, restricting loan provision to bank owners and increasing capital adequacy ratios of banks. After these reforms in banking sector, foreign banking has also flourished in Turkey; the share of foreign banks in banking sector of Turkey increased in the last decade. They have almost 28% share in total deposits of banking sector in 2015 which was less than 3% in 2001. These changes in banking sector make Turkey an interesting economy to study.

A period of 15 years from December 2001 to September 2016 is examined in this thesis. In this period, there are eight elections in Turkey: five general elections and three local elections. These election periods are used to study the lending behavior of banks during elections. GDP growth rate and growth rate in industrial production are used to study the cyclicity of loan growth rates of banks.

First, I analyze the lending behavior of banks during local and general elections. I use ordinary least squares with robust standard errors controlling for banks specific characteristics including their size, liquidity, profitability and risk with time and bank fixed effects. It is found that loan growth rate of public banks (both deposit and development) increases significantly more than that of private banks during local elections, while in general election loan growth rate of public banks is not significantly different from that of private banks. It is also found that the loan growth



rates of all banks except foreign development banks increases significantly during general elections.

Second, I analyze the relationship between loan growth rates of banks and GDP growth rate. Because of endogeneity I use one-step system generalized methods of moments (GMM) in estimations. It is found that loan growth rate of public banks in Turkey is less pro-cyclical than that of private banks. Public deposit banks are found to engage in cyclical lending behavior while public development banks did not. Public banks are found to increase their loan growth rate in periods with negative GDP growth rate.

The thesis is organized as follows. In chapter 2, I present theoretical and empirical studies related to lending behavior of banks during elections and GDP growth cycles. In chapter 3, I discuss the banking sector in Turkey in early 2000's, some characteristics of banks, business cycles and elections in Turkey over the last 15 years. In chapter 4, I present empirical models and data. In chapter 5, I present the empirical results. Lastly, chapter 6 concludes the study.

## **CHAPTER 2**

### **LITERATURE REVIEW**

This chapter is divided into four major sections. In the first section, theoretical literature about interventions of government in financial sector is discussed. The motivations behind these interventions and how these interventions affect the lending behavior of different banks by their ownership are discussed. The other three sections summarize the empirical literature about lending behaviors. In the second section, literature about lending behavior of banks by their ownership type is discussed. In the third section, the papers examining lending behavior of these banks during election years are summarized. The fourth section presents the evidence about lending behavior of banks during business cycles and crisis periods.

## **2.1 Theoretical literature related to interventions of government in financial sector**

Interventions of government in financial markets especially in banking industry have been a topic of debate for a long time. In the literature, two major reasons for these interventions have been discussed. The first one is the social and development purpose. It argues that government involvement in the banking industry is for economic growth. The second is political purpose. It argues that government controls financial institutions in order to favor politically connected firms and get benefits from these banks. In this section theoretical literature related to both political and social and development purposes of interventions is discussed.

### **2.1.1 Social and development purpose**

Gerschenkron (1962) is one of the supporters of the development view of government interventions in financial markets. He suggests that for economic growth and industrialization of a country, government should play an important role in its financial markets and create banks to provide capital to those who cannot get it from other sources. Government can increase growth in a country through government-owned banks that increase access to capital and control flow of funds. By overcoming shortage or unavailability of capital in financial markets, economic growth can be achieved.

Stiglitz et al. (1993) also support social and development view. They argue that government interventions in financial markets can have positive effects on growth and development of a country. As government can ensure the solvency of banks, it achieves smooth functioning of credit markets, eliminates market failures and ensures proper allocation of resources. Moreover, they say that government provides funds to social and/or development projects that may not be financed by private institutions because these projects may not be profitable.

### **2.1.2 Political purpose**

The other purpose for intervention of government in financial markets is political. Ruling political party can influence the decisions of public banks. Politicians may force public banks to give loans to projects that are not necessarily be social but can help them to win elections by showing that these projects are for improvement of their welfare. Politicians may also force public banks to give loans to politically connected firms on favorable conditions such as loans with large amounts, low interest rates and long maturities.

Lewis (1950) argues that in democratic countries, government uses public funds to invest in social projects just before elections to increase their chances for reelection. Shleifer and Vishny (1994) develop a model that describes how political pressure affects decisions of managers of public and private firms. In their model, there are three players: a treasury, a politician and a manager of a firm. They argue that politician can influence the manager's decisions of public firms either using their influence or through bribes to achieve their political objectives. These political objectives can be to give loans to politically connected firms on favorable terms.

So, irrespective of the purpose of interventions by government in banking sector, it affects the lending behavior of banks. These interventions will affect public banks more because government has control over these banks. Hence, public banks are expected to provide more funds to less profitable or riskier projects. They are also expected to provide loans to politically connected firms. Around elections, political use of public banks is expected to increase which can increase the loan growth rate of public banks more than other banks.

## **2.2 Empirical literature on lending behavior of banks by ownership type**

This section discusses empirical studies about lending behavior of public, private and foreign banks in several countries and in different time periods. Sapienza (2004) examined how government ownership affects the lending behavior of banks by using individual loan contracts data of more than 50,000 companies operating in Italy, a developed country with a high percentage of government bank ownership, for the period 1991-1995. She found that public banks grant loans with lower interest rates than private banks do, controlling for company and bank characteristics and local market structure. She reported that large firms or those located in Southern Italy enjoy the benefit of getting loans with lower interest rate. Moreover, she analyzed the political party affiliation of the chairperson of a state-owned bank and reported that the strength of the political party affiliated with a bank affects the decline in interest rates on loans provided by these banks. Hence, if a ruling political party is stronger in a specific area or region than interest rates on loans issued by public banks is lower in that area.

Khwaja and Mian (2005) presented another evidence of the favorable treatment of government-owned banks. Their sample is from a developing country, Pakistan. They studied a universe of individual loan contracts of more than 90,000 companies issued by both private and public banks operating in Pakistan for the period 1996-2002. In their study, a firm was classified as politically connected if there were politicians on the board of directors of a firm. They found that politically connected firms are more likely to get loans from public banks with favorable characteristics than non-political firms, controlling for other firm characteristics. These favorable treatments include lower interest rate and larger loan size. They report that these politically connected firms borrowed 40% more than other firms and their default rate was 50% higher than other firms.

Chen et al. (2014) analyzed 69,332 bank-loan contracts in Taiwan for the period 1991-2008 to examine the preferential treatments of public banks in lending politically connected firms. They used two definitions of political connection: the first one is whether the top managers are appointed by government officials, the second one depends on whether the top managers were supported by political parties or were their members. They found that public banks favor firms which have political connections. Their favorable treatment included giving loans with lower interest rate, longer maturity and less collateral requirements. They controlled for loan and firm characteristics in their model.

These empirical studies support political explanations for interventions of government in public banks. Political influence affects the lending behavior of public banks that give loans with favorable terms to politically connected firms. In the next section, studies examining the lending behavior of banks during elections are presented. Election is an exogenous event, so political influence on public banks can be observed directly.

### **2.3 Empirical literature on lending behavior of banks by ownership type during elections**

It is expected that loan growth rate of public banks is more than that of private banks during elections because political use of public banks is expected to increase during elections. Dinç (2005) studied the lending behavior of banks during elections for a sample of 36 countries, including 19 emerging and 17 developed countries. His sample included the largest ten banks in each country and the period 1994-2000. He found that public banks increase their lending significantly in election years only in emerging countries whereas no significant difference in loan growth rates of public and private banks was found in developed countries. Instead of the percentage change in loans issued by banks, he used the ratio of the change in loans during the year to total assets at the beginning of a year as a dependent variable. Total assets are used as

a measure of size and loans with a maturity longer than a year are also included in total assets so he normalized change in loans by total assets of previous period instead of total loans. In the analysis, he controlled for macroeconomic characteristics that might change during the election years, and bank characteristics as well as bank and year fixed effects.

Micco et al. (2007) examined lending behavior of banks during elections, using a sample of banks from 179 countries for the period 1995-2002. They classified banks as a foreign bank or a public bank if more than 50% of its shares are owned by foreigners or government respectively while Dinç (2005) used 20% ownership share as a cutoff. They tested the same hypothesis as Dinç (2005) tested for a larger sample of countries and used the same definition of loan growth rate. They also found that in developing countries loan growth rate of public banks was significantly higher than that of private banks in election years. They did not find a significant relationship for developed countries.

Carvalho (2014) examined the effect of political influence on the decision making of public banks operating in Brazil for a period of 12 years from 1995-2006. He found that firms which are eligible for getting loans from public banks increase their employment in politically attractive regions prior to elections and these firms get larger amount of loans from public banks.

Iannotta et al. (2013) analyzed the lending behavior of banks during elections in 16 European countries (countries having public banks) for a period of 10 years, 2000-2009. They only included large commercial banks in their sample, i.e., banks which had total assets of more than 10 billion euros. They found that public banks in Europe increase their lending during elections. They also examined the effect of ownership of banks on their risks. They found that public banks have less default risk and more operating risk than that of private banks, and operating risk of public banks increases

during elections. Bank specific characteristics with time and bank fixed effects are controlled for all studies discussed in this section.

In summary, these studies show that political influence on lending behaviors of public banks exists. It is observed in developing countries, lending by public banks increases in elections. None of these studies examined the lending behavior of foreign banks during elections.

#### **2.4 Empirical literature on lending behavior of banks by ownership type during business cycles and crisis**

Brei and Schclarek (2015) presented a theoretical model related to bank lending and ownership behavior during crisis. They argued that during crisis, lending by public banks increases, as governments try to maintain liquidity in the markets during crisis periods. They also argued that primary motive of public banks is not to make profit but they are formed to help financial markets in difficult times to stabilize the economy. Public banks may also experience less deposit withdrawals during crisis as their credibility is higher and they have more funds to offer to financial markets. So, public banks are expected to play a positive role by increasing their lending during in crisis periods.

There are some studies that examine the relationship between GDP growth rates and lending by banks to examine the cyclicity of loan growth of banks with business cycle. Others examine lending behavior of banks by ownership type in crisis periods to study lending behavior of banks during crisis periods. Both kinds of studies are discussed here.



Micco and Panizza (2006) examined the lending behavior of banks by their ownership types over the business cycle. They studied both developing and industrial countries for a period of eight years, 1995-2002. They found that loan growth rate of public banks in developing countries is less pro-cyclical than those in industrial countries. For business cycle they used GDP growth rates of countries and their model controls for country and year fixed effects.

Bertay et al. (2015) examined the cyclicity of loan growth rate of banks by ownership with GDP per capita growth rate. Their sample included 111 countries and a period of 12 years, 1999-2010. They found that loan growth rate of public banks is less pro-cyclical than that of private banks. They measured credit growth rate in two ways; credit growth rate adjusted by GDP deflator and credit growth rate in real USD. Instead of GDP growth rate, they used growth rate of GDP per capita as a measure of business cycle. They also found that loan growth rate of public banks was more than private banks in periods with negative GDP growth rate.

Behr et al. (2017) analyzed the cyclicity of SME lending over the business cycle for government-owned banks. They studied the loans issued by German saving and cooperative banks for a period of 21 years, 1987-2007. They used GDP growth rate as a measure of business cycle and employed both systematic GMM and least squares methods. They found that lending by public banks is less pro-cyclical than other local banks as they found the negative coefficient for public-GDP interaction variable.

The above mentioned studies have used “GDP growth rate” or “GDP per capita growth rate” as independent variables to see how lending behavior of different banks changes with GDP growth rate. Instead of business cycle, some studies compare the lending behavior of banks by ownership types in crisis periods and non-crisis periods. These studies are discussed below.

Cull et al. (2013) examined the loan growth rate of public, private and foreign banks operating in Latin American and Eastern European countries for a period of six years from 2004 to 2009 that covers pre-crisis and global crisis periods. They used growth rate of loans as a dependent variable, and controlled for bank specific characteristics with fixed effects for country, bank and time. They found that private banks in both regions decreased their loan growth rates during the crisis periods. They also found that public banks in Latin America increased their lending significantly in crisis times. Foreign banks in Eastern Europe decreased their loan growth rates significantly in 2009.

Fungáčová et al. (2013) analyzed how credits provided by banks in Russia changed during the global financial crisis using quarterly data for the period 2007-2009. They found that foreign banks decreased their loan growth during crisis more than private banks, while public banks increased their loan growth rate in the last quarter of 2008 and the first two quarters of 2009.

Brei and Schclarek (2013) studied lending behavior of 20 different countries from 1994-2009 mainly focusing on systematic banking crisis and global financial crisis of 2007-08. They applied nested regression model. Controlling for bank specific variables with time and country fixed effects, they found that public banks increased their lending and private banks decreased it during financial crisis.

Meriläinen (2016) studied lending behaviors of different types of banks during crisis of 2008-09 in 18 Western European countries for a period of 10 years, 2004-2013. He classified banks into four groups as commercial banks, cooperative banks, private savings banks and publicly owned savings banks. His main focus was to study the lending behavior of banks during financial and sovereign debt crisis. He found that loan growth rate of commercial and private saving banks decreased during crisis while loan growth rate of public saving and cooperative banks was not affected by these two crises.

In summary, it can be inferred from the literature that there is political influence on lending behavior of public banks. Politically connected firms get loans on better conditions from public banks and political use of public banks increases during election as in elections loan growth rate of public banks increases more than that of other banks. Loan growth rate of public banks is also found to be less pro-cyclical than that of private banks. Public banks are found to increase their lending during periods with negative GDP growth rates and in crisis.

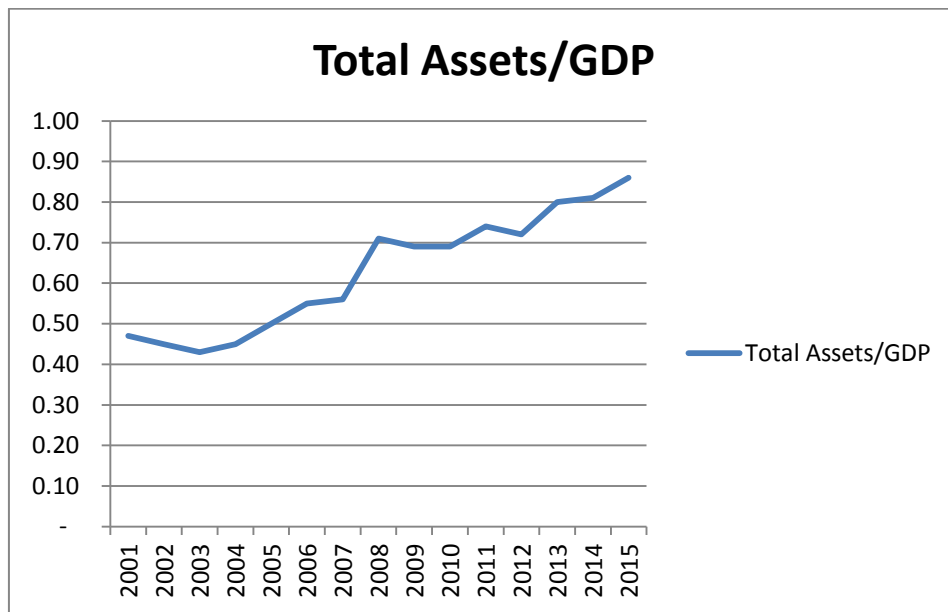
## **CHAPTER 3**

### **BANKING INDUSTRY, GDP AND ELECTIONS IN TURKEY**

Turkey experienced banking and liquidity crisis in 2000 and 2001. After the crisis, Turkish banking restructuring program was introduced in May 2001. The aim of this program was to establish a strong and competitive banking system in Turkey, so that banking sector can overcome any upcoming crisis in a better manner. The Banking Regulatory and Supervisory Agency (BRSA) was established to regulate the banking sector in this period. The program included many reforms, such as strengthening capital structure of banks, operational and financial reconstruction of public banks, effective supervision structure, discipline and transparency in markets and establishment of asset management commission (BRSA, 2009). Two state banks (Ziraat and Halk) were operationally and financially restructured by increasing their capital adequacy ratio to more than 8%. In July 2001, six private banks which were unable to raise their capital to the required level were taken over by the BRSA.

#### **3.1 Banking industry in Turkey after 2000**

The banking sector of Turkey has been growing over the last decade. Figure 3.1 presents the total assets to GDP ratio from 2001 to 2015. The decrease in the first three years can be explained by the 2001-2002 crises. After 2003, the size of the banking sector has been increasing and by 2015 it is close to 0.9.



**Figure 3.1: Total banking assets to GDP ratio**

Turkish banking sector has both deposit and non-deposit banks. Deposit banks (Commercial banks) are allowed to collect deposits whereas non-deposit (investment and development) banks are not. Deposit banks have the largest share in terms of assets and loans in the Turkish banking sector as shown in Table 3.1. Although the function of non-deposit banks is to provide credits for investments, their share in the loan market decreased from 2001 to 2010 and after 2010 it has positive trend. The share of non-deposit banks in total loans was 14.4% in 2001 and it decreased to 3.7% in 2010 and it increased to 5.6% in 2015.

**Table 3.1: The shares of deposit and non-deposit banks in total assets and total loans of banking sector**

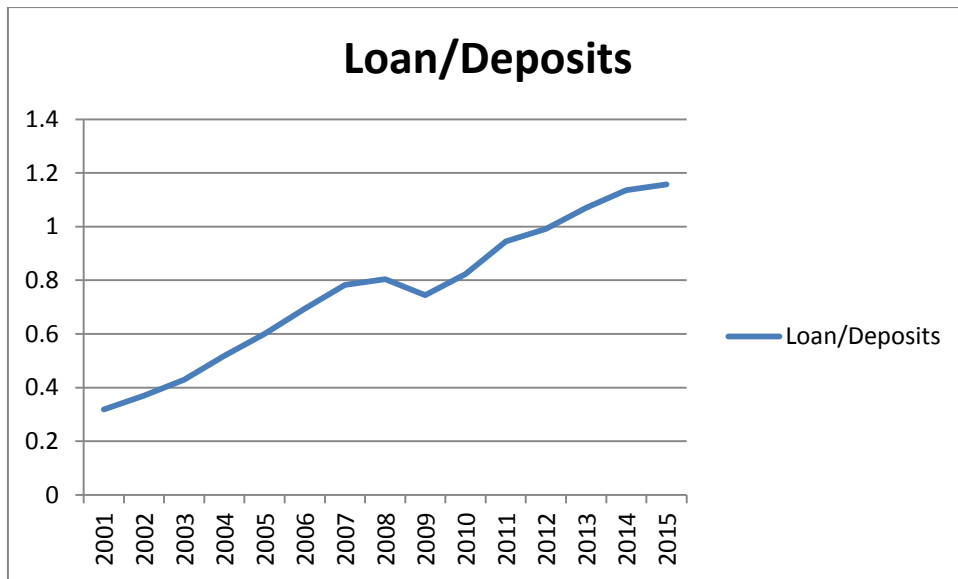
Year	Assets		Total Loans	
	Deposit Banks	Non- deposit banks	Deposit Banks	Non- deposit banks
2001	0.953	0.047	0.856	0.144
2002	0.956	0.044	0.886	0.114
2003	0.959	0.041	0.905	0.095
2004	0.963	0.037	0.929	0.071
2005	0.968	0.032	0.949	0.051
2006	0.968	0.032	0.955	0.045
2007	0.966	0.034	0.959	0.041
2008	0.968	0.032	0.959	0.041
2009	0.966	0.034	0.957	0.043
2010	0.968	0.032	0.963	0.037
2011	0.964	0.036	0.958	0.042
2012	0.959	0.041	0.954	0.046
2013	0.957	0.043	0.948	0.052
2014	0.955	0.045	0.947	0.053
2015	0.952	0.048	0.944	0.056

Table 3.2 shows the change in the number of deposit banks by ownership and the number of non-deposit banks operating in Turkey from 2001 to 2016. The number of public deposit banks is same in this period. Private deposit banks which were 22 in 2001 have declined to 9 in 2016. The number of foreign banks increased after 2005 and reached the maximum number in 2015. The number of non-deposit banks is 13 and has not changed since 2004. They are 3 public, 6 private and 4 foreign non-deposit banks.

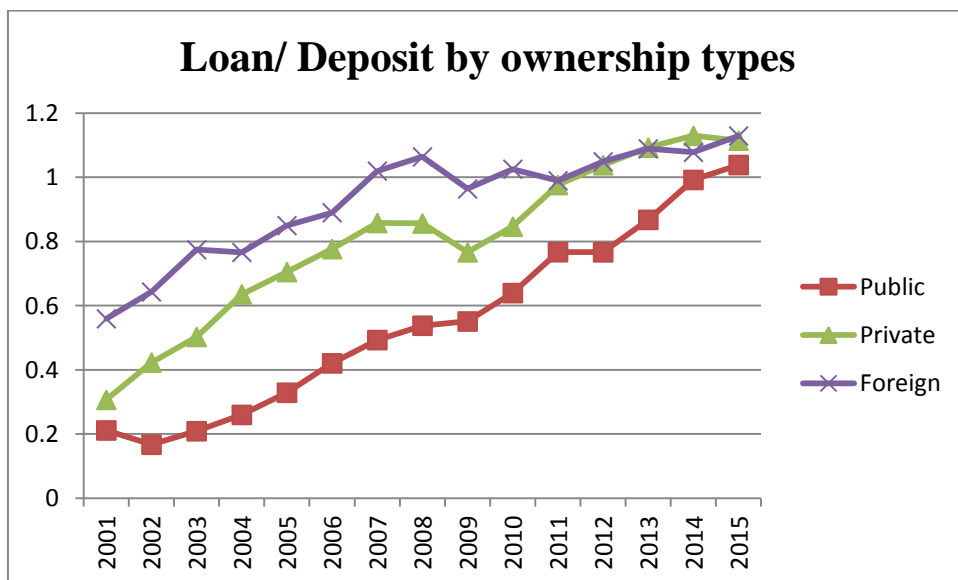
**Table 3.2: Number of deposit and non-deposit banks by ownership, 2001-2016**

<b>Year</b>	<b>Public deposit banks</b>	<b>Private deposit banks</b>	<b>Foreign deposit banks</b>	<b>Non-deposit banks</b>
2001	3	22	15	15
2002	3	20	15	14
2003	3	18	13	14
2004	3	18	13	13
2005	3	17	13	13
2006	3	14	15	13
2007	3	11	18	13
2008	3	11	17	13
2009	3	11	17	13
2010	3	11	17	13
2011	3	11	16	13
2012	3	11	16	13
2013	3	11	17	13
2014	3	11	19	13
2015	3	9	21	13
2016	3	9	21	13

Figure 3.2 shows total loans-to-total deposits ratio of banks in Turkey. A monotonous increase in this ratio can be observed except 2009. After 2013, banks started to provide loans more than their deposits. Figure 3.3 shows “total loans-to-deposits ratio” of deposit banks by ownership. All banks have an increasing trend. Loan to deposit ratio of the foreign banks is the highest in the first ten years of sample period. After 2014, loan to deposit ratio of all banks is more than one indicating that they are providing more loans than collected deposits.



**Figure 3.2: Total banking loan to deposit ratio**

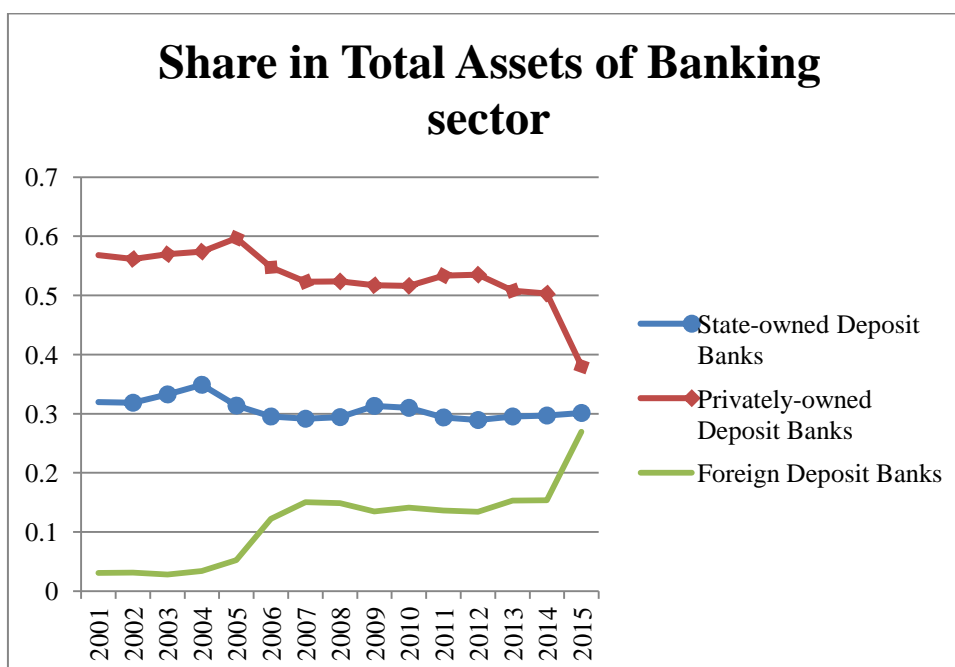


**Figure 3.3: Loan/Deposits Ratio of Deposit banks by ownership types**



### 3.1.1 Deposit Banks by Ownership Type

Banks are classified into three in terms of their ownership as private, foreign and public owned. Figure 3.4 shows the share of assets of deposit banks by ownership in total assets of Turkish banking sector. The share of public deposit banks fluctuates around 30% for the whole period. In general, private banks have decreasing trend. In 2015, the share of private banks in total assets is less than 40%. The share of foreign banks in total assets increased after 2005 due to the increase in their number and their share is more than 28% in 2015.



**Figure 3.4: Share of deposit banks by their ownership in total assets of banking sector**

Figure 3.5 and Figure 3.6 show the share of deposit banks by ownership in total deposits and total loans of banking sector, respectively. The share of public banks in deposits was more than 40% in 2004 and after that it decreased a little bit but it consistently remained more than 30%. After 2003, deposit share of foreign banks increased and in 2015 it is near to 30%. The decrease in share of private banks is due to decrease in their number because they were purchased by foreigners.

The share of private banks in loans of banking sector was more than 60% in the first five years except 2001 and it decreased after 2005 and it was less than 40% in 2015. The share in assets, deposits and loans of private banks decreased by large amount from 2014 to 2015 because of change in ownership of Garanti bank from private to foreign. Garanti bank is the third largest bank of Turkey by size and it holds more than 11% of total assets of the banking sector.

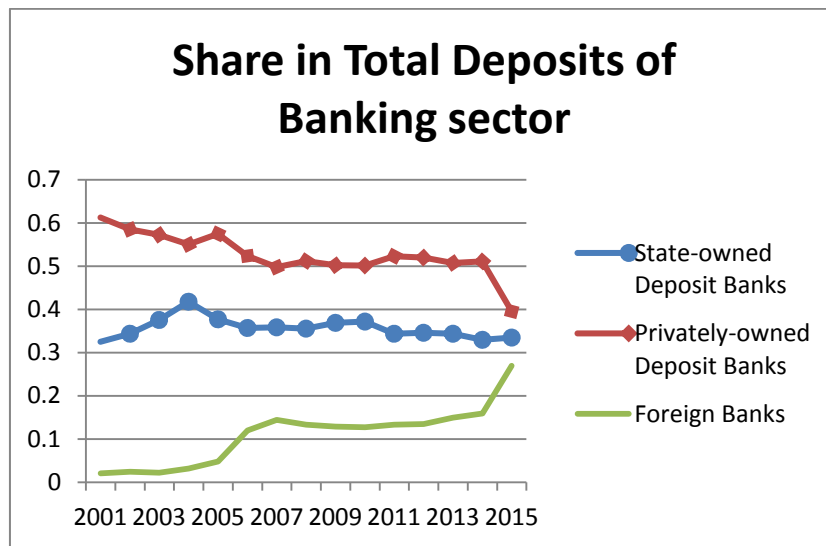


Figure 3.5: Share of deposit banks by their ownership in total deposits of banking sector

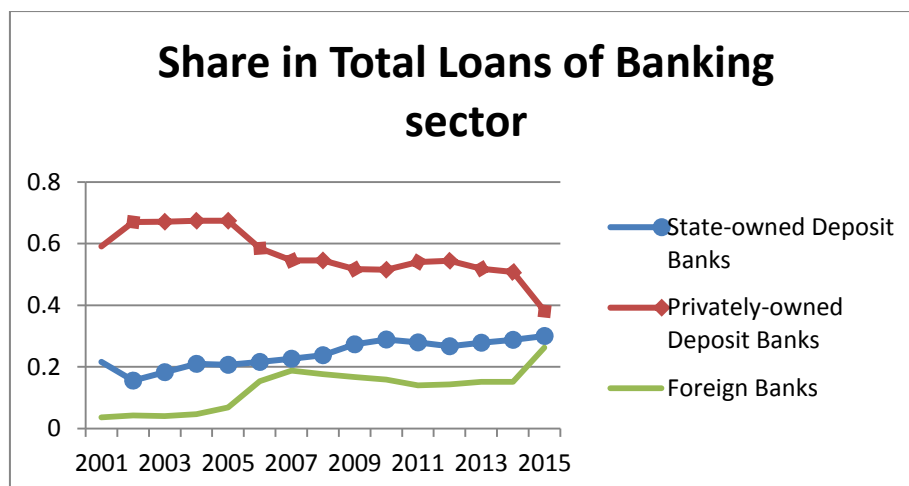


Figure 3.6: Share of deposit banks by their ownership in total loans of banking sector

### 3.1.2 Loan growth rate of deposit and non-deposit banks

Figure 3.7 shows the annual loan growth rate of deposit and non-deposit banks from 2002 to 2015. A very similar pattern is observed for the total loan growth rate and loan growth rate of deposit banks because share of deposit banks in Turkish banking sector is more than 90%. More fluctuations in loan growth rate of non-deposit banks are observed.

Figure 3.8 shows the loan growth rate of deposit banks by ownership. A high loan growth rate of foreign banks can be seen in 2006 due to an increase in the number of foreign banks from 13 to 17. In general, loan growth rate of public banks is higher than that of private banks.

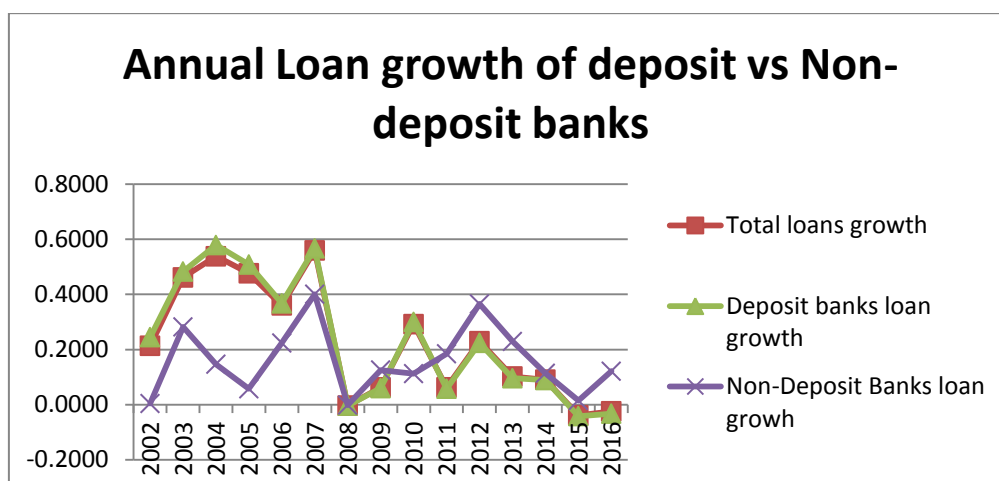
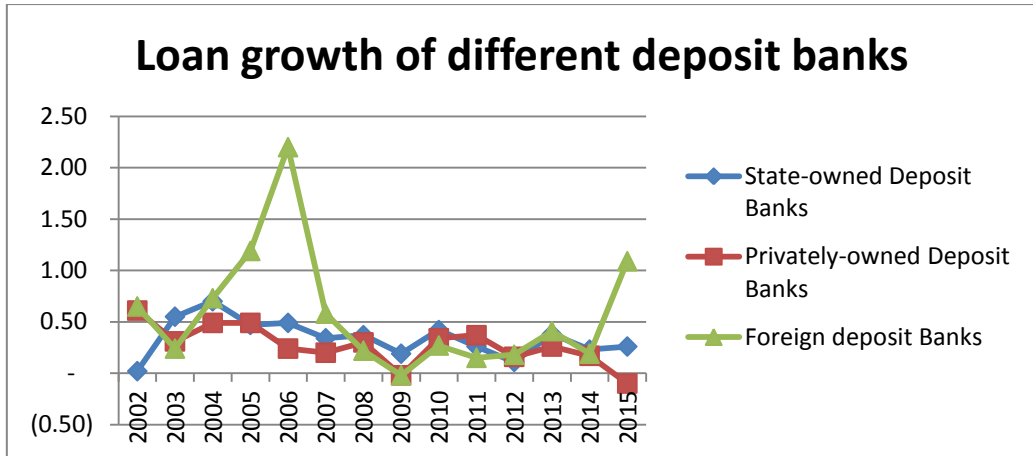


Figure 3.7: Annual loan growth rate of deposit and non-deposit banks



**Figure 3.8: Loan growth rate of different deposit banks by ownership**

### 3.2 Elections in Turkey

Table 3.3 shows the list of two major types of elections in Turkey: Local and general elections. Turkey had five general elections and three local elections from 2002 to 2016. The members of general assembly are selected in general elections. Local elections are conducted to select mayors and councilors.

**Table 3.3: Elections in Turkey for the period 2002-2016**

<b>General elections</b>	<b>Local elections</b>
Nov 2002	March 2004
July 2007	March 2009
June 2011	March 2014
June 2015	-
Nov 2015	-

### 3.3 GDP growth rate in Turkey

Figure 3.9 presents the quarterly real and nominal GDP growth rates in Turkey. High values of nominal GDP growth rate can be observed in the first few years due to high inflation while the real GDP growth rate is almost always less than 5%. Both real and nominal GDP growth rate were negative during the 2008 global financial crisis period. Industrial production growth rate of Turkey is also presented in Figure 3.10. Negative industrial production growth rate is observed in 2007-08. In general, industrial production growth rate in Turkey is less than 5% just like real GDP growth rate.

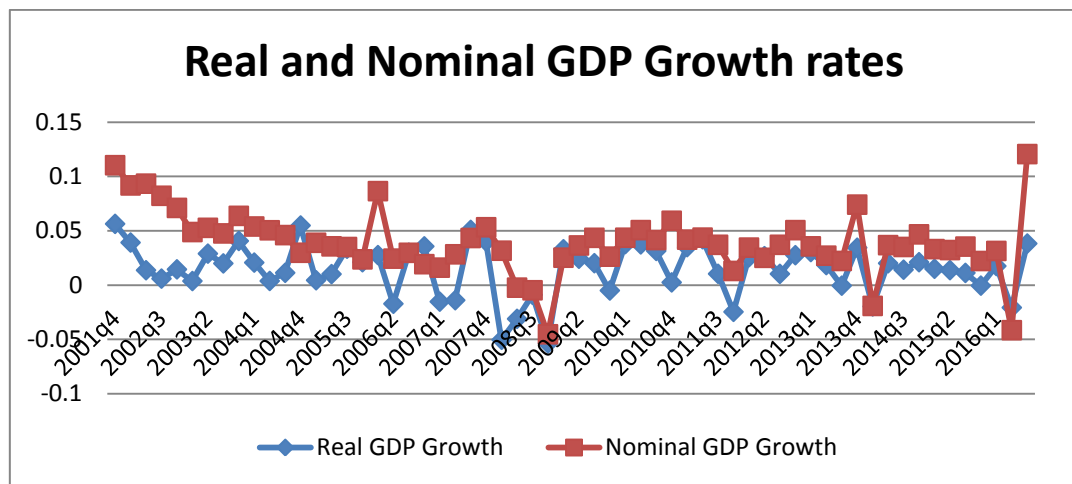


Figure 3.9: Real and nominal GDP growth rate in Turkey from 2001-2016

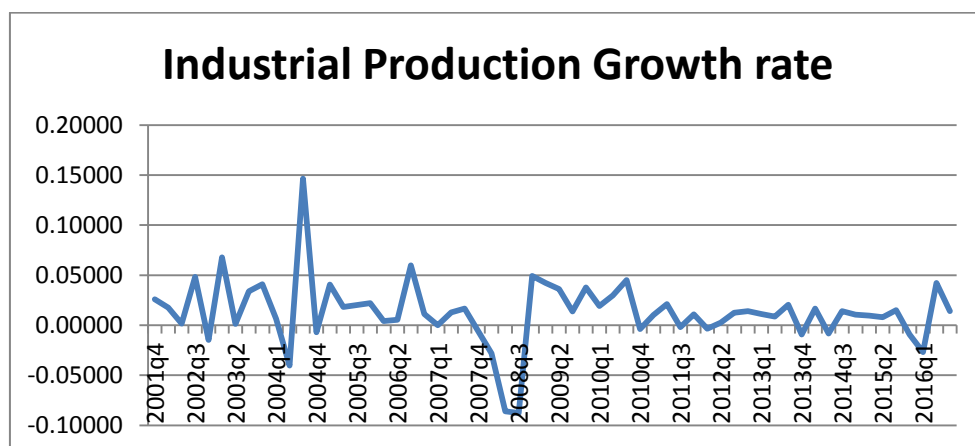
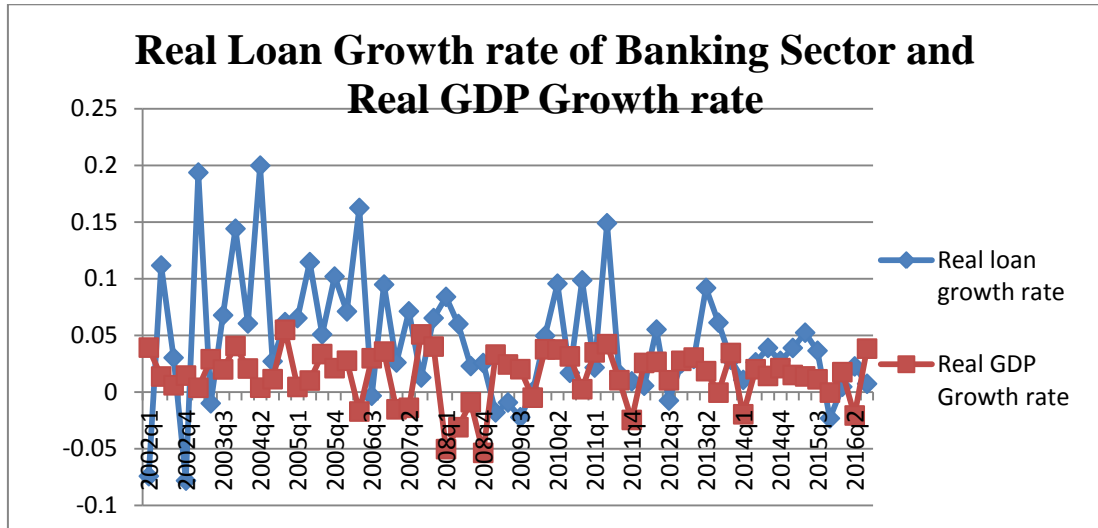


Figure 3.10: Industrial Production growth rate in Turkey

Figure 3.11 presents the graph of real GDP growth rate and real loan growth rate of banking sector of Turkey. In general, the values of growth rates of real loans are much higher than that of real GDP growth rate especially in positive GDP growth periods.



**Figure 3.11: Real loan growth rate and real GDP growth rate in Turkey**

## CHAPTER 4

### EMPIRICAL MODELS AND DATA

#### 4.1 Empirical Models

This section consists of two parts. The first part explains the model used to analyze the lending behavior of different types of banks by ownership (public, private and foreign) and by deposit collecting ability (deposit or non-deposit) in Turkey during elections. The second part explains the model that is used to test the relationship between loan growth rate and GDP growth rate.

##### 4.1.1 Model for Lending Behavior during Election periods:

The following hypothesis is tested:  $H_1$ : Loan growth rate of public banks (both deposit and non-deposit banks) is higher than that of private banks during elections in Turkey, holding other factors constant. This hypothesis is developed by following the literature that public banks may be used for political reasons. Elections are events

which motivate the politicians to use government's resources to increase their chances of election.

The following model is developed:

$$Y_{it} = \beta_i + \eta X_{it-1} + \alpha_1 elections_{it} + \gamma election_{it} * Ownership_{it} + \sum_{j=1}^4 \delta Y_{it-j} + \theta_t + \mu_{it} \quad (4.1)$$

$Y_{it}$  represents loan growth rate of bank  $i$  in period  $t$ ,  $\beta_i$  indicates bank fixed effects,  $\theta_t$  represents time dummy variables,  $X_{it}$  includes control variables related to bank characteristics, i.e. size, capital ratio, liquidity, ROA, net interest margin and loan loss provisions. Election and ownership are dummy variables for elections periods and type of banks respectively and  $\mu_{it}$  is error term. This model also controls for dummies of quarters to control for seasonality in data.

Loan growth rate is calculated in six ways. The definitions of variables are described in Table 4.1. LGR1 and LGR2 are changes in loan amounts from one quarter to another normalized by previous period's loans and assets respectively. Loans include both short-term and long-term loans. Loans with longer maturities given in previous quarters are expected to increase the total assets for future quarters as well, as total assets also includes the total amount of loans given by a bank. To capture this effect loans are also normalized by total assets besides previous periods' loans as in (Dinç, 2005). LGR3 is the log value of loans in current quarter divided by loans of previous quarter. RLGR1 and RLGR2 are changes in real loan amounts from one quarter to another normalized by previous period's real loans and real assets respectively. Real values of loans and assets are calculated by adjusting the nominal values of loans and assets with Consumer Price Index of Turkey. RLGR3 is the log value of real loans in current quarter divided by real loans of previous quarter.



Election is a dummy variable which takes a value “1” for the election quarters and one quarter before the election and “0” otherwise. It can be argued that government-owned banks may start to provide loans for political reasons before the election. Therefore, another set of election dummy variable is created that is equal to 1 for election quarter and two quarters prior to election quarter. For robustness, the models are also estimated by taking only election quarters.

Two types of elections in Turkey are examined in this study: general elections and local elections. Loan growth rate of public banks is expected to increase in both elections. Both general and local elections are tested separately and combined.

Banks are grouped into categories on the basis of their ownership and their deposit collection activity. Public, private and foreign banks are sub-divided into deposit and non-deposit banks categories. Pub1, pub2, pvt1, pvt2, for1 and for2 represents the dummy variables for public deposit, public non-deposit, private deposit, private non-deposit, foreign deposit and foreign non-deposit banks respectively. A positive and significant coefficient of the public bank-election interaction variable is expected if loan growth rate of public banks increases during elections more than that of private banks.

The capacity of a bank to give loans depends upon the size of bank and the liquid assets it owns. Size and liquidity are added as control variables. The signs of these variables are expected to be positive. Banks adjust their capital ratio based on their lending behavior, so capital ratio is also included as another control variable and its expected sign is also positive. Net interest margin includes the net interest income which includes both interest on loans (earnings) and interest on deposits (expenses). The higher the value of this variable, the higher its earnings on loans. It will increase bank's future lending capacity and its willingness to lend. This variable is also expected to have a positive sign. Loan loss provision is included in the model to control for bank risk. If these provisions are high, it is expected that loan growth rate of banks will be less, so a negative coefficient is expected for this variable.

**Table 4.1: Definition of Variables**

<b>Variable</b>	<b>Definition</b>
<b>Loan Growth</b>	
<b>Rates:</b>	
LGR1	$(\text{loans in } t - \text{loans in } t-1) / \text{loans in } t-1$
LGR2	$(\text{loans in } t - \text{loans in } t-1) / \text{Assets in } t-1$
LGR3	$\log(\text{loans in } t / \text{loans in } t-1)$
RLGR1	$(\text{real loans in } t - \text{real loans in } t-1) / \text{real loans in } t-1$
RLGR2	$(\text{real loans in } t - \text{real loans in } t-1) / \text{real assets in } t-1$
RLGR3	$\log(\text{real loans in } t / \text{real loans in } t-1)$
<b>Control variables:</b>	
Size	Log (total assets)
Liquidity	liquid assets/total assets
Capital Ratio	Equity/total assets
ROA	Net profit/total assets
NI margin	Net interest margin = (Net interest income/total assets)
LLP	Loan loss provisions = (Loan loss provisions/ total loans)
<b>Ownerships</b>	
<b>variables:</b>	
Pub	Dummy variable for public banks (Both deposit and non-deposits)
Pub1	Dummy variable for public deposit banks
Pub2	Dummy variable for public Non-deposit(Investment) banks
Pvt	Dummy variable for private banks (Both deposit and non-deposits)
Pvt1	Dummy variable for private deposit banks
Pvt2	Dummy variable for private Non-deposit(Investment) banks
For	Dummy variable for foreign banks (Both deposit and non-deposits)
For1	Dummy variable for foreign deposit banks
For2	Dummy variable for foreign Non-deposit(Investment) banks
<b>Elections</b>	
<b>Variables:</b>	
Elections1q	Dummy variable for elections quarters, Takes value “1” (for elections quarter and one quarter before elections) and “0” otherwise.
Elections2q	Dummy variable for elections quarters, Takes value “1” (for elections quarter and two quarters before elections) and “0” otherwise.
Elections0q	Dummy variable for elections quarters, Takes value “1” (for elections quarter only) and “0” otherwise.
<b>GDP Variables:</b>	
GDP Growth	Quarterly growth rate in GDP (calculated separately for both nominal and real GDP)
GDP Negative	GDP growth rate of that quarter if GDP growth rate is negative and 0 otherwise
GDP Positive	GDP growth rate of that quarter if GDP growth rate is positive and 0 otherwise

All loan growth variables exhibit fourth order autocorrelation. Four lags of loan growth rates are included in the model in order to control for autocorrelation. The correlation coefficients of loan growth rates with p-values (significance level) are presented in Table 4.2.

**Table 4.2: Correlation coefficients of loan growth rates**

<b>Variables</b>	<b>LGR1</b>	<b>LGR2</b>	<b>LGR3</b>	<b>RLGR1</b>	<b>RLGR2</b>	<b>RLGR3</b>
<b>1st lag</b>	0.1557 (0.000)	0.1992 (0.000)	0.128 (0.000)	0.1214 (0.000)	0.1623 (0.000)	0.0954 (0.000)
<b>2nd lag</b>	0.1589 (0.000)	0.1915 (0.000)	0.1526 (0.000)	0.1628 (0.000)	0.1831 (0.000)	0.156 (0.000)
<b>3rd lag</b>	0.0679 (0.007)	0.0766 (0.002)	0.0503 (0.045)	0.0549 (0.029)	0.0566 (0.022)	0.038 (0.130)
<b>4th lag</b>	0.0977 (0.000)	0.0689 (0.006)	0.0808 (0.001)	0.1203 (0.000)	0.0944 (0.000)	0.1051 (0.000)

#### **4.1.2 Model for Lending Behavior and Business cycle:**

Two hypotheses are tested to examine the relationship between lending behavior of banks during business cycle: **H<sub>2</sub>**: Lending by public banks (both deposit and non-deposit) banks is less pro-cyclical than private banks in Turkey holding other factors constant. **H<sub>3</sub>**: Loan growth rate of public banks is higher than that of private banks in negative GDP growth rate periods, holding other factors constant. Private banks are expected to decrease their lending during recessions due to high uncertainty in the economy. Moreover, government wants to maintain liquidity and capital flow in the economy and injects funds in market through loan provisions by public banks.

The following model is estimated to analyze how lending behavior of banks by ownership changes with the growth rate in GDP as in (Behr et al., 2017).

$$Y_{it} = \beta_i + \eta X_{it-1} + \alpha_1 GDPgrowth_{it} + \gamma GDPgrowth_{it} * Ownership_{it} + \sum_{j=1}^4 \delta Y_{it-j} + \theta_t + \mu_{it} \quad (4.2)$$

All control and ownership variables are same as presented in equation 4.1. GDP growth rate is measured using both nominal and real GDP. Nominal GDP growth rate is used in the model for nominal loan growth rates and real GDP growth rate is used in the model for real loan growth rates. The sign of coefficient of interaction variable of GDP growth rate with public banks (pub, pub1 and pub2) is expected to be negative if public banks act less pro-cyclically than private banks do.

Endogeneity is observed between loan growth rate of banks and GDP growth rate. The results of endogeneity test are shown in empirical results section along with regression estimates. Ordinary least squares (OLS) estimates will not give consistent results. Instead of OLS, one-step system GMM method is used to estimate the results as in Behr et al. (2017). This method takes instruments based on the first difference equation which eliminates the bank fixed effects.

To examine how lending behavior of banks changes during periods with negative and positive GDP growth rates, the model presented in equation 4.3 is used. A positive and significant coefficient is expected for the interaction variable (GDP negative \* Pub), if loan growth rate of public bank is higher than that of private banks during negative GDP growth rate periods.

$$\begin{aligned}
Y_{it} = & \beta_i + \eta X_{it-1} + \alpha_1 GDP\_Positive_{it} + \alpha_2 GDP\_positive_{it} * Ownership_{it} \\
& + \alpha_3 GDP\_Negative_{it} + \alpha_4 GDP\_Negative_{it} * Ownership_{it} + \sum_{j=1}^4 \delta Y_{it-j} \\
& + \theta_t + \mu_{it}
\end{aligned} \tag{4.3}$$

## 4.2 Data

Bank related variables are obtained from the quarterly financial statements of banks published by Turkish Banking Association. The sample period covers 15 years, from December 2001 to September 2016. All banks operating in Turkey are included in the sample. Foreign banks that are not established in Turkey but operating with their branches are excluded. The umbrella bank of failed banks (Birlesik Fon Bankasi) and the Bank for the depository of the securities traded in Borsa Istanbul (Takasbank) are excluded from the sample. The distributions of banks by their ownership and by their deposit collecting ability are reported in Table 4.3. The number of banks during the sample period increased from 30 in 2001 to 33 in 2016. There was no change in the number of public banks but some of the private banks were purchased by foreigners and they continued to operate as foreign banks. Private deposit banks are decreased in number from 14 in 2001 to 8 in 2016 and foreign deposit banks in increased from 4 in 2001 to 13 in 2016.

**Table 4.3: The number of deposit and non-deposit banks by ownership**

<b>Year</b>	<b>Pub1</b>	<b>Pub2</b>	<b>Pvt1</b>	<b>Pvt2</b>	<b>For1</b>	<b>For2</b>	<b>Total</b>
<b>2001</b>	3	3	14	4	4	2	30
<b>2002</b>	3	3	14	4	4	2	30
<b>2003</b>	3	3	14	4	4	2	30
<b>2004</b>	3	3	14	4	4	2	30
<b>2005</b>	3	3	14	4	4	2	30
<b>2006</b>	3	3	12	4	6	2	30
<b>2007</b>	3	3	10	4	8	2	30
<b>2008</b>	3	3	10	4	8	2	30
<b>2009</b>	3	3	10	4	8	2	30
<b>2010</b>	3	3	10	4	8	2	30
<b>2011</b>	3	3	10	4	8	2	30
<b>2012</b>	3	3	11	4	8	2	31
<b>2013</b>	3	3	10	4	10	2	32
<b>2014</b>	3	3	10	4	11	2	33
<b>2015</b>	3	3	8	4	13	2	33
<b>2016</b>	3	3	8	4	13	2	33

**Table 4.4: Descriptive statistics of variables**

<b>Variables</b>	<b>Mean</b>	<b>Median</b>	<b>S.D</b>	<b>Min.</b>	<b>Max.</b>	<b>N</b>
<b>LGR1</b>	0.134	0.062	0.994	-1.000	26.000	1766
<b>LGR2</b>	0.041	0.032	0.081	-0.533	1.431	1803
<b>LGR3</b>	0.082	0.060	0.209	-1.413	3.296	1763
<b>RLGR1</b>	0.109	0.038	0.962	-1.000	25.221	1766
<b>RLGR2</b>	0.029	0.019	0.079	-0.534	1.366	1803
<b>RLGR3</b>	0.060	0.037	0.208	-1.420	3.267	1763
<b>Assets</b>	29.492	5.183	54.122	0.005	329.749	1836
<b>Capital ratio</b>	0.218	0.128	0.207	-0.033	0.980	1836
<b>Liquidity</b>	0.330	0.311	0.178	0.000	0.904	1836
<b>ROA</b>	0.007	0.008	0.034	-0.415	0.229	1836
<b>NI margin</b>	0.035	0.027	0.039	-0.042	0.714	1836
<b>LLP</b>	0.019	0.008	0.057	0.000	1.315	1799

Table 4.4 presents the descriptive statistics of variables of all banks for the period 2001-2016. There are extreme values of loan growth rates. Some of these values can be explained by the entry of new banks to the Turkish banking industry and by the mergers and the acquisitions. For example, Tokyo-Mitsubishi had a growth rate of 2007.7% in the first quarter of 2014. It entered into the market in December 2013 with the loan provision of 13 million TL loans and in next quarter its loans were increased to 274 million. Another example is Pasha Yatirim Bank whose loans increased 27 times in December 2003 from 1 million TL to 27 million TL. Although their loan amounts are small compared to loans issued by other banks, the low loan balance in the previous period makes its loan growth rate very high. Total loans of Fiba bank decreased from 0.12 million to 0 in 2002 showing a loan growth of -1. This bank was sold to Nova Bank S.A in the first quarter of 2002. Its loan level increased and showed positive loan growth with loans of 332 million TL at the end of 2005. This change in loan value from 0.12 to 0 and having a very low growth rate (-100%), may distort the results. In order to get meaningful results, the sample is winsorized at 2% using loan growth rate.

Table 4.5 presents the descriptive statistics of variables for the winsorized sample of all banks for the period 2001-2016. The models are estimated using the winsorized sample. The major models are also estimated using the full sample and reported in the Appendix. Descriptive statistics of all variables of full sample by bank groups are presented in tables A1 and A2 in appendix section.

It is observed that mean value of LGR1 has now decreased from 0.134 to 0.078 and standard deviation which was almost 1 before is now 0.12. LGR2 is lower than LGR1 as loan growth in LGR2 is normalized by assets instead of loans.

Total assets of banks are presented in billions of TL. The mean value of assets is 30.215 billion TL and median is 5.613 billion TL showing variations in size of banks in the sample. The mean value of capital ratio is 0.213 but maximum value is 0.955. High values of capital ratio are mostly found in non-deposit banks. Liquidity ratio has

mean value of 0.329 but it also has very extreme values. The loan loss provisions had a maximum value of 1.315 which is for Halk bank (public deposit bank) in the fourth quarter of 2001 after the crisis.

The large differences in minimum and maximum values of all variables are due to presence of six different types of banks in sample. Mean values of all variables of banks grouped by ownership and deposit collection abilities are shown in Tables 4.6 and 4.7. T-statistics are also performed in order to test whether there is a difference in the mean values of variables by banks in terms of their ownership and depository holdings. The values in brackets show the value of t-statistic that tests whether the mean value of the variable in that group is significantly different from the mean value of the other banks. The values in the first row show the difference in mean values of the variable between other groups and that specific group.

**Table 4.5: Descriptive statistics of variables for winsorized Sample**

<b>Variables</b>	<b>Mean</b>	<b>Median</b>	<b>S.D</b>	<b>Min.</b>	<b>Max.</b>	<b>N</b>
<b>LGR1</b>	0.078	0.061	0.120	-0.333	0.695	1719
<b>LGR2</b>	0.037	0.031	0.057	-0.210	0.342	1756
<b>LGR3</b>	0.069	0.059	0.107	-0.405	0.528	1719
<b>RLGR1</b>	0.054	0.037	0.117	-0.359	0.622	1719
<b>RLGR2</b>	0.025	0.019	0.056	-0.212	0.319	1756
<b>RLGR3</b>	0.047	0.036	0.107	-0.445	0.484	1719
<b>Assets</b>	30.215	5.613	54.635	0.005	329.749	1789
<b>Capital ratio</b>	0.213	0.126	0.202	-0.033	0.955	1789
<b>Liquidity</b>	0.329	0.311	0.176	0.000	0.904	1789
<b>ROA</b>	0.007	0.008	0.033	-0.415	0.229	1789
<b>NI margin</b>	0.034	0.027	0.038	-0.042	0.714	1789
<b>LLP</b>	0.018	0.008	0.055	0.000	1.315	1755



**Table 4.6: Descriptive statistics of loan growth rates by bank groups (Winsorized Sample)**

<b>Type</b>	<b>LGR1</b>	<b>LGR2</b>	<b>LGR3</b>	<b>RLGR1</b>	<b>RLGR2</b>	<b>RLGR3</b>
<b>For1</b>						
Mean	0.075	0.038	0.066	0.053	0.026	0.046
Min.	-0.333	-0.150	-0.405	-0.359	-0.153	-0.445
Max.	0.621	0.321	0.483	0.556	0.261	0.442
N	419	423	419	419	423	419
<b>For2</b>						
Mean	0.078	0.033	0.064	0.055	0.025	0.043
Min.	-0.241	-0.132	-0.276	-0.251	-0.137	-0.289
Max.	0.539	0.277	0.431	0.505	0.260	0.409
N	78	111	78	78	111	78
<b>Pub1</b>						
Mean	0.076	0.028	0.072	0.053	0.019	0.049
Min.	-0.121	-0.024	-0.129	-0.156	-0.033	-0.169
Max.	0.366	0.100	0.312	0.339	0.094	0.292
N	177	177	177	177	177	177
<b>Pub2</b>						
Mean	0.055	0.038	0.051	0.032	0.023	0.028
Min.	-0.174	-0.142	-0.191	-0.206	-0.169	-0.231
Max.	0.328	0.249	0.284	0.293	0.251	0.257
N	177	177	177	177	177	177
<b>Pvt1</b>						
Mean	0.083	0.036	0.074	0.058	0.025	0.051
Min.	-0.301	-0.210	-0.359	-0.332	-0.212	-0.403
Max.	0.695	0.282	0.528	0.618	0.265	0.481
N	650	650	650	650	650	650
<b>Pvt2</b>						
Mean	0.089	0.048	0.074	0.065	0.034	0.051
Min.	-0.310	-0.195	-0.372	-0.327	-0.207	-0.397
Max.	0.688	0.342	0.523	0.622	0.319	0.484
N	218	218	218	218	218	218
<b>Overall</b>						
Mean	0.078	0.037	0.069	0.054	0.025	0.047
Min.	-0.333	-0.210	-0.405	-0.359	-0.212	-0.445
Max.	0.695	0.342	0.528	0.622	0.319	0.484
N	1719	1756	1719	1719	1756	1719

Table 4.6 shows that mean value of loan growth rate of foreign deposit and non-deposit banks is almost same. While mean value of loan growth rate of public deposit banks is more than public non-deposit banks which can be due to large size of public deposit banks as the difference in values of LGR1 and LGR2 is higher for deposit banks than that of non-deposit banks. Loan growth rate of private deposit and non-deposit banks is also similar. T-statistics of loan growth variables show that average loan growth rate of public non-deposit banks is 0.055 (for LGR1) and it is significantly less than the growth rate of other types of banks with a mean difference of 0.025.

From Tables 4.7 and 4.8, it is observed that mean value of assets of public deposit banks is 93.1 billion TL, whereas mean value of assets of foreign deposit bank and private deposit banks are 18.6 billion TL and 40.9 billion TL, respectively. The mean value of total assets of public and private deposit banks is significantly higher than other banks and the mean size of all non-deposit banks and foreign deposit banks is significantly less than other banks. Capital ratio of deposit banks is significantly less than non-deposit banks, regardless of their ownership. The former banks have higher liquidity ratio than non-deposit banks. ROA of foreign non-deposit banks is significantly less than other banks.

In summary, it is observed that size of public and private deposit banks is significantly more than other banks. Capital ratio of deposit banks is significantly less than non-deposit banks. Liquidity ratio of deposit banks is significantly more than non-deposit banks.

**Table 4.7: Descriptive statistics of bank characteristics by bank groups  
(Winsorized Sample)**

<b>Type</b>	<b>Assets</b>	<b>Capital ratio</b>	<b>Liquidity</b>	<b>ROA</b>	<b>NI margin</b>	<b>LLP</b>
<b>For1</b>						
Mean	18.658	0.150	0.356	0.005	0.030	0.013
Min.	0.013	0.040	0.003	-0.175	-0.004	0.000
Max.	269.638	0.925	0.904	0.042	0.352	0.283
N	430	430	430	430	430	427
<b>For2</b>						
Mean	0.637	0.462	0.315	-0.030	0.035	0.028
Min.	0.005	0.045	0.000	-0.400	0.000	0.000
Max.	2.243	0.944	0.900	0.075	0.588	0.748
N	113	113	113	113	113	82
<b>Pub1</b>						
Mean	93.113	0.098	0.461	0.011	0.029	0.038
Min.	9.336	0.024	0.005	-0.067	0.003	0.001
Max.	329.749	0.137	0.792	0.034	0.219	1.315
N	180	180	180	180	180	180
<b>Pub2</b>						
Mean	7.859	0.501	0.217	0.020	0.044	0.008
Min.	0.396	0.086	0.000	-0.179	0.004	0.000
Max.	59.086	0.817	0.524	0.229	0.267	0.362
N	180	180	180	180	180	180
<b>Pvt1</b>						
Mean	40.934	0.114	0.343	0.008	0.030	0.017
Min.	0.073	-0.033	0.004	-0.415	-0.042	0.000
Max.	292.882	0.459	0.850	0.065	0.369	0.364
N	664	664	664	664	664	664
<b>Pvt2</b>						
Mean	2.728	0.362	0.227	0.016	0.051	0.017
Min.	0.037	0.104	0.000	-0.155	0.005	0.000
Max.	22.870	0.955	0.513	0.108	0.714	0.385
N	222	222	222	222	222	222
<b>Overall</b>						
Mean	30.215	0.213	0.329	0.007	0.034	0.018
Min.	0.005	-0.033	0.000	-0.415	-0.042	0.000
Max.	329.749	0.955	0.904	0.229	0.714	1.315
N	1789	1789	1789	1789	1789	1755

**Table 4.8: T-statistics of variables testing the equality of mean values**

	<b>Pub1</b>	<b>Pub2</b>	<b>Pvt1</b>	<b>Pvt2</b>	<b>For1</b>	<b>For2</b>
<b>LGR1</b>	0.002 (-0.18)	0.025** (-2.66)	-0.008 (-1.35)	-0.012 (-1.42)	0.004 (-0.61)	0.000 (-0.01)
<b>LGR2</b>	0.010* (-2.15)	-0.001 (-0.30)	0.002 (-0.58)	-0.012** (-2.98)	0.00 (-0.15)	0.005 (-0.86)
<b>LGR3</b>	-0.003 (-0.32)	0.020* (-2.38)	-0.008 (-1.55)	-0.005 (-0.66)	0.004 (-0.6)	0.005 (-0.42)
<b>RLGR1</b>	0.002 (-0.18)	0.025** (-2.7)	-0.006 (-1.06)	-0.012 (-1.46)	0.002 (-0.33)	-0.001 (-0.08)
<b>RLGR2</b>	0.007 (-1.49)	0.003 (-0.72)	0.001 (-0.42)	-0.010* (-2.50)	-0.001 (-0.19)	0.001 (-0.15)
<b>RLGR3</b>	-0.002 (-0.28)	0.021* (-2.43)	-0.007 (-1.28)	-0.005 (-0.67)	0.002 (-0.29)	0.004 (-0.33)
<b>Size</b>	-69.93*** (-17.64)	24.85*** (-5.84)	-17.04*** (-6.45)	31.38*** (-8.15)	15.21*** (-5.07)	31.57*** (-6)
<b>Capital ratio</b>	0.128*** (-8.21)	-0.321*** (-23.00)	0.157*** (-17.13)	-0.17*** (-12.28)	0.083*** (-7.55)	-0.267*** (-14.35)
<b>Liquidity</b>	-0.147*** (-10.95)	0.125*** (-9.23)	-0.022* (-2.55)	0.116*** (-9.45)	-0.035*** (-3.64)	0.015 (-0.88)
<b>ROA</b>	-0.004 (-1.70)	-0.014*** (-5.64)	0.000 (-0.21)	-0.010*** (-4.15)	0.003 (-1.48)	0.040*** (-12.98)
<b>Net interest margin</b>	0.006* (-2.16)	-0.010*** (-3.53)	0.006*** (-3.45)	-0.019*** (-7.04)	0.005* (-2.51)	0.000 (-0.13)
<b>Loan loss provisions</b>	-0.022*** (-5.24)	0.011* (-2.56)	0.001 (-0.33)	0.001 (-0.18)	0.007* (-2.23)	-0.011 (-1.77)

Note: A positive value shows that mean of that group is less than overall mean by that amount and negative value indicates that mean of that group is more than overall mean. T-statistics are shown in parentheses. \*, \*\* and \*\*\* are significance at 10%, 5% and 1% respectively

## CHAPTER 5

### EMPIRICAL RESULTS

This chapter is divided into two sections. The first section discusses the empirical results related to lending behavior of different kind of banks during elections. The second section discusses the findings about the cyclicity of lending behavior of banks during business cycles.

#### **5.1 Regression results: Lending behavior of banks during elections**

Table 5.1 gives the regression results for lending behavior of banks by ownership (public, private and foreign) when dependent variable is LGR1. The first two columns report the results for all elections (both general and local elections) in Turkey, while the third and the fourth columns present the results for only general elections, and the fifth and the sixth columns show the estimated coefficients for the model with local elections only. All control variables related to banks are in t-1 as described in equation 4.1. The election related coefficients reported in the odd numbered columns (1, 3 and 5) are relative to private banks since private banks are taken as a base group. The coefficients of election variables reported in the even numbered columns (2, 4,

and 6) are relative to non-election periods. Robust standard errors are corrected for possible heterogeneity shown in parenthesis. The value of R-squared (coefficient of determination) is almost 27% for all six models, which shows that more than one fourth of variability in loan growth rate is explained by the model. It is found that there is no significant difference between loan growth rates of public and private banks.

It is found that in election (both general and local) quarters, loan growth rate is 4.03% higher than in non-election quarters. The coefficient of the interaction of election variable with public banks is positive and significant indicating that the loan growth rate of public banks in election periods is 3.28% higher than private banks. These findings support the hypothesis that public banks increase their lending during elections more than private banks do. In column (2) it is found that in election periods, loan growth rates of public banks are 7.32%, whereas the loan growth rate of private banks is 4.03% and for foreign banks it is 4.39% higher than non-election periods.

It is found that in general election quarters, loan growth rate is 4.44% higher than non-election periods. However, there is no significant difference between loan growth rate of public and private banks during general elections. It is found that the loan growth rate of public banks is 4.42% higher in general elections than other periods whereas loan growth rate of private and foreign banks is 4.44% and 5.37% higher in general elections than other periods. The results of the model with general election do not support the hypothesis since no significant difference is found between loan growth of public and private banks.

**Table 5.1: Lending behavior of banks by ownership types during elections**  
**Dependent variable: LGR1**

<b>Dependent variable: LGR1</b>	<b>(1) All Elections</b>	<b>(2) All Elections</b>	<b>(3) General Elections</b>	<b>(4) General Elections</b>	<b>(5) Local Elections</b>	<b>(6) Local Elections</b>
Elections1q	0.0403** (0.0163)		0.0444*** (0.0166)		0.0706* (0.0410)	
Elections1qpub	0.0328*** (0.0122)	0.0732*** (0.0170)	-0.000220 (0.0134)	0.0442*** (0.0165)	0.0653*** (0.0196)	0.136*** (0.0406)
Elections1qxpvt		0.0403** (0.0163)		0.0444*** (0.0166)		0.0706* (0.0410)
Elections1qxfor	0.00355 (0.0124)	0.0439*** (0.0162)	0.00929 (0.0141)	0.0537*** (0.0162)	-0.00912 (0.0184)	0.0615 (0.0408)
Pub	-0.00618 (0.0108)	-0.00618 (0.0108)	0.00139 (0.0107)	0.00139 (0.0107)	-0.00528 (0.0107)	-0.00528 (0.0107)
For	-0.0187 (0.0114)	-0.0187 (0.0114)	-0.0205* (0.0112)	-0.0205* (0.0112)	-0.0178 (0.0110)	-0.0178 (0.0110)
L1.Size	-0.0354*** (0.0116)	-0.0354*** (0.0116)	-0.0362*** (0.0117)	-0.0362*** (0.0117)	-0.0359*** (0.0116)	-0.035*** (0.0116)
L1.Capital ratio	-0.0151 (0.0492)	-0.0151 (0.0492)	-0.0197 (0.0496)	-0.0197 (0.0496)	-0.0142 (0.0488)	-0.0142 (0.0488)
L1.Liquidity	0.165*** (0.0365)	0.165*** (0.0365)	0.160*** (0.0364)	0.160*** (0.0364)	0.162*** (0.0362)	0.162*** (0.0362)
L1.ROA	0.204 (0.195)	0.204 (0.195)	0.185 (0.198)	0.185 (0.198)	0.217 (0.194)	0.217 (0.194)
L1.NI margin	-0.408 (0.248)	-0.408 (0.248)	-0.380 (0.249)	-0.380 (0.249)	-0.464* (0.253)	-0.464* (0.253)
L1.LLP	0.103 (0.152)	0.103 (0.152)	0.111 (0.155)	0.111 (0.155)	0.0775 (0.149)	0.0775 (0.149)
L1.LGR1	0.0579 (0.0428)	0.0579 (0.0428)	0.0599 (0.0427)	0.0599 (0.0427)	0.0541 (0.0429)	0.0541 (0.0429)
L2.LGR1	0.128*** (0.0402)	0.128*** (0.0402)	0.129*** (0.0403)	0.129*** (0.0403)	0.126*** (0.0401)	0.126*** (0.0401)
L3.LGR1	0.0200 (0.0357)	0.0200 (0.0357)	0.0200 (0.0358)	0.0200 (0.0358)	0.0203 (0.0355)	0.0203 (0.0355)
L4.LGR1	0.0614* (0.0318)	0.0614* (0.0318)	0.0598* (0.0318)	0.0598* (0.0318)	0.0643** (0.0317)	0.0643** (0.0317)
Constant	0.804*** (0.277)	0.804*** (0.277)	0.822*** (0.279)	0.822*** (0.279)	0.822*** (0.277)	0.822*** (0.277)
Observations	1,498	1,498	1,498	1,498	1,498	1,498
R-squared	0.266	0.266	0.263	0.263	0.271	0.271
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

\*\*\* Elections1q is a dummy variable that takes a value of 1 for elections quarter and one quarter before elections.

\*, \*\* and \*\*\* represent significance at 10%, 5% and 1% levels of confidence respectively.

In local elections, the loan growth rate of banks is 7.06% higher than other periods and it is significant at 10% level of confidence. It is found that public banks have 6.53% higher loan growth rate than private banks in local election quarters and loan growth of public banks is also 13.6% higher in local election periods than other periods. These results are also aligned with the first hypothesis.

In Turkey, local elections occurred at least one year after general elections during the period 2001-2015. For example, the general election was in November 2002 and the local election was in March 2004. These findings suggest that political party after winning the general elections might be using political power during local elections by using public bank resources and increase their loan provisions more than other banks. These findings are also supported by (Önder & Özyıldırım, 2013). They found that credit share of public banks increases during local elections in Turkey for the period 1992-2010.

The findings about the increase in loan growth rate of public banks during local elections are similar to the finding of Dinç (2005), Micco et al. (2007) and Iannotta et al. (2013). Dinç(2005) and Micco et al. (2007) found these results for developing economies while Iannotta et al. (2013) found these results for the sample of 16 European countries (which included developed countries as well). Dinç(2005) and Iannotta et al (2013) found these results for general elections while Micco et al (2007) did not mentioned the type of elections they examined.

The control variables, capital ratio, ROA, net interest margin and loan loss provisions (LLP) are not found to be significant while liquidity has positive and significant impact on loan growth showing that banks with higher liquid assets give more loans. Size is found to be negative and significant showing that smaller banks have higher loan growth rates



Table 5.2 presents results for the lending behavior of banks with detailed classification. Banks are classified into six groups. Public, private and foreign banks are subdivided as deposit and non-deposit banks.

There is no significant difference between loan growth rate of public deposit and private deposit banks, while loan growth rates of all other types of banks are significantly less than private deposit banks. The difference is found to be 12.6% for public non-deposit banks, 8.6% for private non-deposit banks, 2.0% for foreign deposit banks and 2.66% for foreign non-deposit banks controlling for banks characteristics, time and bank fixed effects.

**Table 5.2: Lending behavior of banks by ownership and deposit collecting ability during elections, Dependent variable: LGR1**

<b>Dependent variable: LGR1</b>	<b>(1) All Elections</b>	<b>(2) All Elections</b>	<b>(3) General Elections</b>	<b>(4) General Elections</b>	<b>(5) Local Elections</b>	<b>(6) Local Elections</b>
Elections1q	0.0275* (0.0162)		0.0365** (0.0159)		0.0503 (0.0424)	
Elections1qpub1	0.0333*** (0.0120)	0.0608*** (0.0174)	0.00451 (0.0114)	0.0410** (0.0168)	0.0593*** (0.0201)	0.110*** (0.0411)
Elections1qpub2	0.0565*** (0.0163)	0.0840*** (0.0202)	0.0106 (0.0151)	0.0471** (0.0197)	0.0991*** (0.0272)	0.149*** (0.0451)
Elections1qxpvt1		0.0275* (0.0162)		0.0365** (0.0159)		0.0503 (0.0424)
Elections1qxpvt2	0.0539* (0.0297)	0.0815*** (0.0305)	0.0325 (0.0379)	0.0689* (0.0373)	0.0691* (0.0418)	0.119** (0.0516)
Elections1qxfor1	0.0144 (0.0113)	0.0419*** (0.0162)	0.0160 (0.0113)	0.0525*** (0.0162)	0.00390 (0.0185)	0.0542 (0.0412)
Elections1qxfor2	0.0309 (0.0376)	0.0584 (0.0390)	0.0271 (0.0437)	0.0636 (0.0449)	0.0186 (0.0433)	0.0690 (0.0589)
Pub1	-0.00627 (0.0107)	-0.00627 (0.0107)	0.000803 (0.0109)	0.000803 (0.0109)	-0.00495 (0.0105)	-0.00495 (0.0105)
Pub2	-0.126*** (0.0462)	-0.126*** (0.0462)	-0.116** (0.0468)	-0.116** (0.0468)	-0.122*** (0.0463)	-0.12*** (0.0463)
Pvt2	-0.085*** (0.0328)	-0.085*** (0.0328)	-0.080** (0.0336)	-0.0807** (0.0336)	-0.0800** (0.0317)	-0.080** (0.0317)

**Table 5.2 (Cont'd): Lending behavior of bank by ownership and deposit collecting ability during elections, Dependent variable: LGR1**

<b>Dependent variable: LGR1</b>	<b>(1) All Elections</b>	<b>(2) All Elections</b>	<b>(3) General Elections</b>	<b>(4) General Elections</b>	<b>(5) Local Elections</b>	<b>(6) Local Elections</b>
For1	-0.0199* (0.0113)	-0.0199* (0.0113)	-0.0210* (0.0111)	-0.0210* (0.0111)	-0.0182* (0.0110)	-0.0182* (0.0110)
For2	-0.266** (0.111)	-0.266** (0.111)	-0.268** (0.112)	-0.268** (0.112)	-0.264** (0.112)	-0.264** (0.112)
L1.Size	-0.0347*** (0.0115)	-0.0347*** (0.0115)	-0.036*** (0.0117)	-0.0362*** (0.0117)	-0.0353*** (0.0116)	-0.035*** (0.0116)
L1.Capital ratio	-0.00267 (0.0489)	-0.00267 (0.0489)	-0.0158 (0.0495)	-0.0158 (0.0495)	-0.00814 (0.0485)	-0.00814 (0.0485)
L1.Liquidity	0.156*** (0.0360)	0.156*** (0.0360)	0.157*** (0.0363)	0.157*** (0.0363)	0.158*** (0.0359)	0.158*** (0.0359)
L1.ROA	0.230 (0.194)	0.230 (0.194)	0.185 (0.198)	0.185 (0.198)	0.254 (0.196)	0.254 (0.196)
L1.NI margin	-0.467* (0.244)	-0.467* (0.244)	-0.363 (0.248)	-0.363 (0.248)	-0.584** (0.254)	-0.584** (0.254)
L1.LLP	0.113 (0.152)	0.113 (0.152)	0.109 (0.155)	0.109 (0.155)	0.101 (0.151)	0.101 (0.151)
L1.LGR1	0.0537 (0.0430)	0.0537 (0.0430)	0.0580 (0.0429)	0.0580 (0.0429)	0.0530 (0.0430)	0.0530 (0.0430)
L2.LGR1	0.128*** (0.0403)	0.128*** (0.0403)	0.128*** (0.0406)	0.128*** (0.0406)	0.128*** (0.0400)	0.128*** (0.0400)
L3.LGR1	0.0224 (0.0358)	0.0224 (0.0358)	0.0205 (0.0359)	0.0205 (0.0359)	0.0221 (0.0355)	0.0221 (0.0355)
L4.LGR1	0.0640** (0.0317)	0.0640** (0.0317)	0.0611* (0.0319)	0.0611* (0.0319)	0.0647** (0.0316)	0.0647** (0.0316)
Constant	0.797*** (0.275)	0.797*** (0.275)	0.821*** (0.279)	0.821*** (0.279)	0.818*** (0.277)	0.818*** (0.277)
Observations	1,498	1,498	1,498	1,498	1,498	1,498
R-squared	0.271	0.271	0.264	0.264	0.275	0.275
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

\*\*\* Elections1q is a dummy variable that takes a value of 1 for elections quarter and one quarter before elections.

\*, \*\* and \*\*\* represent significance at 10%, 5% and 1% levels of confidence respectively.

In election (both general and local) quarters, loan growth rate is 2.75% higher than in non-election quarters. Loan growth rate of public deposit banks in election periods is 3.33% more than private deposit banks. In election periods, loan growth rates of public and private non-deposit banks are significantly higher than loan growth rate of private deposit banks by 5.65% and 5.39% respectively, while there is no significant difference between loan growth of foreign and private deposit banks. These results support the first hypothesis that public banks (both deposit and non-deposit) increase their lending during election periods more than private deposit banks. It is also found that loan growth rate of all types of banks except foreign non-deposit is higher in elections than other periods.

In general election quarters, loan growth rate is 3.65% higher than other periods. Similar to the coefficients reported in Table 5.1, it is found that loan growth rates of all types of banks except foreign non-deposit banks are significantly higher in general elections than other periods. The results of general election do not support the first hypotheses.

In local elections, the loan growth rate of banks is not significantly higher than that loan growth rate in non-local election periods. However, both deposit and non-deposit public banks have significantly higher loan growth rates than private deposit banks. It is found that public deposit banks have 5.93% higher loan growth rate than private deposit banks in local election quarters whereas the loan growth rate of non-deposit public banks is 9.91% higher than the private deposit banks. Loan growth rates of public deposit and non-deposit banks are also higher in local elections than other periods by 11.0% and 14.9% respectively. Similar results are found for private non-deposit banks. The findings about control variables are similar to what is reported in Table 5.1.

### **5.1.1 Lending behavior of deposit banks during elections**

Table 5.3 shows the results for the sample of only deposit banks. The findings are similar to those with deposit and non-deposit banks. Loan growth rate of public deposit banks during elections and local elections is higher than that of private deposit banks. These findings also support the first hypothesis. It is found that all types of deposit banks increase their loan growth rate during general elections.

It is found that loan growth rate in election quarters is 5.05% higher than the rate in non-election quarters. Loan growth rate of public deposit banks in these periods is 3.25% higher than the loan growth rate of private deposit banks. Public deposit banks have 8.30% higher loan growth rate during elections than other periods whereas private and foreign deposit banks have 5.05% and 6.18% higher loan growth rates in election periods than other periods. The results of general and local elections are also similar to those reported in table 5.2.

The coefficients of capital ratio, ROA and net interest margin are found to be significant. They were insignificant when the sample of both deposit and non-deposit banks is used. Results show that increase in capital ratio and return on assets of deposit banks increase their loan giving ability. Net interest margin has negative sign indicating that a decrease in net interest margin increases loan giving ability of deposit banks and it is significant at 10%.

**Table 5.3: Lending behavior during elections, Dependent variable: LGR1  
(deposit banks sample)**

<b>Dependent Variable: LGR1</b>	<b>(1) All Elections</b>	<b>(2) All Elections</b>	<b>(3) General Elections</b>	<b>(4) General Elections</b>	<b>(5) Local Elections</b>	<b>(6) Local Elections</b>
Elections1q	0.0505*** (0.0148)		0.0534*** (0.0144)		0.0443 (0.0479)	
Elections1qpub1	0.0325*** (0.0124)	0.0830*** (0.0167)	0.00246 (0.0110)	0.0558*** (0.0151)	0.0609*** (0.0210)	0.105** (0.0473)
Elections1qxpvt1		0.0505*** (0.0148)		0.0534*** (0.0144)		0.0443 (0.0479)
Elections1qxfor1	0.0113 (0.0108)	0.0618*** (0.0146)	0.0132 (0.0110)	0.0666*** (0.0144)	0.00282 (0.0178)	0.0472 (0.0468)
pub1	0.0125 (0.0131)	0.0125 (0.0131)	0.0201 (0.0133)	0.0201 (0.0133)	0.0149 (0.0128)	0.0149 (0.0128)
for1	-0.0150 (0.0111)	-0.0150 (0.0111)	-0.0148 (0.0109)	-0.0148 (0.0109)	-0.0130 (0.0109)	-0.0130 (0.0109)
L1.Size	-0.0295** (0.0140)	-0.0295** (0.0140)	-0.0296** (0.0140)	-0.0296** (0.0140)	-0.0288** (0.0140)	-0.028** (0.0140)
L1.Capital ratio	0.363** (0.168)	0.363** (0.168)	0.363** (0.169)	0.363** (0.169)	0.376** (0.168)	0.376** (0.168)
L1.Liquidity	0.160*** (0.0377)	0.160*** (0.0377)	0.155*** (0.0376)	0.155*** (0.0376)	0.159*** (0.0376)	0.159*** (0.0376)
L1.ROA	0.747* (0.409)	0.747* (0.409)	0.726* (0.408)	0.726* (0.408)	0.702* (0.407)	0.702* (0.407)
L1.NI margin	-0.723* (0.395)	-0.723* (0.395)	-0.695* (0.396)	-0.695* (0.396)	-0.729* (0.399)	-0.729* (0.399)
L1.LLP	0.197 (0.165)	0.197 (0.165)	0.206 (0.172)	0.206 (0.172)	0.161 (0.155)	0.161 (0.155)
L1.LGR1	0.0429 (0.0421)	0.0429 (0.0421)	0.0458 (0.0422)	0.0458 (0.0422)	0.0407 (0.0421)	0.0407 (0.0421)
L2.LGR1	0.0514 (0.0370)	0.0514 (0.0370)	0.0532 (0.0371)	0.0532 (0.0371)	0.0492 (0.0367)	0.0492 (0.0367)
L3.LGR1	-0.00575 (0.0377)	-0.00575 (0.0377)	-0.00472 (0.0378)	-0.00472 (0.0378)	-0.00660 (0.0375)	-0.00660 (0.0375)
L4.LGR1	0.0549 (0.0384)	0.0549 (0.0384)	0.0543 (0.0385)	0.0543 (0.0385)	0.0572 (0.0385)	0.0572 (0.0385)
Constant	0.646* (0.338)	0.646* (0.338)	0.645* (0.338)	0.645* (0.338)	0.631* (0.339)	0.631* (0.339)
Observations	1,118	1,118	1,118	1,118	1,118	1,118
R-squared	0.378	0.378	0.376	0.376	0.381	0.381
Bank and Time FE	YES	YES	YES	YES	YES	YES

\*\*\* Elections1q corresponds to dummy variable that takes a value of 1 for elections quarter and one quarter before elections \*, \*\* and \*\*\* represent significance at 10%, 5% and 1% levels of confidence respectively.

### **5.1.2 Lending behavior of banks during elections with other definitions of loan growth rates**

The results reported in Tables 5.1-5.3 are estimated with LGR1 as dependent variable. The results of loan growth rates with LGR2 and LGR3 as dependent variables specified in equation (4.1) are presented in Tables A3-A8 in the appendix. The results are found to be similar to those reported in Tables 5.1-5.3. The findings support the hypothesis that loan growth rate of public banks is higher than loan growth rate of private deposit banks in all election and local election periods. The findings suggest that three definitions of loan growth rate produce similar results.

### **5.1.3 Lending behavior during elections using real loan growth rates**

The model specified in equation (4.1) is estimated by taking real loan growth rate as a dependent variable. The results are reported in Tables A9-A11 in the appendix. The results are found to be similar to those found for nominal values of loan growth rates. The findings support the hypothesis that loan growth rate of public banks is higher than loan growth rate of private deposit banks in all election and local election periods. Defining loan growth rate in nominal or real terms gives same results.

### **5.1.4 Redefining the elections periods**

The studies analyzing the behavior of banks during election periods generally use annual data and calculate loan growth rate on an annual basis. I am using quarterly data. It can be argued that public banks do not wait until the election quarter to increase their lending. Therefore, I re-define election period as three-quarter period, covering two quarters before the election and an election quarter. The results are presented in Tables A12 – A17. The results are consistent to main findings.

The model is also estimated by taking only election quarter as an election period. The results are presented in Tables A18-A23. It is found that loan growth rate of public banks is significantly higher in local election periods than other periods. Loan growth rate of public non-deposit banks increases significantly in local election quarter more than that of private deposit banks. Other election related coefficients are insignificant. The findings suggest that regardless the definition of loan growth rate and sample used (only deposit banks or both deposit and non-deposit banks) public banks start to increase their loan provisions one to two quarters before local elections.

### **5.1.5 Regression results after excluding observation from election periods**

The change in lending behavior of banks during local and general elections may affect the findings. Therefore, the models are re-estimated by excluding local election periods in analyzing general election and by excluding general election periods in analyzing local election.

Tables A24-26 in appendix present the result of lending behavior of banks during general elections after excluding local elections periods and Tables A27-A29 present the result of lending behavior of banks during local elections after excluding general election periods. The findings suggest that loan growth rate of all banks is higher in general election periods when election is defined as election quarter plus one or two quarters before elections. The results for local elections are similar to the findings with full sample. These findings suggest that lending behavior of banks in one election do not affect their lending behavior in the other election.

### **5.1.6 Regression results after excluding Garanti bank from the sample**

Garanti bank is the third largest bank by size operating in Turkey. In July 2015 the ownership of this bank was changed from private to foreign. In order to check whether change in ownership of this bank affect the results or not the models are re-

estimated by excluding Garanti bank from the sample. The results for the full sample and for the sample with only deposit banks are presented in Tables A30 and A31. The findings are similar to the main findings indicating that change in ownership of Garanti bank and excluding Garanti bank from sample do not affect the overall findings.

## **5.2 Regression results: Lending behavior with GDP growth rate**

In this section, the relationship between loan growth rates of different types of banks and GDP growth rate is examined. Table 5.4 presents the results with nominal loan growth rate (LGR1) as dependent variable. The results of Hausman test for endogeneity is presented in the first column. Chi-square statistic is 25.94 and it is found to be significant at 1% level of confidence which confirms presence of endogeneity. Therefore, results of one-step GMM method are reported in tables.

It is found that there is a positive and significant relationship between GDP growth and loan growth rates (coefficient = 0.461) showing that loan growth rate of banks increases when GDP growth rate increases. It is also found that coefficient of “GDP Growth \* Pub” is -0.377. It indicates that loan growth rate of public banks is less pro-cyclical than that of private banks. These results support the hypothesis about cyclicity of loan growth rate of public banks.

Column (2) presents the results when lagged values of GDP growth rates are used in model. The findings support hypothesis related to the less pro-cyclicity of public banks. The combined coefficient of public banks is insignificant in both estimates. It suggests that public banks do not change their lending significantly with GDP growth. The combined coefficient for foreign banks is found to be significant. It indicates that foreign banks lend pro-cyclically, when GDP growth rate increases by 1% in the previous quarter foreign banks increase their lending by 0.8% whereas public increase only 0.13%.



The less pro-cyclical behavior of public banks supports the second hypothesis. Although Turkish public banks have significantly lower coefficients these findings are similar to the findings of German public saving banks (Behr et al., 2017). However, the combined coefficient is insignificant for Turkish banks. The findings should be interpreted cautiously because one-step GMM method uses first difference equations and eliminates bank fixed effects. Only few bank characteristics are controlled for in these models.

**Table 5.4: Lending behavior of banks by ownership during business cycles**  
**Dependent variable: LGR1**

<b>Dependent variable: LGR1</b>	<b>(1)</b>	<b>(2)</b>
GDP Growth	0.461*** (0.117)	
L1. GDP Growth		0.666*** (0.198)
GDP Growth x Pub	-0.377* (0.203)	
L1.GDP Growth x Pub		-0.540* (0.265)
GDP Growth x for	-0.212 (0.229)	
L1.GDP Growth x for		0.133 (0.281)
Pub	0.00353 (0.0125)	0.00859 (0.0155)
For	0.00104 (0.00962)	-0.00987 (0.0138)
L1.Size	-0.00348 (0.00209)	-0.00313 (0.00216)
L1.Capital ratio	0.0415 (0.0326)	0.0445 (0.0327)
L1.Liquidity	0.171*** (0.0429)	0.172*** (0.0435)
L1.ROA	0.259 (0.260)	0.239 (0.261)

**Table 5.4(Cont'd): Lending behavior of banks by ownership during business cycles, Dependent variable: LGR1**

<b>Dependent variable: LGR1</b>	<b>(1) One step</b>	<b>(2) One step</b>
L1.NI margin	-0.196 (0.248)	-0.154 (0.259)
L1.LLP	0.0159 (0.120)	0.0562 (0.123)
L1.LGR1	0.0105 (0.0551)	0.0228 (0.0532)
L2.LGR1	0.102** (0.0424)	0.00761 (0.0535)
L3.LGR1	0.0507 (0.0514)	0.0999** (0.0404)
L4.LGR1	0.0184 (0.0564)	0.0305 (0.0485)
Constant	0.0515 (0.0525)	0.0706 (0.0528)
Observations	1,498	1,498
Time FE	Yes	Yes
Bank FE	No	No
Hausman test for endogeneity	25.94***	
Number of instruments	319	319
AR(1)	0.000	0.000
AR(2)	0.115	0.287
AR(3)	0.583	0.950
Hansen Test	1.73	4.82
p-value	1.000	1.000
Wald test p-value		
(GDP+GDPxpub=0)	0.6231	0.5004
(GDP+GDPxfor=0)	0.1165	0.004

**Table 5.5: Lending behavior of deposit and non-deposit banks by ownership during business cycles, Dependent variable: LGR1**

Dependent variable:LGR1	(1)	(2)
GDP Growth	0.443*** (0.130)	
L1.GDP Growth		0.913*** (0.173)
GDP GrowthxPub1	-0.114 (0.225)	
L1.GDP GrowthxPub1		-0.405** (0.174)
GDP GrowthxPub2	-0.545** (0.219)	
L1.GDP GrowthxPub2		-1.100*** (0.175)
GDP GrowthxPvt2	0.129 (0.299)	
L1.GDP GrowthxPvt2		-1.165** (0.559)
GDP Growthxfor1	-0.136 (0.239)	
L1.GDP Growthxfor1		0.0213 (0.245)
GDP Growthxfor2	-0.353* (0.205)	
L1.GDP Growthxfor2		-0.998*** (0.222)
Pub1	-0.00439 (0.00953)	0.00546 (0.0109)
Pub2	0.00816 (0.0221)	0.0254 (0.0205)
Pvt2	-0.00978 (0.0237)	0.0316 (0.0281)
for1	-0.00330 (0.00870)	-0.00787 (0.0124)
for2	0.00966 (0.0114)	0.0276** (0.0103)
L1.Size	-0.00362** (0.00175)	-0.00338* (0.00179)
L1.Capital ratio	0.0435 (0.0372)	0.0465 (0.0388)
L1.Liquidity	0.159*** (0.0420)	0.158*** (0.0416)

**Table 5.5 (Cont'd): Lending behavior of deposit and non-deposit banks by ownership during business cycles, Dependent variable: LGR1**

Dependent variable:LGR1	(1) One-step	(2) One-step
L1.ROA	0.278 (0.292)	0.231 (0.281)
L1.NI margin	-0.324 (0.254)	-0.234 (0.248)
L1.LLP	0.0518 (0.127)	0.0841 (0.120)
L1.LGR1	0.0387 (0.0507)	0.0339 (0.0495)
L2.LGR1	0.131*** (0.0402)	0.127*** (0.0386)
L3.LGR1	0.0566 (0.0437)	0.0400 (0.0423)
L4.LGR1	0.0253 (0.0414)	0.0600 (0.0590)
Constant	0.0455 (0.0546)	0.00904 (0.0590)
Observations	1,498	1,498
Time FE	Yes	Yes
Bank FE	No	No
Hausman test for endogeneity	29.57***	
Number of instruments	479	479
AR(1)	0.000	0.000
AR(2)	0.124	0.267
AR(3)	0.665	0.828
Hansen Test	0.00	0.00
P-value	1.000	1.000
Wald (GDP+GDPxpub1=0)	0.0904	0.000
Wald (GDP+GDPxpub2=0)	0.5976	0.2234
Wald (GDP+GDPxpvt2=0)	0.0394	0.6211
Wald (GDP+GDPxfor1=0)	0.0574	0.000
Wald (GDP+GDPxfor2=0)	0.5661	0.6782

Table 5.5 presents the results of the lending behavior of banks by ownership and by deposit collecting ability when nominal loan growth rate (LGR1) is taken as a dependent variable. A positive and significant coefficient is observed for GDP growth rate in both columns indicating that increase in GDP growth rate in current and previous quarter increases the loan growth rate of banks. The coefficient of interaction variable “GDP Growth\*Pub1” is found to be insignificant in the first column and negative and significant in the second column indicating that lending of public deposit

banks is less pro-cyclical than private deposit banks. The coefficient of “GDP Growth\*Pub2” is found to be negative and significant in both columns showing that loan growth rate of public non-deposit banks is less pro-cyclical than that of private deposit banks. Loan growth rate of private and foreign non-deposit banks is found to be less pro-cyclical than that of private deposit banks.

The result of combined coefficient of public deposit banks shows that public deposit banks engage in pro-cyclical lending behavior. It is found that when GDP growth rate increases by 1% in the current period, public deposit banks increase their lending by 0.3% whereas public non-deposit banks decrease by 0.1%. The combined coefficient is insignificant and negative for public non-deposit indicating counter-cyclical but insignificant lending behavior. The combined coefficient for foreign deposit banks is positive and significant in both columns indicating that foreign banks lend pro-cyclically.

### **5.2.1 Real Loan growth with real GDP growth rate**

The results of the model with real growth rates are presented in Table 5.6. A negative and significant coefficient is found for real GDP growth in the first column. This negative relationship may be due to the use of quarterly data. It is also possible that a change in real GDP growth rate in the current quarter may affect the lending in the next quarter. Column (2) presents the results when lagged GDP growth rates are used. A positive and significant coefficient of lagged real GDP growth is observed which shows that increase in real GDP growth rate in current quarter increases the real loan growth rate in the next quarter.

In the second column negative and significant coefficient is found for interaction variable of real GDP growth rate with public banks indicating the less pro-cyclical behavior of public banks. These results are similar to the findings of nominal GDP

growth rate as shown in Table 5.4. The combined coefficient for public banks is also insignificant while it is significant and positive for foreign banks.

The results with banks by their deposit collecting ability are shown in Table 5.7. It is found that loan growth rate of public deposit and non-deposit banks are less pro-cyclical than that of private deposit banks. It is also found that public deposit and foreign banks engage in pro-cyclical lending behavior.

**Table 5.6: Lending behavior of banks by ownership during business cycles**

**Dependent variable: RLGR1**

<b>Dependent variable:RLGR1</b>	<b>(1)</b>	<b>(2)</b>
Real GDP Growth	-0.293** (0.143)	
L1. Real GDP Growth		0.632*** (0.124)
Real GDP Growth x Pub	0.0837 (0.248)	
L1.Real GDP Growth x Pub		-0.443* (0.218)
Real GDP Growth x for	-0.0979 (0.278)	
L1.Real GDP Growth x for		0.148 (0.186)
Pub	-0.0102 (0.0109)	-0.00309 (0.0107)
For	-0.00496 (0.00659)	-0.00765 (0.00778)
L1.Size	-0.00323 (0.00196)	-0.00275 (0.00198)
L1.Capital ratio	0.0419 (0.0306)	0.0475 (0.0322)
L1.Liquidity	0.171*** (0.0425)	0.168*** (0.0423)
L1.ROA	0.252 (0.260)	0.213 (0.237)

**Table 5.6 (Cont'd): Lending behavior of banks by ownership during business cycles, Dependent variable: RLGR1**

	(1)	(2)
<b>Dependent variable:RLGR1</b>	<b>One-step</b>	<b>One-step</b>
L1.NI margin	-0.146 (0.241)	-0.164 (0.232)
L1.LLP	0.0316 (0.124)	0.0644 (0.123)
L1.RLGR1	0.00910 (0.0602)	0.0246 (0.0587)
L2.RLGR1	0.106** (0.0454)	0.111** (0.0449)
L3.RLGR1	0.0373 (0.0498)	0.0404 (0.0489)
L4.RLGR1	0.0641 (0.0558)	0.0949* (0.0517)
Constant	-0.000844 (0.0329)	-0.0249 (0.0320)
Observations	1,498	1,498
Time FE	Yes	Yes
Bank FE	No	No
Hausman test for endogeneity	21.0***	
Number of Instruments	319	
AR(1)	0.000	0.000
AR(2)	0.189	0.387
AR(3)	0.792	0.870
Hansen Test	0.00	0.00
P-value	1.00	1.00
Wald Test p-value		
(GDP + GDP x pub=0)	0.3712	0.3255
(GDP + GDP x for=0)	0.1013	0.000

**Table 5.7: Lending behavior of deposit and non-deposit banks by ownership during business cycles, Dependent variable: LGR1**

Dependent Variable:RLGR1	(1)	(2)
Real GDP Growth	-0.355** (0.151)	
L1.Real GDP Growth		0.729*** (0.103)
Real GDP Growth xpub1	0.460*** (0.161)	
L1.Real GDP Growth xpub1		-0.329*** (0.0945)
Real GDP Growth xpub2	-0.156 (0.361)	
L1.Real GDP Growth xpub2		-0.713** (0.327)
Real GDP Growth xpvt2	0.220 (0.412)	
L1.Real GDP Growth xpvt2		-0.438 (0.452)
Real GDP Growth xfor1	0.0566 (0.289)	
L1.Real GDP Growth xfor1		0.00340 (0.128)
Real GDP Growth xfor2	-0.461** (0.211)	
L1.Real GDP Growth xfor2		0.575 (0.364)
pub1	-0.0150 (0.00960)	-0.00460 (0.00971)
pub2	-0.00886 (0.0199)	-0.000722 (0.0182)
pvt2	-0.00912 (0.0164)	0.000243 (0.0194)
for1	-0.00863 (0.00549)	-0.00739 (0.00717)
for2	0.00283 (0.00964)	-0.00987 (0.00802)
L1.Size	-0.00340* (0.00171)	-0.00291* (0.00172)
L1.Capital ratio	0.0450 (0.0350)	0.0490 (0.0365)



**Table 5.7 (Cont'd): Lending behavior of deposit and non-deposit banks by ownership during business cycles, Dependent variable: LGR1**

Dependent Variable:RLGR1	(1) One-step	(2) One-step
L1.Liquidity	0.156*** (0.0417)	0.155*** (0.0417)
L1.ROA	0.294 (0.295)	0.252 (0.263)
L1.NI Margin	-0.320 (0.253)	-0.302 (0.250)
L1.LLP	0.0478 (0.122)	0.0777 (0.122)
L1.RLGR1	0.0438 (0.0514)	0.0590 (0.0525)
L2.RLGR1	0.144*** (0.0390)	0.150*** (0.0410)
L3.RLGR1	0.0367 (0.0419)	0.0398 (0.0400)
L4.RLGR1	0.0517 (0.0419)	0.0763* (0.0402)
Constant	0.0175 (0.0344)	-0.0118 (0.0356)
Observations	1,498	1,498
Time FE	Yes	Yes
Bank FE	No	No
Hausman Test	20.99***	
Hansen Test	0.00	0.00
P-value	1.000	1.00
AR(1)	0.000	0.000
AR(2)	0.282	0.569
AR(3)	0.865	0.765
Wald Test		
Growth+ Growthxpub1 = 0	0.3484	0.0000
Growth+ Growthxpub2 = 0	0.1401	0.9617
Growth+ Growthxpvt2 = 0	0.7296	0.4971
Growth+ Growthxfor1 = 0	0.2328	0.0000
Growth+ Growthxfor2= 0	0.000	0.0012

## 5.2.2 Loan growth rate and industrial production growth rate

For robustness, quarterly industrial production growth rate is taken as independent variable instead of GDP growth rate and the findings are presented in Tables 5.8 and 5.9. The findings from column (1) in Table 5.8 indicate that there is no significant relationship between loan growth rate and industrial production growth rate but a negative coefficient is found with the lagged industrial production growth rate is used. There is no significant difference between cyclicalness of loan growth rate of public and private banks. However, loan growth rate of foreign banks is less pro-cyclical than that of private banks. The combined coefficient of foreign banks is negative and significant which shows that loan growth rate of foreign banks is counter-cyclical. These findings are not consistent with the findings of nominal and real GDP growth rate.

**Table 5.8: Lending behavior of banks by ownership during Industrial business cycles, Dependent variable: LGR1**

Dependent variable: LGR1	(1)	(2)
Industrial Growth	0.0288 (0.128)	
L1. Industrial Growth		-0.194** (0.0888)
Industrial Growth x Pub	-0.170 (0.126)	
L1. Industrial Growth x pub		-0.000955 (0.232)
Industrial Growth x for	-0.309* (0.178)	
L1. Industrial Growth x for		-0.259 (0.283)
Pub	-0.00635 (0.00936)	-0.00862 (0.0110)

**Table 5.8 (Cont'd): Lending behavior of banks by ownership during Industrial business cycles, Dependent variable: LGR1**

Dependent variable: LGR1	(1) One-step	(2) One-step
For	-0.00288 (0.00803)	-0.00364 (0.00681)
L1.Size	-0.00373* (0.00204)	-0.00380* (0.00199)
L1.Capital ratio	0.0370 (0.0317)	0.0368 (0.0313)
L1.Liquidity	0.173*** (0.0428)	0.172*** (0.0433)
L1.ROA	0.265 (0.264)	0.283 (0.263)
L1.NI margin	-0.137 (0.251)	-0.176 (0.245)
L1.LLP	0.0485 (0.123)	0.0205 (0.125)
L1.LGR1	0.00164 (0.0589)	0.00549 (0.0591)
L2.LGR1	0.0799 (0.0474)	0.0931** (0.0455)
L3.LGR1	0.0428 (0.0507)	0.0153 (0.0529)
L4.LGR1	0.0428 (0.0547)	0.0458 (0.0555)
Constant	0.0606 (0.0548)	0.0727 (0.0517)
Observations	1,498	1,498
Time FE	Yes	Yes
Bank FE	No	No
Hausman test for endogeneity	10.21***	
Number of instruments	318	318
AR(1)	0.006	0.000
AR(2)	0.984	0.195
AR(3)	0.826	0.830
Hansen Test	0.20	0.02
P-value	1.00	1.00
Wald test p-value (Growth+Growthxpub=0)	0.2638	0.2617
(Growth+Growthxfor=0)	0.0500	0.1038

Table 5.9 gives the estimates when bank are classified by ownership and deposit collecting ability. It is found that loan growth rate of private non-deposit banks is more pro-cyclical than that of private deposit banks with current industrial production growth. However, these findings are not consistent with findings of second column when lagged industrial production growth rate is used. It is found that loan growth rate of public deposit banks is more pro-cyclical than that of private deposit banks in second column however these findings are not consistent with first column. These findings are also not consistent with the findings of real and nominal GDP growth rates.

**Table 5.9: Lending behavior of banks by types during Industrial business cycles**  
**Dependent variable: LGR1**

<b>LGR1</b>	<b>(1)</b>	<b>(2)</b>
Industrial Growth	-0.135 (0.0976)	
L1. Industrial Growth		-0.266** (0.108)
Industrial GrowthxPub1	-0.143 (0.105)	
L1. Industrial Growth xpub1		0.352** (0.152)
Industrial GrowthxPub2	0.174 (0.152)	
L1. Industrial Growth xPub2		-0.209 (0.346)
Industrial GrowthxPvt2	0.787*** (0.214)	
L1. Industrial GrowthxPvt2		0.273 (0.282)
Industrial Growthxfor1	-0.114 (0.175)	
L1. Industrial Growthxfor1		-0.126 (0.319)
Industrial Growthxfor2	0.0208 (0.133)	
L1. Industrial Growthxfor2		-0.500*** (0.143)
Pub1	-0.00675 (0.0100)	-0.0119 (0.0111)
Pub2	-0.0120 (0.0184)	-0.00931 (0.0197)
Pvt2	-0.0150 (0.0157)	-0.00946 (0.0170)
for1	-0.00711 (0.00755)	-0.00676 (0.00604)

**Table 5.9 (Cont'd): Lending behavior of banks by types during Industrial business cycles, Dependent variable: LGR1**

LGR1	(1) One-step	(2) One-step
for2	-0.00244 (0.00915)	0.00237 (0.00971)
Size	-0.00388** (0.00176)	-0.00387** (0.00171)
L1.Capital ratio	0.0406 (0.0365)	0.0428 (0.0359)
L1.Liquidity	0.160*** (0.0427)	0.156*** (0.0436)
L1.ROA	0.332 (0.302)	0.329 (0.296)
L1.NI margin	-0.368 (0.277)	-0.366 (0.257)
L1.LLP	0.0885 (0.121)	0.0335 (0.125)
L1.LGR1	0.0406 (0.0518)	0.0437 (0.0524)
L2.LGR1	0.121*** (0.0405)	0.130*** (0.0393)
L3.LGR1	0.0485 (0.0431)	0.0173 (0.0453)
L4.LGR1	0.0350 (0.0399)	0.0395 (0.0406)
Constant	0.0793 (0.0557)	0.0877 (0.0545)
Observations	1,498	1,498
Time FE	Yes	Yes
Bank FE	No	No
Hausman test for endogeneity	9.98***	
Number of Instruments	478	478
AR(1)	0.000	0.000
AR(2)	0.232	0.263
AR(3)	0.872	0.878
Hansen Test	0.00	0.00
p-value	1.000	1.00
Wald test p-value		
(Growth+Growthxpub1=0)	0.0075	0.5046
(Growth+Growthxpub2=0)	0.7901	0.1522
(Growth+Growthxpvt2=0)	0.0019	0.2177
(Growth+Growthxfor1=0)	0.0674	0.2179
(Growth+Growthxfor2=0)	0.3054	0.0000

### 5.2.3 Lending behavior during positive and negative GDP growth rate periods

Tables 5.10-5.13 present the results of the estimates of the one-step system GMM when GDP growth rates with positive and negative periods are analyzed separately in order to test whether there is symmetric loan growth in positive and negative GDP growth periods.

Tables 5.10 and 5.11 present the results when loan growth rate and GDP growth rates are in nominal terms. Although public and private banks behave similarly in periods with positive GDP growth rates, public banks increase their lending in periods with negative GDP growth rates. For example, it is found that during positive GDP growth rate periods, when GDP growth rate increase by 1% loan growth rate of private banks increases by 0.377% , loan growth rate of public banks increases by 0.392% and loan growth rate of foreign banks increases by 0.006%. The findings also show that in periods with negative GDP growth rate, when GDP growth rate decrease by 1% the loan growth rate of private banks decreases by 0.883%, loan growth rate of public banks increase by 0.831% and loan growth rate of foreign banks decreases by 1.15%.. Only coefficient which is found significant is for public banks. The combined coefficient of GDP positive and negative with public banks is significant. The combined coefficient of foreign banks with GDP negative is also significant. These results suggest that public banks play a positive role in periods with negative GDP growth rates. These results also support the hypothesis that public banks increase their loan growth during negative growth rate periods. The findings suggest that public banks inject funds to markets in order to maintain credit flow and liquidity in markets. These findings are similar to the findings of Bertay et al. (2015) and consistent with the findings for a sample of 111 countries.

Table 5.11 present results of lending behavior during positive and negative GDP growth periods for banks are classified by their ownership and deposit collecting ability. Only GDP positive has positive and significant coefficient. All interaction

variables of GDP growth with banks and combined coefficients of GDP growth with banks types are insignificant.

Tables 5.12 and 5.13 present the results with real growth rates. Public banks are found to increase their loan growth in negative GDP growth rate periods. However, the combined coefficients of all bank types with GDP growth rates are found to be insignificant in Table 5.12. The results from Table 5.13 indicate that loan growth rate of public non-deposit banks is significantly more than private deposit banks in positive GDP growth rate periods and loan growth rate of foreign non-deposit banks is significantly less than private deposit banks in negative GDP growth rate periods.

**Table 5.10: Lending behavior of banks by ownership during positive and negative GDP growth periods: Nominal GDP growth rates**

Dependent variable:LGR1	(1)
GDP Positive	0.377** (0.164)
GDP Positive x pub	0.0156 (0.251)
GDP Positive x for	-0.371 (0.322)
GDP Negative	0.883 (0.549)
GDP Negative x pub	-1.714** (0.648)
GDP Negative x for	0.224 (0.704)
pub	-0.0132 (0.0144)
for	0.00790 (0.0139)
L1.Size	-0.00353 (0.00209)
L1.Capital Ratio	0.0414 (0.0323)
L1.Liquidity	0.176*** (0.0429)
L1.ROA	0.262 (0.256)

**Table 5.10 (Cont'd): Lending behavior of banks by ownership during positive and negative GDP growth periods: Nominal GDP growth rates**

Dependent variable:LGR1	(1)
L1.NI margin	-0.162 (0.239)
L1.LLP	0.0468 (0.121)
L1.LGR1	-0.00503 (0.0583)
L2.LGR1	0.0845* (0.0471)
L3.LGR1	0.0713 (0.0510)
L4.LGR1	0.0341 (0.0567)
Constant	0.0324 (0.0563)
Observations	1,498
Time FE	Yes
AR(1)	0.000
AR(2)	0.057
AR(3)	0.472
Hansen test	0.00
P-value	1.000
Wald test	
(GDP Positive + Positive x pub=0)	0.0831
(GDP Positive + Positive x for=0)	0.9836
(GDP Negative + Negative xpub=0)	0.0936
(GDP Negative + Negative xfor=0)	0.0828



**Table 5.11: Lending behavior of banks by types during positive and negative GDP growth periods: Nominal GDP growth rates**

<b>Dependent variable:LGR1</b>	<b>(1)</b>
GDP Positive	0.459* (0.237)
GDP Positivexpub1	0.651 (0.777)
GDP Positivexfor1	-0.405 (0.374)
GDP Positivexpvt2	-0.363 (0.722)
GDP Positivexpub2	-0.780 (0.787)
GDP Positivexfor2	-0.834 (0.980)
GDP Negative	0.765 (0.830)
GDP Negativexpub1	3.319 (4.199)
GDP Negativexfor1	0.564 (0.967)
GDP Negativexpvt2	0.494 (2.168)
GDP Negativexpub2	-6.507 (4.042)
GDP Negativexfor2	-1.382 (1.552)
pub	-0.0153 (0.0152)
for	0.00757 (0.0139)
L1.Size	-0.00456 (0.00292)
L1.Capital Ratio	0.0646 (0.0504)
L1.Liquidity	0.155*** (0.0467)
L1.ROA	0.248 (0.262)
L1.NI margin	-0.142 (0.247)
L1.LLP	4.96e-05 (0.146)

**Table 5.11 (Cont'd): Lending behavior of banks by types during positive and negative GDP growth periods: Nominal GDP growth rates**

<b>Dependent variable:LGR1</b>	<b>(1)</b>
L1.LGR1	-0.0139 (0.0614)
L2.LGR1	0.0819 (0.0511)
L3.LGR1	0.0602 (0.0509)
L4.LGR1	0.0286 (0.0572)
Constant	0.0630 (0.0752)
Observations	1,498
Time FE	Yes
AR(1)	0.000
AR(2)	0.049
AR(3)	0.399
Hansen Test	0.00
P-value	1.000
(GDP Positive + Positive x pub1=0)	0.8157
(GDP Positive + Positive x pub2=0)	0.4568
(GDP Positive + Positive x pvt2=0)	0.7415
(GDP Positive + Positive x for1=0)	0.9196
(GDP Positive + Positive x for2=0)	0.9182
(GDP Negative + Negative x pub1=0)	0.2740
(GDP Negative + Negative x pub2=0)	0.1568
(GDP Negative + Negative x pvt2=0)	0.5136
(GDP Negative + Negative x for1=0)	0.1102
(GDP Negative + Negative x for2=0)	0.9935

**Table 5.12: Lending behavior of banks by ownership during positive and negative GDP growth periods: Real GDP growth rates**

Dependent variable: RLGR1	(1)
Real GDP Positive	-0.786*** (0.214)
Real GDP Positive x pub	0.707 (0.486)
Real GDP Positive x for	0.417 (0.367)
Real GDP Negative	0.344 (0.440)
Real GDP Negative x pub	-0.831* (0.450)
Real GDP Negative x for	-0.924* (0.496)
pub	-0.0258* (0.0146)
for	-0.0188* (0.0103)
L1.Size	-0.00380* (0.00202)
L1.Capital ratio	0.0358 (0.0321)
L1.liquidity	0.171*** (0.0438)
L1.ROA	0.277 (0.273)
L1.NI margin	-0.166 (0.245)
L1.LLP	0.0364 (0.126)
L1.LGR1	6.21e-05 (0.0610)
L2.LGR1	0.0902* (0.0461)
L3.LGR1	0.0155 (0.0502)
L4.LGR1	0.0457 (0.0545)
Constant	0.0870 (0.0532)

**Table 5.12 (Cont'd): Lending behavior of banks by ownership during positive and negative GDP growth periods: Real GDP growth rates**

<b>Dependent variable: RLGR1</b>	<b>(1)</b>
Observations	1,498
Time FE	YES
Hansen Test	0.00
P-value	1.000
AR(1)	0.000
AR(2)	0.175
AR(3)	0.912
(GDP Positive + Positive x pub=0)	0.8391
(GDP Positive + Positive x for=0)	0.2461
(GDP Negative + Negative xpub=0)	0.2750
(GDP Negative + Negative xfor=0)	0.1982

**Table 5.13: Lending behavior of banks by types during positive and negative GDP growth periods: Real GDP growth rates**

Dependent variable: RLGR1	(1)
Real GDP Positive	-1.296*** (0.380)
Real GDP Positivexpub1	1.287 (1.257)
Real GDP Positivexpub2	1.166 (1.451)
Real GDP Positivexpvt2	2.253** (1.054)
Real GDP Positivexfor1	0.799 (0.520)
Real GDP Positivexfor2	1.989 (1.489)
Real GDP Negative	0.503 (0.682)
Real GDP Negative x pub1	0.833 (1.840)
Real GDP Negative x pub2	-2.958 (1.833)
Real GDP Negative x pvt2	-0.595 (2.215)
Real GDP Negative x for1	0.208 (1.341)
Real GDP Negative x for2	-11.36** (5.274)
Pub	-0.0223 (0.0167)
For	-0.0185 (0.0111)
L1.Size	-0.000865 (0.00322)
L1.Capital ratio	-0.0127 (0.0551)
L1.liquidity	0.186*** (0.0437)
L1.ROA	0.137 (0.220)
L1.NI margin	-0.144 (0.244)
L1.LLP	-0.0460 (0.152)

**Table 5.13 (Cont'd): Lending behavior of banks by types during positive and negative GDP growth periods: Real GDP growth rates**

<b>Dependent variable: RLGR1</b>	<b>(1)</b>
L1.LGR1	-0.0289 (0.0570)
L2.LGR1	0.0739 (0.0473)
L3.LGR1	0.00844 (0.0521)
L4.LGR1	0.0378 (0.0519)
Constant	0.0402 (0.0810)
Observations	1,498
Time FE	Yes
Hansen test	0.00
P-value	1.000
AR(1)	0.000
AR(2)	0.106
AR(3)	0.895
(GDP Positive + Positive x pub1=0)	0.7091
(GDP Positive + Positive x pub2=0)	0.7473
(GDP Positive + Positive x pvt2=0)	0.1498
(GDP Positive + Positive x for1=0)	0.1638
(GDP Positive + Positive x for2=0)	0.5309
(GDP Negative + Negative x pub1=0)	0.4916
(GDP Negative + Negative x pub2=0)	0.2752
(GDP Negative + Negative x pvt2=0)	0.3849
(GDP Negative + Negative x for1=0)	0.3758
(GDP Negative + Negative x for2=0)	0.1149

## **CHAPTER 6**

### **CONCLUSION**

In this thesis, I examine the lending behavior of different types of banks operating in Turkey during general and local election periods and how their lending behavior changes with GDP growth rate. Banks are classified based on their ownership and deposit collecting ability.

It is found that loan growth rate of public banks is significantly higher than private banks in all elections and local election periods. These results are consistent with the definitions of loan growth rates when change in loans is adjusted with total loans or with total assets. The results do not change when sample is restricted to deposit banks only. The findings are similar when election period covers one or two quarters before elections indicating that public banks start to increase their lending one to two quarters before the local elections. The results of local elections are stronger when observations from general elections are eliminated. However, there is no significant

difference between loan growth rates of Turkish public and private banks during general elections.

The results during local elections are consistent with other studies which found that loan growth rate of public banks is significantly more than that of private banks in developing countries (e.g., Dinç, 2005). The findings about lending behavior of banks during general elections are consistent with the findings for developed countries (Dinç, 2005) since no significant difference between lending behavior of public and private banks is found.

It is found that loan growth of all banks except foreign non-deposit banks is higher in general elections than other periods. Generally, there is more political uncertainty in general elections than in local elections. However, in Turkey the same party won general elections over the last fifteen years suggesting lower political uncertainty. Government may give incentives not only to public banks but to all banks during general elections to increase their loan growth resulting in no difference among banks. On the other hand, in local elections, competition is more severe among political parties. The findings suggest that public banks may increase their loans for political purposes as their loan growth is found to be more than that of private banks during local elections.

It is found that although loan growth rate of public banks is less pro-cyclical than that of private banks but public deposit banks are engaged in pro-cyclical lending behavior. These results are similar to the findings of Behr et al. (2017) for German public saving banks. However, public non-deposit banks are not found to be engaged in cyclical behavior. It is also found that loan growth rate of public banks increases in periods with negative GDP growth rate, these results are similar to the findings of (Bertay et al., 2015).



## **6.1 Limitations of study and future research**

Although this study covers a period of 15 years which includes five general and three local elections, the same party won general elections in this time period. It would be better to study a longer time period which includes the elections when there were more competition among political parties.

This study analyzes the period after the 2000-2001 crisis when public banks were started to be regulated. Duty losses were main problems of public banks at that time and they were subject to be more politically influenced. When sample period covers the period before the crisis, lending behavior of public banks before and after the change in regulations can be compared.

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## APPENDIX:

**Table A1: Descriptive statistics of loan growth variables by bank groups (Full sample)**

	<b>LGR1</b>	<b>LGR2</b>	<b>LGR3</b>	<b>RLGR1</b>	<b>RLGR2</b>	<b>RLGR3</b>
<b>For1</b>						
<b>Mean</b>	0.141	0.043	0.085	0.117	0.031	0.064
<b>S.D</b>	0.988	0.069	0.217	0.963	0.068	0.217
<b>Min.</b>	-1.000	-0.150	-0.898	-1.000	-0.153	-0.944
<b>Max.</b>	20.077	0.570	3.048	19.538	0.556	3.022
<b>N</b>	434	438	433	434	438	433
<b>For2</b>						
<b>Mean</b>	0.470	0.051	0.153	0.435	0.042	0.132
<b>S.D</b>	2.892	0.134	0.452	2.807	0.129	0.450
<b>Min.</b>	-1.000	-0.132	-0.276	-1.000	-0.137	-0.289
<b>Max.</b>	26.000	0.951	3.296	25.221	0.901	3.267
<b>N</b>	85	118	83	85	118	83
<b>Pub1</b>						
<b>Mean</b>	0.076	0.028	0.072	0.053	0.019	0.049
<b>S.D</b>	0.070	0.021	0.063	0.074	0.021	0.068
<b>Min.</b>	-0.121	-0.024	-0.129	-0.156	-0.033	-0.169
<b>Max.</b>	0.366	0.100	0.312	0.339	0.094	0.292
<b>N</b>	177	177	177	177	177	177
<b>Pub2</b>						
<b>Mean</b>	0.055	0.038	0.051	0.032	0.023	0.028
<b>S.D</b>	0.080	0.058	0.074	0.080	0.058	0.076
<b>Min.</b>	-0.174	-0.142	-0.191	-0.206	-0.169	-0.231
<b>Max.</b>	0.328	0.249	0.284	0.293	0.251	0.257
<b>N</b>	177	177	177	177	177	177

**Table A1 (Cont'd): Descriptive statistics of loan growth variables by bank groups (Full sample)**

	<b>LGR1</b>	<b>LGR2</b>	<b>LGR3</b>	<b>RLGR1</b>	<b>RLGR2</b>	<b>RLGR3</b>
<b>Pvt1</b>						
<b>Mean</b>	0.092	0.037	0.079	0.066	0.026	0.056
<b>S.D</b>	0.158	0.049	0.127	0.150	0.047	0.125
<b>Min.</b>	-0.446	-0.210	-0.590	-0.467	-0.212	-0.628
<b>Max.</b>	1.681	0.476	0.986	1.577	0.449	0.946
<b>N</b>	657	657	657	657	657	657
<b>Pvt2</b>						
<b>Mean</b>	0.222	0.053	0.091	0.193	0.039	0.068
<b>S.D</b>	1.577	0.151	0.338	1.515	0.147	0.337
<b>Min.</b>	-0.757	-0.533	-1.413	-0.758	-0.534	-1.420
<b>Max.</b>	23.700	1.431	3.207	22.737	1.366	3.167
<b>N</b>	236	236	236	236	236	236
<b>Overall</b>						
<b>Mean</b>	0.134	0.041	0.082	0.109	0.029	0.060
<b>S.D</b>	0.994	0.081	0.209	0.962	0.079	0.208
<b>Min.</b>	-1.000	-0.533	-1.413	-1.000	-0.534	-1.420
<b>Max.</b>	26.000	1.431	3.296	25.221	1.366	3.267
<b>N</b>	1766	1803	1763	1766	1803	1763

**Table A2: Descriptive statistics of bank specific variables by bank groups (Full sample)**

Type	Assets	Capital ratio	Liquidity	ROA	Net interest margin	LLP
<b>For1</b>						
Mean	18141.210	0.158	0.358	0.004	0.031	0.013
S.D	32976.690	0.134	0.164	0.018	0.028	0.021
Min.	13.130	0.040	0.003	-0.175	-0.004	0.000
Max.	269638	0.925	0.904	0.042	0.352	0.283
N	445	445	445	445	445	441
<b>For2</b>						
Mean	604.267	0.466	0.326	-0.031	0.035	0.035
S.D	789.068	0.258	0.253	0.076	0.061	0.120
Min.	5.000	0.045	0.000	-0.400	0.000	0.000
Max.	2243	0.980	0.900	0.075	0.588	0.748
N	120	120	120	120	120	87
<b>Pub1</b>						
Mean	93112.510	0.098	0.461	0.011	0.029	0.038
S.D	72494.580	0.019	0.196	0.011	0.023	0.120
Min.	9335.950	0.024	0.005	-0.067	0.003	0.001
Max.	329749	0.137	0.792	0.034	0.219	1.315
N	180	180	180	180	180	180
<b>Pub2</b>						
Mean	7859.385	0.501	0.217	0.020	0.044	0.008
S.D	10231.020	0.234	0.120	0.048	0.038	0.030
Min.	396.280	0.086	0.000	-0.179	0.004	0.000
Max.	59086	0.817	0.524	0.229	0.267	0.362
N	180	180	180	180	180	180
<b>Pvt1</b>						
Mean	40553.640	0.115	0.343	0.008	0.030	0.017
S.D	63498.410	0.051	0.158	0.023	0.029	0.029
Min.	73.100	-0.033	0.004	-0.415	-0.042	0.000
Max.	292882	0.459	0.850	0.065	0.369	0.364
N	671	671	671	671	671	671
<b>Pvt2</b>						
Mean	2564.542	0.372	0.227	0.016	0.053	0.020
S.D	4531.202	0.229	0.134	0.032	0.063	0.060
Min.	36.690	0.040	0.000	-0.197	0.004	0.000
Max.	22870	0.955	0.534	0.118	0.714	0.455
N	240	240	240	240	240	240



**Table A2 (Cont'd): Descriptive statistics of bank specific variables by bank groups (Full sample)**

<b>Type</b>	<b>Assets</b>	<b>Capital ratio</b>	<b>Liquidity</b>	<b>ROA</b>	<b>Net interest margin</b>	<b>LLP</b>
<b>Overall</b>						
<b>Mean</b>	29491.980	0.218	0.330	0.007	0.035	0.019
<b>S.D</b>	54122.410	0.207	0.178	0.034	0.039	0.057
<b>Min.</b>	5.000	-0.033	0.000	-0.415	-0.042	0.000
<b>Max.</b>	329749	0.980	0.904	0.229	0.714	1.315
<b>N</b>	1836	1836	1836	1836	1836	1799

\*Assets are in millions of TL

**Table A3: Lending behavior of banks by ownership types during elections**  
**Dependent variable: LGR2**

<b>Dependent variable: LGR2</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections1q	0.0242** (0.0103)		0.0257** (0.0106)		0.0364* (0.0215)	
Elections1qpub	0.0155** (0.00711)	0.0397*** (0.0106)	0.00117 (0.00859)	0.0268** (0.0107)	0.0292*** (0.0104)	0.0656*** (0.0224)
Elections1qxpvt		0.0242** (0.0103)		0.0257** (0.0106)		0.0364* (0.0215)
Elections1qxfor	0.00343 (0.00708)	0.0276*** (0.0101)	0.00656 (0.00866)	0.0322*** (0.0103)	-0.00358 (0.0102)	0.0328 (0.0218)
pub	-0.00445 (0.00512)	-0.00445 (0.00512)	-0.00099 (0.00486)	-0.000991 (0.00486)	-0.00382 (0.00511)	-0.00382 (0.00511)
for	-0.0117* (0.00658)	-0.0117* (0.00658)	-0.0124* (0.00656)	-0.0124* (0.00656)	-0.0109* (0.00650)	-0.0109* (0.00650)
L1.Size	-0.016** (0.00668)	-0.0164** (0.00668)	-0.016** (0.00670)	-0.0167** (0.00670)	-0.0166** (0.00668)	-0.0166** (0.00668)
L1.Capital ratio	0.00346 (0.0244)	0.00346 (0.0244)	0.00116 (0.0246)	0.00116 (0.0246)	0.00399 (0.0244)	0.00399 (0.0244)
L1.Liquidity	0.0336* (0.0198)	0.0336* (0.0198)	0.0314 (0.0198)	0.0314 (0.0198)	0.0320 (0.0198)	0.0320 (0.0198)
L1.ROA	0.0834 (0.0904)	0.0834 (0.0904)	0.0751 (0.0912)	0.0751 (0.0912)	0.0867 (0.0913)	0.0867 (0.0913)
L1.NI margin	-0.212 (0.149)	-0.212 (0.149)	-0.197 (0.149)	-0.197 (0.149)	-0.235 (0.151)	-0.235 (0.151)
L1.LLP	-0.0160 (0.0561)	-0.0160 (0.0561)	-0.0123 (0.0556)	-0.0123 (0.0556)	-0.0278 (0.0569)	-0.0278 (0.0569)
L1.LGR2	0.121** (0.0509)	0.121** (0.0509)	0.122** (0.0508)	0.122** (0.0508)	0.117** (0.0509)	0.117** (0.0509)
L2.LGR2	0.141*** (0.0469)	0.141*** (0.0469)	0.142*** (0.0469)	0.142*** (0.0469)	0.138*** (0.0469)	0.138*** (0.0469)
L3.LGR2	0.0416 (0.0405)	0.0416 (0.0405)	0.0406 (0.0406)	0.0406 (0.0406)	0.0420 (0.0405)	0.0420 (0.0405)
L4.LGR2	0.0437 (0.0393)	0.0437 (0.0393)	0.0416 (0.0392)	0.0416 (0.0392)	0.0466 (0.0393)	0.0466 (0.0393)
Constant	0.384** (0.156)	0.384** (0.156)	0.390** (0.157)	0.390** (0.157)	0.391** (0.157)	0.391** (0.157)
Observations	1,507	1,507	1,507	1,507	1,507	1,507
R-squared	0.233	0.233	0.231	0.231	0.236	0.236
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

\*\*\* Elections1q is a dummy variable that takes a value of 1 for elections quarter and one quarter before elections.  
\*, \*\* and \*\*\* represents to significance at 10%, 5% and 1% level of confidence respectively.

**Table A4: Lending behavior of banks by ownership types during elections**  
**Dependent variable: LGR3**

<b>Dependent variable: LGR3</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections1q	0.0375** (0.0152)		0.0413*** (0.0154)		0.0513 (0.0376)	
Elections1qpub	0.0323*** (0.0113)	0.0697*** (0.0158)	0.00192 (0.0126)	0.0432*** (0.0155)	0.0614*** (0.0181)	0.113*** (0.0374)
Elections1qxpvt		0.0375** (0.0152)		0.0413*** (0.0154)		0.0513 (0.0376)
Elections1qxfor	0.00744 (0.0117)	0.0449*** (0.0151)	0.0126 (0.0133)	0.0538*** (0.0151)	-0.00545 (0.0176)	0.0459 (0.0377)
pub	-0.00460 (0.00984)	-0.00460 (0.00984)	0.00263 (0.00968)	0.00263 (0.00968)	-0.00340 (0.00980)	-0.00340 (0.00980)
for	-0.0183* (0.0106)	-0.0183* (0.0106)	-0.0196* (0.0104)	-0.0196* (0.0104)	-0.0167 (0.0102)	-0.0167 (0.0102)
L1.Size	-0.028*** (0.0106)	-0.028*** (0.0106)	-0.029*** (0.0107)	-0.029*** (0.0107)	-0.029*** (0.0106)	-0.029*** (0.0106)
L1.Capital ratio	-0.0103 (0.0444)	-0.0103 (0.0444)	-0.0146 (0.0447)	-0.0146 (0.0447)	-0.00958 (0.0440)	-0.00958 (0.0440)
L1.Liquidity	0.142*** (0.0337)	0.142*** (0.0337)	0.138*** (0.0336)	0.138*** (0.0336)	0.140*** (0.0335)	0.140*** (0.0335)
L1.ROA	0.205 (0.180)	0.205 (0.180)	0.185 (0.183)	0.185 (0.183)	0.215 (0.180)	0.215 (0.180)
L1.NI margin	-0.414* (0.236)	-0.414* (0.236)	-0.384 (0.236)	-0.384 (0.236)	-0.465* (0.241)	-0.465* (0.241)
L1.LLP	0.0766 (0.141)	0.0766 (0.141)	0.0840 (0.143)	0.0840 (0.143)	0.0536 (0.139)	0.0536 (0.139)
L1.LGR3	0.0419 (0.0429)	0.0419 (0.0429)	0.0443 (0.0429)	0.0443 (0.0429)	0.0382 (0.0430)	0.0382 (0.0430)
L2.LGR3	0.131*** (0.0407)	0.131*** (0.0407)	0.132*** (0.0408)	0.132*** (0.0408)	0.129*** (0.0407)	0.129*** (0.0407)
L3.LGR3	0.0184 (0.0365)	0.0184 (0.0365)	0.0181 (0.0366)	0.0181 (0.0366)	0.0188 (0.0364)	0.0188 (0.0364)
L4.LGR3	0.0519 (0.0334)	0.0519 (0.0334)	0.0503 (0.0334)	0.0503 (0.0334)	0.0550 (0.0334)	0.0550 (0.0334)
Constant	0.653** (0.254)	0.653** (0.254)	0.667*** (0.256)	0.667*** (0.256)	0.671*** (0.254)	0.671*** (0.254)
Observations	1,498	1,498	1,498	1,498	1,498	1,498
R-squared	0.258	0.258	0.255	0.255	0.263	0.263
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

\*\*\* Elections1q is a dummy variable that takes a value of 1 for elections quarter and one quarter before elections. \*, \*\* and \*\*\* represents to significance at 10%, 5% and 1% level of confidence respectively.

**Table A5: Lending behavior of bank by ownership and deposit collecting ability during elections, Dependent variable: LGR2**

<b>Dependent variable: LGR2</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections1q	0.0168* (0.0101)		0.0202** (0.0102)		0.0254 (0.0221)	
Elections1qpub1	0.0135*** (0.00501)	0.0303*** (0.0101)	0.00578 (0.00612)	0.0259** (0.0103)	0.0191*** (0.00703)	0.0446** (0.0209)
Elections1qpub2	0.0321*** (0.0105)	0.0488*** (0.0131)	0.00756 (0.0106)	0.0277** (0.0133)	0.0544*** (0.0167)	0.0798*** (0.0262)
Elections1qxpvt1		0.0168* (0.0101)		0.0202** (0.0102)		0.0254 (0.0221)
Elections1qxpvt2	0.0321* (0.0183)	0.0489** (0.0191)	0.0230 (0.0248)	0.0431* (0.0244)	0.0362 (0.0223)	0.0617** (0.0276)
Elections1qxfor1	0.00963 (0.00617)	0.0264*** (0.0101)	0.0113* (0.00663)	0.0314*** (0.0103)	0.00286 (0.0103)	0.0283 (0.0219)
Elections1qxfor2	0.0205 (0.0202)	0.0373* (0.0215)	0.0197 (0.0262)	0.0398 (0.0270)	0.0139 (0.0223)	0.0393 (0.0321)
pub1	-0.00394 (0.00499)	-0.00394 (0.00499)	-0.00163 (0.00492)	-0.00163 (0.00492)	-0.00300 (0.00494)	-0.00300 (0.00494)
pub2	-0.0630** (0.0261)	-0.0630** (0.0261)	-0.057** (0.0264)	-0.0571** (0.0264)	-0.0604** (0.0264)	-0.0604** (0.0264)
pvt2	-0.0435** (0.0185)	-0.0435** (0.0185)	-0.040** (0.0192)	-0.0406** (0.0192)	-0.0397** (0.0179)	-0.0397** (0.0179)
for1	-0.0123* (0.00646)	-0.0123* (0.00646)	-0.012** (0.00645)	-0.0128** (0.00645)	-0.0110* (0.00650)	-0.0110* (0.00650)
for2	-0.140** (0.0553)	-0.140** (0.0553)	-0.141** (0.0561)	-0.141** (0.0561)	-0.139** (0.0562)	-0.139** (0.0562)
L1.Size	-0.0161** (0.00660)	-0.0161** (0.00660)	-0.016** (0.00670)	-0.0167** (0.00670)	-0.0164** (0.00673)	-0.0164** (0.00673)
L1.Capital ratio	0.0101 (0.0243)	0.0101 (0.0243)	0.00322 (0.0246)	0.00322 (0.0246)	0.00670 (0.0244)	0.00670 (0.0244)
L1.Liquidity	0.0283 (0.0195)	0.0283 (0.0195)	0.0293 (0.0197)	0.0293 (0.0197)	0.0300 (0.0197)	0.0300 (0.0197)
L1.ROA	0.103 (0.0907)	0.103 (0.0907)	0.0755 (0.0907)	0.0755 (0.0907)	0.114 (0.0938)	0.114 (0.0938)
L1.NI margin	-0.249* (0.145)	-0.249* (0.145)	-0.186 (0.148)	-0.186 (0.148)	-0.310** (0.150)	-0.310** (0.150)
L1.LLP	-0.0105 (0.0543)	-0.0105 (0.0543)	-0.0138 (0.0554)	-0.0138 (0.0554)	-0.0104 (0.0555)	-0.0104 (0.0555)
L1.LGR2	0.113** (0.0510)	0.113** (0.0510)	0.118** (0.0508)	0.118** (0.0508)	0.114** (0.0512)	0.114** (0.0512)
L2.LGR2	0.141*** (0.0473)	0.141*** (0.0473)	0.140*** (0.0474)	0.140*** (0.0474)	0.139*** (0.0467)	0.139*** (0.0467)
L3.LGR2	0.0463 (0.0408)	0.0463 (0.0408)	0.0418 (0.0408)	0.0418 (0.0408)	0.0451 (0.0405)	0.0451 (0.0405)
L4.LGR2	0.0476 (0.0391)	0.0476 (0.0391)	0.0442 (0.0392)	0.0442 (0.0392)	0.0468 (0.0392)	0.0468 (0.0392)
Constant	0.382** (0.155)	0.382** (0.155)	0.392** (0.157)	0.392** (0.157)	0.393** (0.158)	0.393** (0.158)
Observations	1,507	1,507	1,507	1,507	1,507	1,507
R-squared	0.240	0.240	0.233	0.233	0.241	0.241
Bank and Time FE	YES	YES	YES	YES	YES	YES

**Table A6: Lending behavior of bank by ownership and deposit collecting ability during elections, Dependent variable: LGR3**

<b>Dependent variable: LGR3</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections1q	0.0265* (0.0152)		0.0361** (0.0149)		0.0312 (0.0388)	
Elections1qpub1	0.0313*** (0.0109)	0.0578*** (0.0161)	0.00392 (0.0107)	0.0400** (0.0157)	0.0560*** (0.0179)	0.0872** (0.0374)
Elections1qpub2	0.0540*** (0.0153)	0.0806*** (0.0189)	0.0104 (0.0141)	0.0464** (0.0184)	0.0944*** (0.0258)	0.126*** (0.0417)
Elections1qxpvt1		0.0265* (0.0152)		0.0361** (0.0149)		0.0312 (0.0388)
Elections1qxpvt2	0.0464* (0.0277)	0.0729*** (0.0281)	0.0218 (0.0361)	0.0579 (0.0352)	0.0683* (0.0366)	0.0995** (0.0462)
Elections1qxfor1	0.0161 (0.0107)	0.0426*** (0.0152)	0.0164 (0.0106)	0.0525*** (0.0153)	0.00702 (0.0181)	0.0382 (0.0380)
Elections1qxfor2	0.0364 (0.0351)	0.0630* (0.0363)	0.0305 (0.0408)	0.0665 (0.0418)	0.0260 (0.0421)	0.0572 (0.0559)
pub1	-0.00431 (0.00978)	-0.00431 (0.00978)	0.00247 (0.00985)	0.00247 (0.00985)	-0.00313 (0.00960)	-0.00313 (0.00960)
pub2	-0.102** (0.0425)	-0.102** (0.0425)	-0.0911** (0.0430)	-0.0911** (0.0430)	-0.0979** (0.0426)	-0.0979** (0.0426)
pvt2	-0.0687** (0.0302)	-0.0687** (0.0302)	-0.0632** (0.0312)	-0.0632** (0.0312)	-0.0650** (0.0291)	-0.0650** (0.0291)
for1	-0.0192* (0.0104)	-0.0192* (0.0104)	-0.0198* (0.0103)	-0.0198* (0.0103)	-0.0170* (0.0102)	-0.0170* (0.0102)
for2	-0.213** (0.101)	-0.213** (0.101)	-0.213** (0.103)	-0.213** (0.103)	-0.212** (0.102)	-0.212** (0.102)
L1.Size	-0.0279*** (0.0105)	-0.0279*** (0.0105)	-0.0290*** (0.0107)	-0.0290*** (0.0107)	-0.0285*** (0.0106)	-0.0285*** (0.0106)
L1.Capital ratio	0.000693 (0.0440)	0.000693 (0.0440)	-0.0116 (0.0445)	-0.0116 (0.0445)	-0.00379 (0.0436)	-0.00379 (0.0436)
L1.Liquidity	0.134*** (0.0333)	0.134*** (0.0333)	0.136*** (0.0335)	0.136*** (0.0335)	0.136*** (0.0333)	0.136*** (0.0333)
L1.ROA	0.229 (0.179)	0.229 (0.179)	0.187 (0.183)	0.187 (0.183)	0.251 (0.181)	0.251 (0.181)
L1.NI margin	-0.467** (0.231)	-0.467** (0.231)	-0.373 (0.236)	-0.373 (0.236)	-0.582** (0.241)	-0.582** (0.241)
L1.LLP	0.0852 (0.140)	0.0852 (0.140)	0.0816 (0.143)	0.0816 (0.143)	0.0765 (0.140)	0.0765 (0.140)
L1.LGR3	0.0375 (0.0431)	0.0375 (0.0431)	0.0427 (0.0431)	0.0427 (0.0431)	0.0363 (0.0431)	0.0363 (0.0431)
L2.LGR3	0.130*** (0.0408)	0.130*** (0.0408)	0.131*** (0.0410)	0.131*** (0.0410)	0.130*** (0.0406)	0.130*** (0.0406)
L3.LGR3	0.0204 (0.0366)	0.0204 (0.0366)	0.0183 (0.0367)	0.0183 (0.0367)	0.0207 (0.0363)	0.0207 (0.0363)
L4.LGR3	0.0546 (0.0334)	0.0546 (0.0334)	0.0515 (0.0336)	0.0515 (0.0336)	0.0554* (0.0333)	0.0554* (0.0333)
Constant	0.647** (0.252)	0.647** (0.252)	0.665*** (0.256)	0.665*** (0.256)	0.668*** (0.254)	0.668*** (0.254)
Observations	1,498	1,498	1,498	1,498	1,498	1,498
R-squared	0.263	0.263	0.256	0.256	0.267	0.267
Bank and Time FE	YES	YES	YES	YES	YES	YES

**Table A7: Lending behavior during elections, Dependent variable: LGR2  
(deposit banks sample)**

<b>Dependent variable: LGR2</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections1q	0.0281*** (0.00861)		0.0279*** (0.00844)		0.0350 (0.0222)	
Elections1qpub1	0.0123** (0.00518)	0.0404*** (0.00885)	0.00460 (0.00584)	0.0325*** (0.00850)	0.0185** (0.00785)	0.0535** (0.0214)
Elections1qxpvt1		0.0281*** (0.00861)		0.0279*** (0.00844)		0.0350 (0.0222)
Elections1qxfor1	0.00812 (0.00584)	0.0362*** (0.00846)	0.0105* (0.00634)	0.0383*** (0.00854)	0.00134 (0.00986)	0.0363* (0.0218)
pub1	0.00128 (0.00565)	0.00128 (0.00565)	0.00375 (0.00559)	0.00375 (0.00559)	0.00263 (0.00550)	0.00263 (0.00550)
for1	-0.0101* (0.00611)	-0.0101* (0.00611)	-0.00991 (0.00615)	-0.00991 (0.00615)	-0.00831 (0.00620)	-0.00831 (0.00620)
L1.Size	-0.0172** (0.00692)	-0.0172** (0.00692)	-0.0171** (0.00689)	-0.0171** (0.00689)	-0.0170** (0.00696)	-0.0170** (0.00696)
L1.Capital ratio	0.119* (0.0662)	0.119* (0.0662)	0.120* (0.0665)	0.120* (0.0665)	0.122* (0.0662)	0.122* (0.0662)
L1.Liquidity	0.0167 (0.0188)	0.0167 (0.0188)	0.0154 (0.0187)	0.0154 (0.0187)	0.0174 (0.0190)	0.0174 (0.0190)
L1.ROA	0.330* (0.194)	0.330* (0.194)	0.317* (0.192)	0.317* (0.192)	0.311 (0.194)	0.311 (0.194)
L1.NI margin	-0.183 (0.142)	-0.183 (0.142)	-0.162 (0.142)	-0.162 (0.142)	-0.178 (0.145)	-0.178 (0.145)
L1.LLP	0.0114 (0.0362)	0.0114 (0.0362)	0.0135 (0.0371)	0.0135 (0.0371)	-0.000250 (0.0356)	-0.000250 (0.0356)
L1.LGR2	0.120*** (0.0419)	0.120*** (0.0419)	0.122*** (0.0419)	0.122*** (0.0419)	0.121*** (0.0421)	0.121*** (0.0421)
L2.LGR2	0.0591 (0.0366)	0.0591 (0.0366)	0.0600 (0.0368)	0.0600 (0.0368)	0.0562 (0.0368)	0.0562 (0.0368)
L3.LGR2	0.0619 (0.0414)	0.0619 (0.0414)	0.0629 (0.0411)	0.0629 (0.0411)	0.0612 (0.0413)	0.0612 (0.0413)
L4.LGR2	0.0293 (0.0413)	0.0293 (0.0413)	0.0294 (0.0413)	0.0294 (0.0413)	0.0323 (0.0415)	0.0323 (0.0415)
Constant	0.400** (0.164)	0.400** (0.164)	0.395** (0.163)	0.395** (0.163)	0.395** (0.165)	0.395** (0.165)
Observations	1,118	1,118	1,118	1,118	1,118	1,118
R-squared	0.352	0.352	0.351	0.351	0.352	0.352
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

\*\*\* Elec1q corresponds to dummy variable that takes a value of 1 for elections quarter and one quarter before elections \*, \*\* and \*\*\* represents to significance at 10%, 5% and 1% level of confidence respectively.

**Table A8: Lending behavior during elections, Dependent variable: LGR3  
(deposit banks sample)**

<b>Dependent variable: LGR3</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections1q	0.0474*** (0.0141)		0.0508*** (0.0136)		0.0285 (0.0430)	
Elections1qpubl	0.0305*** (0.0112)	0.0779*** (0.0156)	0.00213 (0.0103)	0.0530*** (0.0144)	0.0573*** (0.0188)	0.0858** (0.0427)
Elections1qxpvtl		0.0474*** (0.0141)		0.0508*** (0.0136)		0.0285 (0.0430)
Elections1qxfor1	0.0132 (0.0103)	0.0606*** (0.0139)	0.0137 (0.0103)	0.0645*** (0.0138)	0.00602 (0.0175)	0.0345 (0.0426)
publ	0.0124 (0.0118)	0.0124 (0.0118)	0.0195* (0.0118)	0.0195* (0.0118)	0.0145 (0.0115)	0.0145 (0.0115)
for1	-0.0142 (0.0102)	-0.0142 (0.0102)	-0.0136 (0.0102)	-0.0136 (0.0102)	-0.0119 (0.0101)	-0.0119 (0.0101)
L1.Size	-0.0241* (0.0130)	-0.0241* (0.0130)	-0.0241* (0.0130)	-0.0241* (0.0130)	-0.0235* (0.0130)	-0.0235* (0.0130)
L1.Capital ratio	0.331** (0.141)	0.331** (0.141)	0.331** (0.142)	0.331** (0.142)	0.342** (0.141)	0.342** (0.141)
L1.Liquidity	0.140*** (0.0347)	0.140*** (0.0347)	0.136*** (0.0346)	0.136*** (0.0346)	0.140*** (0.0346)	0.140*** (0.0346)
L1.ROA	0.725* (0.398)	0.725* (0.398)	0.701* (0.396)	0.701* (0.396)	0.686* (0.398)	0.686* (0.398)
L1.NI margin	-0.705* (0.360)	-0.705* (0.360)	-0.673* (0.360)	-0.673* (0.360)	-0.714* (0.366)	-0.714* (0.366)
L1.LLP	0.169 (0.145)	0.169 (0.145)	0.176 (0.152)	0.176 (0.152)	0.136 (0.136)	0.136 (0.136)
L1.LGR3	0.0347 (0.0421)	0.0347 (0.0421)	0.0377 (0.0423)	0.0377 (0.0423)	0.0322 (0.0422)	0.0322 (0.0422)
L2.LGR3	0.0561 (0.0383)	0.0561 (0.0383)	0.0577 (0.0385)	0.0577 (0.0385)	0.0535 (0.0381)	0.0535 (0.0381)
L3.LGR3	-0.00774 (0.0384)	-0.00774 (0.0384)	-0.00677 (0.0384)	-0.00677 (0.0384)	-0.00855 (0.0381)	-0.00855 (0.0381)
L4.LGR3	0.0503 (0.0409)	0.0503 (0.0409)	0.0499 (0.0409)	0.0499 (0.0409)	0.0527 (0.0411)	0.0527 (0.0411)
Constant	0.531* (0.314)	0.531* (0.314)	0.529* (0.314)	0.529* (0.314)	0.519 (0.316)	0.519 (0.316)
Observations	1,118	1,118	1,118	1,118	1,118	1,118
R-squared	0.369	0.369	0.366	0.366	0.371	0.371
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

\*\*\* Elec1q corresponds to dummy variable that takes a value of 1 for elections quarter and one quarter before elections \*, \*\* and \*\*\* represents to significance at 10%, 5% and 1% level of confidence respectively.

**Table A9: Lending behavior during elections, Dependent variable: RLGR1**

<b>Dependent variable: RLGR1</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections1q	0.0254 (0.0156)		0.0343** (0.0154)		0.0145 (0.0356)	
Elections1qpub1	0.0327*** (0.0118)	0.0581*** (0.0169)	0.00435 (0.0112)	0.0387** (0.0162)	0.0583*** (0.0197)	0.0728** (0.0340)
Elections1qpub2	0.0554*** (0.0160)	0.0808*** (0.0197)	0.0103 (0.0148)	0.0446** (0.0191)	0.0974*** (0.0267)	0.112*** (0.0385)
Elections1qxpvt1		0.0254 (0.0156)		0.0343** (0.0154)		0.0145 (0.0356)
Elections1qxpvt2	0.0534* (0.0293)	0.0788*** (0.0299)	0.0322 (0.0373)	0.0665* (0.0367)	0.0683* (0.0413)	0.0828* (0.0466)
Elections1qxfor1	0.0141 (0.0111)	0.0395** (0.0157)	0.0158 (0.0111)	0.0501*** (0.0157)	0.00383 (0.0182)	0.0183 (0.0338)
Elections1qxfor2	0.0312 (0.0371)	0.0567 (0.0382)	0.0276 (0.0433)	0.0620 (0.0442)	0.0188 (0.0423)	0.0333 (0.0532)
pub1	-0.00625 (0.0105)	-0.00625 (0.0105)	0.000718 (0.0107)	0.000718 (0.0107)	-0.00496 (0.0103)	-0.00496 (0.0103)
pub2	-0.124*** (0.0453)	-0.124*** (0.0453)	-0.114** (0.0458)	-0.114** (0.0458)	-0.120*** (0.0454)	-0.120*** (0.0454)
pvt2	-0.0843*** (0.0321)	-0.0843*** (0.0321)	-0.0795** (0.0330)	-0.0795** (0.0330)	-0.0788** (0.0310)	-0.0788** (0.0310)
for1	-0.0197* (0.0110)	-0.0197* (0.0110)	-0.0207* (0.0109)	-0.0207* (0.0109)	-0.0179* (0.0108)	-0.0179* (0.0108)
for2	-0.263** (0.109)	-0.263** (0.109)	-0.264** (0.110)	-0.264** (0.110)	-0.260** (0.109)	-0.260** (0.109)
L1.Size	-0.0342*** (0.0113)	-0.0342*** (0.0113)	-0.0356*** (0.0114)	-0.0356*** (0.0114)	-0.0348*** (0.0114)	-0.034*** (0.0114)
L1.Capital ratio	-0.00275 (0.0479)	-0.00275 (0.0479)	-0.0157 (0.0485)	-0.0157 (0.0485)	-0.00816 (0.0475)	-0.00816 (0.0475)
L1.Liquidity	0.154*** (0.0353)	0.154*** (0.0353)	0.155*** (0.0357)	0.155*** (0.0357)	0.156*** (0.0353)	0.156*** (0.0353)
L1.ROA	0.225 (0.190)	0.225 (0.190)	0.181 (0.193)	0.181 (0.193)	0.248 (0.191)	0.248 (0.191)
L1.NI margin	-0.453* (0.239)	-0.453* (0.239)	-0.350 (0.243)	-0.350 (0.243)	-0.567** (0.249)	-0.567** (0.249)
L1.LLP	0.108 (0.148)	0.108 (0.148)	0.104 (0.151)	0.104 (0.151)	0.0963 (0.148)	0.0963 (0.148)
L1.RLGR1	0.0552 (0.0429)	0.0552 (0.0429)	0.0596 (0.0428)	0.0596 (0.0428)	0.0545 (0.0429)	0.0545 (0.0429)
L2.RLGR1	0.128*** (0.0404)	0.128*** (0.0404)	0.128*** (0.0407)	0.128*** (0.0407)	0.128*** (0.0401)	0.128*** (0.0401)
L3.RLGR1	0.0221 (0.0360)	0.0221 (0.0360)	0.0201 (0.0361)	0.0201 (0.0361)	0.0218 (0.0356)	0.0218 (0.0356)
L4.RLGR1	0.0642** (0.0319)	0.0642** (0.0319)	0.0612* (0.0321)	0.0612* (0.0321)	0.0648** (0.0318)	0.0648** (0.0318)
Constant	0.334*** (0.129)	0.334*** (0.129)	0.340*** (0.131)	0.340*** (0.131)	0.347*** (0.130)	0.347*** (0.130)
Observations	1,498	1,498	1,498	1,498	1,498	1,498
R-squared	0.278	0.278	0.272	0.272	0.282	0.282
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

\*, \*\* and \*\*\* represents to significance at 10%, 5% and 1% level of confidence respectively.



**Table A10: Lending behavior during elections, Dependent variable: RLGR2**

<b>Dependent variable: RLGR2</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections1q	0.0147 (0.00972)		0.0181* (0.00979)		0.00431 (0.0178)	
Elections1qxpub1	0.0129*** (0.00492)	0.0276*** (0.00972)	0.00551 (0.00608)	0.0236** (0.00992)	0.0183*** (0.00685)	0.0227 (0.0162)
Elections1qxpub2	0.0320*** (0.0104)	0.0467*** (0.0127)	0.00777 (0.0105)	0.0258** (0.0129)	0.0540*** (0.0165)	0.0583*** (0.0223)
Elections1qxpvt1		0.0147 (0.00972)		0.0181* (0.00979)		0.00431 (0.0178)
Elections1qxpvt2	0.0315* (0.0181)	0.0462** (0.0188)	0.0226 (0.0245)	0.0407* (0.0242)	0.0354 (0.0221)	0.0398 (0.0250)
Elections1qxfor1	0.00965 (0.00606)	0.0243** (0.00979)	0.0112* (0.00650)	0.0292*** (0.00995)	0.00309 (0.0102)	0.00740 (0.0173)
Elections1qxfor2	0.0209 (0.0200)	0.0356* (0.0211)	0.0199 (0.0261)	0.0380 (0.0267)	0.0144 (0.0218)	0.0187 (0.0282)
pub1	-0.00380 (0.00488)	-0.00380 (0.00488)	-0.00157 (0.00482)	-0.00157 (0.00482)	-0.00292 (0.00484)	-0.00292 (0.00484)
pub2	-0.0629** (0.0255)	-0.0629** (0.0255)	-0.057** (0.0258)	-0.0570** (0.0258)	-0.0604** (0.0258)	-0.0604** (0.0258)
pvt2	-0.0430** (0.0181)	-0.0430** (0.0181)	-0.040** (0.0188)	-0.0402** (0.0188)	-0.0393** (0.0175)	-0.0393** (0.0175)
for1	-0.0120* (0.00633)	-0.0120* (0.00633)	-0.0124* (0.00632)	-0.0124* (0.00632)	-0.0106* (0.00637)	-0.0106* (0.00637)
for2	-0.139** (0.0541)	-0.139** (0.0541)	-0.140** (0.0549)	-0.140** (0.0549)	-0.138** (0.0550)	-0.138** (0.0550)
L1.Size	-0.0160** (0.00646)	-0.0160** (0.00646)	-0.016** (0.00655)	-0.0166** (0.00655)	-0.0163** (0.00658)	-0.0163** (0.00658)
L1.Capital ratio	0.0118 (0.0238)	0.0118 (0.0238)	0.00514 (0.0241)	0.00514 (0.0241)	0.00842 (0.0239)	0.00842 (0.0239)
L1.Liquidity	0.0382** (0.0187)	0.0382** (0.0187)	0.0394** (0.0189)	0.0394** (0.0189)	0.0400** (0.0188)	0.0400** (0.0188)
L1.ROA	0.0906 (0.0879)	0.0906 (0.0879)	0.0632 (0.0877)	0.0632 (0.0877)	0.102 (0.0911)	0.102 (0.0911)
L1.NI margin	-0.253* (0.143)	-0.253* (0.143)	-0.190 (0.146)	-0.190 (0.146)	-0.313** (0.147)	-0.313** (0.147)
L1.LLP	-0.00904 (0.0532)	-0.00904 (0.0532)	-0.0125 (0.0542)	-0.0125 (0.0542)	-0.00860 (0.0543)	-0.00860 (0.0543)
L1.RLGR2	0.110** (0.0508)	0.110** (0.0508)	0.116** (0.0505)	0.116** (0.0505)	0.112** (0.0509)	0.112** (0.0509)
L2.RLGR2	0.138*** (0.0473)	0.138*** (0.0473)	0.138*** (0.0474)	0.138*** (0.0474)	0.136*** (0.0467)	0.136*** (0.0467)
L3.RLGR2	0.0434 (0.0407)	0.0434 (0.0407)	0.0392 (0.0408)	0.0392 (0.0408)	0.0422 (0.0405)	0.0422 (0.0405)
L4.RLGR2	0.0509 (0.0393)	0.0509 (0.0393)	0.0474 (0.0394)	0.0474 (0.0394)	0.0504 (0.0394)	0.0504 (0.0394)
Constant	0.168** (0.0708)	0.168** (0.0708)	0.169** (0.0717)	0.169** (0.0717)	0.175** (0.0721)	0.175** (0.0721)
Observations	1,507	1,507	1,507	1,507	1,507	1,507
R-squared	0.245	0.245	0.238	0.238	0.247	0.247
Bank and Time	YES	YES	YES	YES	YES	YES
Fixed Effects						

\*, \*\* and \*\*\* represents to significance at 10%, 5% and 1% level of confidence respectively.

**Table A11: Lending behavior during elections, Dependent variable: RLGR3**

<b>Dependent variable: RLGR3</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections1q	0.0254* (0.0150)		0.0350** (0.0148)		0.00275 (0.0336)	
Elections1qpub1	0.0313*** (0.0109)	0.0567*** (0.0160)	0.00392 (0.0107)	0.0390** (0.0155)	0.0560*** (0.0179)	0.0587* (0.0316)
Elections1qpub2	0.0540*** (0.0153)	0.0795*** (0.0188)	0.0104 (0.0141)	0.0454** (0.0182)	0.0944*** (0.0258)	0.0971*** (0.0366)
Elections1qxpvt1		0.0254* (0.0150)		0.0350** (0.0148)		0.00275 (0.0336)
Elections1qxpvt2	0.0464* (0.0277)	0.0718** (0.0281)	0.0218 (0.0361)	0.0569 (0.0352)	0.0683* (0.0366)	0.0710* (0.0425)
Elections1qxfor1	0.0161 (0.0107)	0.0415*** (0.0151)	0.0164 (0.0106)	0.0514*** (0.0151)	0.00702 (0.0181)	0.00977 (0.0321)
Elections1qxfor2	0.0364 (0.0351)	0.0619* (0.0362)	0.0305 (0.0408)	0.0655 (0.0417)	0.0260 (0.0421)	0.0288 (0.0520)
pub1	-0.00431 (0.00978)	-0.00431 (0.00978)	0.00247 (0.00985)	0.00247 (0.00985)	-0.00313 (0.00960)	-0.00313 (0.00960)
pub2	-0.102** (0.0425)	-0.102** (0.0425)	-0.0911** (0.0430)	-0.0911** (0.0430)	-0.0979** (0.0426)	-0.0979** (0.0426)
pvt2	-0.0687** (0.0302)	-0.0687** (0.0302)	-0.0632** (0.0312)	-0.0632** (0.0312)	-0.0650** (0.0291)	-0.0650** (0.0291)
for1	-0.0192* (0.0104)	-0.0192* (0.0104)	-0.0198* (0.0103)	-0.0198* (0.0103)	-0.0170* (0.0102)	-0.0170* (0.0102)
for2	-0.213** (0.101)	-0.213** (0.101)	-0.213** (0.103)	-0.213** (0.103)	-0.212** (0.102)	-0.212** (0.102)
L1.Size	-0.0279*** (0.0105)	-0.0279*** (0.0105)	-0.0290*** (0.0107)	-0.0290*** (0.0107)	-0.0285*** (0.0106)	-0.0285*** (0.0106)
L1.Capital ratio	0.000693 (0.0440)	0.000693 (0.0440)	-0.0116 (0.0445)	-0.0116 (0.0445)	-0.00379 (0.0436)	-0.00379 (0.0436)
L1.Liquidity	0.134*** (0.0333)	0.134*** (0.0333)	0.136*** (0.0335)	0.136*** (0.0335)	0.136*** (0.0333)	0.136*** (0.0333)
L1.ROA	0.229 (0.179)	0.229 (0.179)	0.187 (0.183)	0.187 (0.183)	0.251 (0.181)	0.251 (0.181)
L1.NI margin	-0.467** (0.231)	-0.467** (0.231)	-0.373 (0.236)	-0.373 (0.236)	-0.582** (0.241)	-0.582** (0.241)
L1.LLP	0.0852 (0.140)	0.0852 (0.140)	0.0816 (0.143)	0.0816 (0.143)	0.0765 (0.140)	0.0765 (0.140)
L1.RLGR3	0.0375 (0.0431)	0.0375 (0.0431)	0.0427 (0.0431)	0.0427 (0.0431)	0.0363 (0.0431)	0.0363 (0.0431)
L2.RLGR3	0.130*** (0.0408)	0.130*** (0.0408)	0.131*** (0.0410)	0.131*** (0.0410)	0.130*** (0.0406)	0.130*** (0.0406)
L3.RLGR3	0.0204 (0.0366)	0.0204 (0.0366)	0.0183 (0.0367)	0.0183 (0.0367)	0.0207 (0.0363)	0.0207 (0.0363)
L4.RLGR3	0.0546 (0.0334)	0.0546 (0.0334)	0.0515 (0.0336)	0.0515 (0.0336)	0.0554* (0.0333)	0.0554* (0.0333)
Constant	0.275** (0.121)	0.275** (0.121)	0.278** (0.123)	0.278** (0.123)	0.288** (0.122)	0.288** (0.122)
Observations	1,498	1,498	1,498	1,498	1,498	1,498
R-squared	0.269	0.269	0.262	0.262	0.273	0.273
Bank and Time	YES	YES	YES	YES	YES	YES
Fixed Effects						

\*, \*\* and \*\*\* represents to significance at 10%, 5% and 1% level of confidence respectively.

**Table A12: Lending behavior during elections quarter and 2 quarters before elections, Dependent variable: LGR1**

<b>Dependent variable: LGR1</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections2q	0.0338** (0.0163)		0.0435*** (0.0163)		0.0625 (0.0412)	
Elections2qxpub1	0.0270** (0.0109)	0.0608*** (0.0174)	0.00374 (0.0110)	0.0472*** (0.0172)	0.0416** (0.0162)	0.104** (0.0404)
Elections2qxpub2	0.0419*** (0.0142)	0.0756*** (0.0192)	-0.00184 (0.0137)	0.0416** (0.0192)	0.0752*** (0.0217)	0.138*** (0.0435)
Elections2qxpvt1		0.0338** (0.0163)		0.0435*** (0.0163)		0.0625 (0.0412)
Elections2qxpvt2	0.0398 (0.0251)	0.0736*** (0.0272)	0.0368 (0.0308)	0.0803** (0.0318)	0.0258 (0.0344)	0.0883* (0.0483)
Elections2qxfor1	0.00565 (0.0111)	0.0394** (0.0163)	-0.00120 (0.0111)	0.0423** (0.0165)	0.0110 (0.0168)	0.0735* (0.0409)
Elections2qxfor2	0.0415 (0.0388)	0.0753* (0.0396)	0.0514 (0.0509)	0.0949* (0.0507)	0.00546 (0.0375)	0.0679 (0.0541)
pub1	-0.00771 (0.0111)	-0.00771 (0.0111)	0.000588 (0.0111)	0.000588 (0.0111)	-0.00545 (0.0106)	-0.00545 (0.0106)
pub2	-0.128*** (0.0468)	-0.128*** (0.0468)	-0.116** (0.0467)	-0.116** (0.0467)	-0.127*** (0.0468)	-0.127*** (0.0468)
pvt2	-0.087*** (0.0334)	-0.087*** (0.0334)	-0.0852** (0.0337)	-0.0852** (0.0337)	-0.0801** (0.0319)	-0.0801** (0.0319)
for1	-0.0183 (0.0116)	-0.0183 (0.0116)	-0.0174 (0.0113)	-0.0174 (0.0113)	-0.0199* (0.0112)	-0.0199* (0.0112)
for2	-0.276** (0.114)	-0.276** (0.114)	-0.270** (0.112)	-0.270** (0.112)	-0.267** (0.112)	-0.267** (0.112)
L1.Size	-0.035*** (0.0116)	-0.035*** (0.0116)	-0.036*** (0.0117)	-0.036*** (0.0117)	-0.036*** (0.0116)	-0.036*** (0.0116)
L1.Capital ratio	-0.00525 (0.0488)	-0.00525 (0.0488)	-0.0175 (0.0489)	-0.0175 (0.0489)	-0.0116 (0.0495)	-0.0116 (0.0495)
L1.Liquidity	0.157*** (0.0355)	0.157*** (0.0355)	0.157*** (0.0358)	0.157*** (0.0358)	0.160*** (0.0362)	0.160*** (0.0362)
L1.ROA	0.231 (0.196)	0.231 (0.196)	0.196 (0.199)	0.196 (0.199)	0.265 (0.201)	0.265 (0.201)
L1.NI margin	-0.448* (0.247)	-0.448* (0.247)	-0.358 (0.249)	-0.358 (0.249)	-0.541** (0.261)	-0.541** (0.261)
L1.LLP	0.104 (0.150)	0.104 (0.150)	0.106 (0.155)	0.106 (0.155)	0.0961 (0.150)	0.0961 (0.150)
L1.LGR1	0.0546 (0.0425)	0.0546 (0.0425)	0.0552 (0.0421)	0.0552 (0.0421)	0.0536 (0.0428)	0.0536 (0.0428)
L2.LGR1	0.128*** (0.0398)	0.128*** (0.0398)	0.124*** (0.0395)	0.124*** (0.0395)	0.130*** (0.0402)	0.130*** (0.0402)

**Table A12 (Cont'd): Lending behavior during elections quarter and 2 quarters before elections, Dependent variable: LGR1**

<b>Dependent variable: LGR1</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
L3.LGR1	0.0224 (0.0359)	0.0224 (0.0359)	0.0213 (0.0361)	0.0213 (0.0361)	0.0224 (0.0357)	0.0224 (0.0357)
L4.LGR1	0.0649** (0.0318)	0.0649** (0.0318)	0.0620* (0.0318)	0.0620* (0.0318)	0.0635** (0.0317)	0.0635** (0.0317)
Constant	0.808*** (0.277)	0.808*** (0.277)	0.835*** (0.279)	0.835*** (0.279)	0.840*** (0.278)	0.840*** (0.278)
Observations	1,498	1,498	1,498	1,498	1,498	1,498
R-squared	0.270	0.270	0.266	0.266	0.271	0.271
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

**Table A13: Lending behavior during elections quarter and 2 quarters before elections, Dependent variable: LGR2**

<b>Dependent variable: LGR2</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections2q	0.0205** (0.0101)		0.0236** (0.0102)		0.0325 (0.0215)	
Elections2qpub1	0.0110** (0.00449)	0.0315*** (0.0101)	0.00568 (0.00542)	0.0292*** (0.0103)	0.0122** (0.00565)	0.0447** (0.0206)
Elections2qpub2	0.0263*** (0.00922)	0.0468*** (0.0124)	-0.00092 (0.00923)	0.0226* (0.0127)	0.0470*** (0.0137)	0.0795*** (0.0249)
Elections2qxpvt1		0.0205** (0.0101)		0.0236** (0.0102)		0.0325 (0.0215)
Elections2qxpvt2	0.0223 (0.0155)	0.0428** (0.0171)	0.0251 (0.0197)	0.0487** (0.0204)	0.00876 (0.0193)	0.0413 (0.0264)
Elections2qxfor1	0.00384 (0.00553)	0.0243** (0.0101)	0.00343 (0.00606)	0.0270*** (0.0103)	0.00233 (0.00821)	0.0349 (0.0215)
Elections2qxfor2	0.0255 (0.0190)	0.0460** (0.0201)	0.0318 (0.0277)	0.0554** (0.0280)	0.00840 (0.0179)	0.0409 (0.0283)
pub1	-0.00451 (0.00509)	-0.00451 (0.00509)	-0.00204 (0.00494)	-0.00204 (0.00494)	-0.00298 (0.00498)	-0.00298 (0.00498)
pub2	-0.0654** (0.0264)	-0.0654** (0.0264)	-0.056** (0.0263)	-0.0569** (0.0263)	-0.0641** (0.0266)	-0.0641** (0.0266)
pvt2	-0.0441** (0.0187)	-0.0441** (0.0187)	-0.043** (0.0192)	-0.0434** (0.0192)	-0.0392** (0.0179)	-0.0392** (0.0179)
for1	-0.0112* (0.00660)	-0.0112* (0.00660)	-0.0114* (0.00653)	-0.0114* (0.00653)	-0.0113* (0.00655)	-0.0113* (0.00655)
for2	-0.146*** (0.0561)	-0.146*** (0.0561)	-0.143** (0.0559)	-0.143** (0.0559)	-0.142** (0.0565)	-0.142** (0.0565)
L1.Size	-0.0164** (0.00664)	-0.0164** (0.00664)	-0.017** (0.00669)	-0.0171** (0.00669)	-0.0170** (0.00671)	-0.0170** (0.00671)
L1.Capital ratio	0.00958 (0.0242)	0.00958 (0.0242)	0.00215 (0.0244)	0.00215 (0.0244)	0.00497 (0.0245)	0.00497 (0.0245)
L1.Liquidity	0.0297 (0.0192)	0.0297 (0.0192)	0.0292 (0.0193)	0.0292 (0.0193)	0.0313 (0.0198)	0.0313 (0.0198)
L1.ROA	0.106 (0.0909)	0.106 (0.0909)	0.0816 (0.0915)	0.0816 (0.0915)	0.127 (0.0964)	0.127 (0.0964)
L1.NI margin	-0.241 (0.147)	-0.241 (0.147)	-0.183 (0.148)	-0.183 (0.148)	-0.290* (0.155)	-0.290* (0.155)
L1.LLP	-0.0158 (0.0550)	-0.0158 (0.0550)	-0.0142 (0.0559)	-0.0142 (0.0559)	-0.0124 (0.0562)	-0.0124 (0.0562)
L1.LGR2	0.114** (0.0505)	0.114** (0.0505)	0.116** (0.0502)	0.116** (0.0502)	0.114** (0.0508)	0.114** (0.0508)
L2.LGR2	0.142*** (0.0469)	0.142*** (0.0469)	0.137*** (0.0467)	0.137*** (0.0467)	0.142*** (0.0468)	0.142*** (0.0468)
L3.LGR2	0.0459 (0.0407)	0.0459 (0.0407)	0.0438 (0.0410)	0.0438 (0.0410)	0.0452 (0.0404)	0.0452 (0.0404)
L4.LGR2	0.0490 (0.0391)	0.0490 (0.0391)	0.0452 (0.0390)	0.0452 (0.0390)	0.0473 (0.0393)	0.0473 (0.0393)
Constant	0.388** (0.155)	0.388** (0.155)	0.400** (0.157)	0.400** (0.157)	0.405** (0.157)	0.405** (0.157)
Observations	1,507	1,507	1,507	1,507	1,507	1,507
R-squared	0.238	0.238	0.235	0.235	0.240	0.240
Bank and Time FE	YES	YES	YES	YES	YES	YES

**Table A14: Lending behavior during elections quarter and 2 quarters before elections, Dependent variable: LGR3**

<b>Dependent variable: LGR3</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections2q	0.0332** (0.0152)		0.0431*** (0.0152)		0.0436 (0.0378)	
Elections2qxpub1	0.0247** (0.00987)	0.0580*** (0.0161)	0.00277 (0.0102)	0.0459*** (0.0160)	0.0387*** (0.0146)	0.0824** (0.0369)
Elections2qxpub2	0.0398*** (0.0132)	0.0730*** (0.0180)	-0.00156 (0.0127)	0.0415** (0.0180)	0.0712*** (0.0204)	0.115*** (0.0401)
Elections2qxpvt1		0.0332** (0.0152)		0.0431*** (0.0152)		0.0436 (0.0378)
Elections2qxpvt2	0.0329 (0.0233)	0.0662*** (0.0251)	0.0265 (0.0290)	0.0695** (0.0296)	0.0267 (0.0308)	0.0703 (0.0441)
Elections2qxfor1	0.00653 (0.0104)	0.0398*** (0.0152)	-0.000476 (0.0105)	0.0426*** (0.0154)	0.0115 (0.0156)	0.0552 (0.0376)
Elections2qxfor2	0.0417 (0.0351)	0.0750** (0.0360)	0.0462 (0.0445)	0.0893** (0.0447)	0.0130 (0.0357)	0.0566 (0.0506)
pub1	-0.00539 (0.0101)	-0.00539 (0.0101)	0.00236 (0.00996)	0.00236 (0.00996)	-0.00350 (0.00970)	-0.00350 (0.00970)
pub2	-0.103** (0.0430)	-0.103** (0.0430)	-0.0911** (0.0429)	-0.0911** (0.0429)	-0.102** (0.0430)	-0.102** (0.0430)
pvt2	-0.0696** (0.0309)	-0.0696** (0.0309)	-0.0670** (0.0312)	-0.0670** (0.0312)	-0.0650** (0.0294)	-0.0650** (0.0294)
for1	-0.0174 (0.0108)	-0.0174 (0.0108)	-0.0164 (0.0105)	-0.0164 (0.0105)	-0.0185* (0.0104)	-0.0185* (0.0104)
for2	-0.222** (0.104)	-0.222** (0.104)	-0.215** (0.103)	-0.215** (0.103)	-0.216** (0.103)	-0.216** (0.103)
L1.Size	-0.0283*** (0.0106)	-0.0283*** (0.0106)	-0.0296*** (0.0107)	-0.0296*** (0.0107)	-0.0295*** (0.0106)	-0.0295*** (0.0106)
L1.Capital ratio	-0.00215 (0.0440)	-0.00215 (0.0440)	-0.0133 (0.0442)	-0.0133 (0.0442)	-0.00694 (0.0446)	-0.00694 (0.0446)
L1.Liquidity	0.136*** (0.0329)	0.136*** (0.0329)	0.137*** (0.0331)	0.137*** (0.0331)	0.138*** (0.0335)	0.138*** (0.0335)
L1.ROA	0.229 (0.182)	0.229 (0.182)	0.195 (0.184)	0.195 (0.184)	0.263 (0.187)	0.263 (0.187)
L1.NI margin	-0.447* (0.234)	-0.447* (0.234)	-0.369 (0.236)	-0.369 (0.236)	-0.540** (0.248)	-0.540** (0.248)
L1.LLP	0.0766 (0.139)	0.0766 (0.139)	0.0793 (0.143)	0.0793 (0.143)	0.0721 (0.140)	0.0721 (0.140)
L1.LGR3	0.0385 (0.0428)	0.0385 (0.0428)	0.0401 (0.0426)	0.0401 (0.0426)	0.0377 (0.0430)	0.0377 (0.0430)
L2.LGR3	0.131*** (0.0405)	0.131*** (0.0405)	0.127*** (0.0402)	0.127*** (0.0402)	0.133*** (0.0408)	0.133*** (0.0408)

**Table A14 (cont'd): Lending behavior during elections quarter and 2 quarters  
before elections, Dependent variable: LGR3**

<b>Dependent variable: LGR3</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
L3.LGR3	0.0206 (0.0367)	0.0206 (0.0367)	0.0190 (0.0369)	0.0190 (0.0369)	0.0210 (0.0365)	0.0210 (0.0365)
L4.LGR3	0.0555* (0.0336)	0.0555* (0.0336)	0.0523 (0.0336)	0.0523 (0.0336)	0.0542 (0.0334)	0.0542 (0.0334)
Constant	0.655** (0.254)	0.655** (0.254)	0.678*** (0.256)	0.678*** (0.256)	0.687*** (0.255)	0.687*** (0.255)
Observations	1,498	1,498	1,498	1,498	1,498	1,498
R-squared	0.261	0.261	0.257	0.257	0.263	0.263
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

**Table A15: Lending behavior during elections quarter and 2 quarters before elections: Dependent variable, LGR1 (Deposit banks sample)**

<b>Dependent variable: LGR1</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections2q	0.0559*** (0.0151)		0.0624*** (0.0150)		0.0463 (0.0474)	
Elections2qpub1	0.0253** (0.0111)	0.0812*** (0.0167)	0.00138 (0.0108)	0.0638*** (0.0160)	0.0417** (0.0171)	0.0880* (0.0463)
Elections2qxpvt1		0.0559*** (0.0151)		0.0624*** (0.0150)		0.0463 (0.0474)
Elections2qxfor1	0.00265 (0.0107)	0.0585*** (0.0148)	-0.00419 (0.0108)	0.0582*** (0.0149)	0.00947 (0.0156)	0.0557 (0.0469)
pub1	0.0117 (0.0134)	0.0117 (0.0134)	0.0200 (0.0135)	0.0200 (0.0135)	0.0143 (0.0128)	0.0143 (0.0128)
for1	-0.0130 (0.0114)	-0.0130 (0.0114)	-0.0114 (0.0111)	-0.0114 (0.0111)	-0.0140 (0.0110)	-0.0140 (0.0110)
L1.Size	-0.0294** (0.0140)	-0.0294** (0.0140)	-0.0301** (0.0140)	-0.0301** (0.0140)	-0.029** (0.0141)	-0.029** (0.0141)
L1.Capital ratio	0.363** (0.169)	0.363** (0.169)	0.359** (0.169)	0.359** (0.169)	0.374** (0.167)	0.374** (0.167)
L1.Liquidity	0.161*** (0.0376)	0.161*** (0.0376)	0.158*** (0.0379)	0.158*** (0.0379)	0.158*** (0.0376)	0.158*** (0.0376)
L1.ROA	0.730* (0.407)	0.730* (0.407)	0.733* (0.410)	0.733* (0.410)	0.723* (0.413)	0.723* (0.413)
L1.NI margin	-0.715* (0.397)	-0.715* (0.397)	-0.706* (0.396)	-0.706* (0.396)	-0.752* (0.403)	-0.752* (0.403)
L1.LLP	0.193 (0.162)	0.193 (0.162)	0.208 (0.173)	0.208 (0.173)	0.170 (0.156)	0.170 (0.156)
L1.LGR1	0.0432 (0.0422)	0.0432 (0.0422)	0.0450 (0.0423)	0.0450 (0.0423)	0.0407 (0.0422)	0.0407 (0.0422)
L2.LGR1	0.0511 (0.0370)	0.0511 (0.0370)	0.0508 (0.0370)	0.0508 (0.0370)	0.0517 (0.0368)	0.0517 (0.0368)
L3.LGR1	-0.00597 (0.0378)	-0.00597 (0.0378)	-0.00552 (0.0378)	-0.00552 (0.0378)	-0.00503 (0.0377)	-0.00503 (0.0377)
L4.LGR1	0.0564 (0.0386)	0.0564 (0.0386)	0.0548 (0.0385)	0.0548 (0.0385)	0.0569 (0.0386)	0.0569 (0.0386)
Constant	0.641* (0.340)	0.641* (0.340)	0.656* (0.339)	0.656* (0.339)	0.644* (0.340)	0.644* (0.340)
Observations	1,118	1,118	1,118	1,118	1,118	1,118
R-squared	0.378	0.378	0.376	0.376	0.379	0.379
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

\*, \*\* and \*\*\* corresponds to significance at 10%, 5% and 1% level of confidence respectively.



**Table A16: Lending behavior during elections quarter and 2 quarters before elections: Dependent variable, LGR2 (Deposit banks sample)**

<b>Dependent variable: LGR2</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections2q	0.0313*** (0.00861)		0.0320*** (0.00857)		0.0364* (0.0219)	
Elections2qpub1	0.00953** (0.00456)	0.0409*** (0.00884)	0.00439 (0.00524)	0.0364*** (0.00870)	0.0112* (0.00617)	0.0477** (0.0212)
Elections2qxpvt1		0.0313*** (0.00861)		0.0320*** (0.00857)		0.0364* (0.0219)
Elections2qxfor1	0.00255 (0.00524)	0.0339*** (0.00856)	0.00248 (0.00582)	0.0345*** (0.00868)	0.00119 (0.00766)	0.0376* (0.0217)
pub1	0.00103 (0.00578)	0.00103 (0.00578)	0.00348 (0.00564)	0.00348 (0.00564)	0.00276 (0.00555)	0.00276 (0.00555)
for1	-0.00891 (0.00625)	-0.00891 (0.00625)	-0.00859 (0.00624)	-0.00859 (0.00624)	-0.00835 (0.00624)	-0.00835 (0.00624)
L1.Size	-0.0172** (0.00696)	-0.0172** (0.00696)	-0.0173** (0.00693)	-0.0173** (0.00693)	-0.0171** (0.00698)	-0.0171** (0.00698)
L1.Capital ratio	0.119* (0.0662)	0.119* (0.0662)	0.118* (0.0665)	0.118* (0.0665)	0.122* (0.0663)	0.122* (0.0663)
L1.Liquidity	0.0180 (0.0189)	0.0180 (0.0189)	0.0172 (0.0189)	0.0172 (0.0189)	0.0174 (0.0190)	0.0174 (0.0190)
L1.ROA	0.321* (0.193)	0.321* (0.193)	0.320* (0.192)	0.320* (0.192)	0.314 (0.195)	0.314 (0.195)
L1.NI margin	-0.176 (0.143)	-0.176 (0.143)	-0.165 (0.142)	-0.165 (0.142)	-0.179 (0.146)	-0.179 (0.146)
L1.LLP	0.00893 (0.0360)	0.00893 (0.0360)	0.0151 (0.0375)	0.0151 (0.0375)	0.00226 (0.0363)	0.00226 (0.0363)
L1.LGR2	0.121*** (0.0421)	0.121*** (0.0421)	0.123*** (0.0421)	0.123*** (0.0421)	0.121*** (0.0422)	0.121*** (0.0422)
L2.LGR2	0.0574 (0.0369)	0.0574 (0.0369)	0.0577 (0.0370)	0.0577 (0.0370)	0.0574 (0.0369)	0.0574 (0.0369)
L3.LGR2	0.0614 (0.0413)	0.0614 (0.0413)	0.0619 (0.0413)	0.0619 (0.0413)	0.0616 (0.0412)	0.0616 (0.0412)
L4.LGR2	0.0315 (0.0415)	0.0315 (0.0415)	0.0306 (0.0414)	0.0306 (0.0414)	0.0319 (0.0416)	0.0319 (0.0416)
Constant	0.398** (0.164)	0.398** (0.164)	0.399** (0.164)	0.399** (0.164)	0.397** (0.165)	0.397** (0.165)
Observations	1,118	1,118	1,118	1,118	1,118	1,118
R-squared	0.351	0.351	0.350	0.350	0.351	0.351
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

\*, \*\* and \*\*\* corresponds to significance at 10%, 5% and 1% level of confidence respectively.

**Table A17: Lending behavior during elections quarter and 2 quarters before elections: Dependent variable, LGR3 (Deposit banks sample)**

<b>Dependent variable: LGR3</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections2q	0.0532*** (0.0143)		0.0596*** (0.0143)		0.0310 (0.0426)	
Elections2qxpub1	0.0232** (0.0101)	0.0765*** (0.0157)	0.000790 (0.00996)	0.0604*** (0.0152)	0.0388** (0.0154)	0.0699* (0.0418)
Elections2qxpvt1		0.0532*** (0.0143)		0.0596*** (0.0143)		0.0310 (0.0426)
Elections2qxfor1	0.00375 (0.00997)	0.0570*** (0.0140)	-0.00318 (0.0103)	0.0565*** (0.0142)	0.0102 (0.0147)	0.0412 (0.0426)
pub1	0.0118 (0.0120)	0.0118 (0.0120)	0.0195 (0.0119)	0.0195 (0.0119)	0.0141 (0.0115)	0.0141 (0.0115)
for1	-0.0121 (0.0106)	-0.0121 (0.0106)	-0.0103 (0.0104)	-0.0103 (0.0104)	-0.0128 (0.0102)	-0.0128 (0.0102)
L1.Size	-0.0240* (0.0130)	-0.0240* (0.0130)	-0.0246* (0.0130)	-0.0246* (0.0130)	-0.0239* (0.0131)	-0.0239* (0.0131)
L1.Capital ratio	0.331** (0.141)	0.331** (0.141)	0.327** (0.142)	0.327** (0.142)	0.340** (0.140)	0.340** (0.140)
L1.Liquidity	0.142*** (0.0347)	0.142*** (0.0347)	0.139*** (0.0348)	0.139*** (0.0348)	0.139*** (0.0346)	0.139*** (0.0346)
L1.ROA	0.708* (0.395)	0.708* (0.395)	0.708* (0.397)	0.708* (0.397)	0.702* (0.401)	0.702* (0.401)
L1.NI margin	-0.695* (0.361)	-0.695* (0.361)	-0.684* (0.360)	-0.684* (0.360)	-0.731** (0.367)	-0.731** (0.367)
L1.LLP	0.165 (0.143)	0.165 (0.143)	0.179 (0.153)	0.179 (0.153)	0.144 (0.137)	0.144 (0.137)
L1.LGR3	0.0352 (0.0423)	0.0352 (0.0423)	0.0369 (0.0424)	0.0369 (0.0424)	0.0325 (0.0422)	0.0325 (0.0422)
L2.LGR3	0.0554 (0.0384)	0.0554 (0.0384)	0.0552 (0.0384)	0.0552 (0.0384)	0.0557 (0.0382)	0.0557 (0.0382)
L3.LGR3	-0.00806 (0.0384)	-0.00806 (0.0384)	-0.00758 (0.0384)	-0.00758 (0.0384)	-0.00712 (0.0383)	-0.00712 (0.0383)
L4.LGR3	0.0520 (0.0412)	0.0520 (0.0412)	0.0504 (0.0410)	0.0504 (0.0410)	0.0525 (0.0411)	0.0525 (0.0411)
Constant	0.527* (0.316)	0.527* (0.316)	0.539* (0.315)	0.539* (0.315)	0.530* (0.317)	0.530* (0.317)
Observations	1,118	1,118	1,118	1,118	1,118	1,118
R-squared	0.368	0.368	0.365	0.365	0.369	0.369
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

\*, \*\* and \*\*\* corresponds to significance at 10%, 5% and 1% level of confidence respectively.

**Table A18: Lending behavior during elections quarter only, Dependent variable: LGR1**

<b>Dependent variable: LGR1</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections0q	0.00176 (0.0183)		0.000980 (0.0180)		0.0713 (0.0441)	
Elections0qxpub1	0.0207 (0.0133)	0.0225 (0.0190)	0.0124 (0.0142)	0.0134 (0.0182)	0.0290 (0.0222)	0.100** (0.0407)
Elections0qxpub2	0.0307 (0.0208)	0.0325 (0.0250)	0.00724 (0.0206)	0.00822 (0.0254)	0.0587* (0.0351)	0.130*** (0.0481)
Elections0qxpvt1		0.00176 (0.0183)		0.000980 (0.0180)		0.0713 (0.0441)
Elections0qxpvt2	0.0566 (0.0396)	0.0584 (0.0411)	0.0400 (0.0496)	0.0410 (0.0500)	0.0765 (0.0613)	0.148** (0.0668)
Elections0qxfor1	0.00663 (0.0132)	0.00839 (0.0197)	0.0206 (0.0156)	0.0216 (0.0203)	-0.0190 (0.0199)	0.0523 (0.0402)
Elections0qxfor2	-0.0377 (0.0413)	-0.0360 (0.0433)	-0.0352 (0.0480)	-0.0342 (0.0494)	-0.0385 (0.0604)	0.0328 (0.0694)
pub1	-0.000979 (0.0108)	-0.000979 (0.0108)	0.000364 (0.0108)	0.000364 (0.0108)	-6.97e-05 (0.0107)	-6.97e-05 (0.0107)
pub2	-0.116** (0.0463)	-0.116** (0.0463)	-0.115** (0.0465)	-0.115** (0.0465)	-0.113** (0.0463)	-0.113** (0.0463)
pvt2	-0.0807** (0.0328)	-0.0807** (0.0328)	-0.0790** (0.0328)	-0.0790** (0.0328)	-0.0768** (0.0320)	-0.076** (0.0320)
for1	-0.0185* (0.0110)	-0.0185* (0.0110)	-0.0204* (0.0109)	-0.0204* (0.0109)	-0.0172 (0.0110)	-0.0172 (0.0110)
for2	-0.264** (0.111)	-0.264** (0.111)	-0.268** (0.112)	-0.268** (0.112)	-0.260** (0.111)	-0.260** (0.111)
L1.Size	-0.0355*** (0.0115)	-0.0355*** (0.0115)	-0.0364*** (0.0116)	-0.0364*** (0.0116)	-0.0355*** (0.0116)	-0.035*** (0.0116)
L1.Capital ratio	-0.0128 (0.0492)	-0.0128 (0.0492)	-0.0182 (0.0492)	-0.0182 (0.0492)	-0.0156 (0.0492)	-0.0156 (0.0492)
L1.Liquidity	0.159*** (0.0361)	0.159*** (0.0361)	0.159*** (0.0364)	0.159*** (0.0364)	0.160*** (0.0360)	0.160*** (0.0360)
L1.ROA	0.192 (0.199)	0.192 (0.199)	0.175 (0.196)	0.175 (0.196)	0.207 (0.203)	0.207 (0.203)
L1.NI margin	-0.424* (0.247)	-0.424* (0.247)	-0.367 (0.249)	-0.367 (0.249)	-0.473* (0.256)	-0.473* (0.256)
L1.LLP	0.111 (0.154)	0.111 (0.154)	0.112 (0.155)	0.112 (0.155)	0.111 (0.154)	0.111 (0.154)
L1.LGR1	0.0580 (0.0428)	0.0580 (0.0428)	0.0605 (0.0428)	0.0605 (0.0428)	0.0549 (0.0430)	0.0549 (0.0430)
L2.LGR1	0.128*** (0.0403)	0.128*** (0.0403)	0.129*** (0.0404)	0.129*** (0.0404)	0.130*** (0.0403)	0.130*** (0.0403)

**Table A18 (Cont'd): Lending behavior during elections quarter only, Dependent variable: LGR1**

<b>Dependent variable: LGR1</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
L3.LGR1	0.0208 (0.0360)	0.0208 (0.0360)	0.0219 (0.0360)	0.0219 (0.0360)	0.0184 (0.0358)	0.0184 (0.0358)
L4.LGR1	0.0614* (0.0318)	0.0614* (0.0318)	0.0595* (0.0318)	0.0595* (0.0318)	0.0627** (0.0318)	0.0627** (0.0318)
Constant	0.810*** (0.276)	0.810*** (0.276)	0.826*** (0.277)	0.826*** (0.277)	0.811*** (0.277)	0.811*** (0.277)
Observations	1,498	1,498	1,498	1,498	1,498	1,498
R-squared	0.267	0.267	0.265	0.265	0.268	0.268
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

**Table A19: Lending behavior during elections quarter only, Dependent variable: LGR2**

<b>Dependent variable: LGR2</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections0q	0.00298 (0.0121)		0.00284 (0.0122)		0.0348 (0.0228)	
Elections0qxpath1	0.0112* (0.00621)	0.0142 (0.0119)	0.00846 (0.00854)	0.0113 (0.0119)	0.0133 (0.00820)	0.0481** (0.0204)
Elections0qxpath2	0.0180 (0.0143)	0.0210 (0.0177)	0.00288 (0.0153)	0.00572 (0.0188)	0.0361 (0.0235)	0.0709** (0.0294)
Elections0qxpvt1		0.00298 (0.0121)		0.00284 (0.0122)		0.0348 (0.0228)
Elections0qxpvt2	0.0297 (0.0245)	0.0326 (0.0260)	0.0239 (0.0337)	0.0268 (0.0338)	0.0349 (0.0307)	0.0697** (0.0345)
Elections0qxfor1	0.00439 (0.00781)	0.00737 (0.0134)	0.0111 (0.0100)	0.0139 (0.0141)	-0.00816 (0.0111)	0.0266 (0.0215)
Elections0qxfor2	-0.0162 (0.0235)	-0.0132 (0.0254)	-0.0223 (0.0320)	-0.0195 (0.0329)	-0.00689 (0.0297)	0.0279 (0.0372)
pub1	-0.00207 (0.00490)	-0.00207 (0.00490)	-0.00151 (0.00489)	-0.00151 (0.00489)	-0.00151 (0.00486)	-0.00151 (0.00486)
pub2	-0.0565** (0.0261)	-0.0565** (0.0261)	-0.0561** (0.0263)	-0.0561** (0.0263)	-0.0559** (0.0262)	-0.0559** (0.0262)
pvt2	-0.0393** (0.0186)	-0.0393** (0.0186)	-0.0390** (0.0187)	-0.0390** (0.0187)	-0.0375** (0.0180)	-0.0375** (0.0180)
for1	-0.0113* (0.00644)	-0.0113* (0.00644)	-0.0121* (0.00638)	-0.0121* (0.00638)	-0.0106 (0.00654)	-0.0106 (0.00654)
for2	-0.137** (0.0553)	-0.137** (0.0553)	-0.142** (0.0559)	-0.142** (0.0559)	-0.137** (0.0559)	-0.137** (0.0559)
L1.Size	-0.0163** (0.00662)	-0.0163** (0.00662)	-0.0169** (0.00665)	-0.0169** (0.00665)	-0.0164** (0.00670)	-0.0164** (0.00670)
L1.Capital ratio	0.00554 (0.0244)	0.00554 (0.0244)	0.00169 (0.0243)	0.00169 (0.0243)	0.00390 (0.0246)	0.00390 (0.0246)
L1.Liquidity	0.0304 (0.0195)	0.0304 (0.0195)	0.0313 (0.0197)	0.0313 (0.0197)	0.0310 (0.0197)	0.0310 (0.0197)
L1.ROA	0.0747 (0.0913)	0.0747 (0.0913)	0.0693 (0.0902)	0.0693 (0.0902)	0.0858 (0.0946)	0.0858 (0.0946)
L1.NI margin	-0.222 (0.148)	-0.222 (0.148)	-0.191 (0.149)	-0.191 (0.149)	-0.249 (0.153)	-0.249 (0.153)
L1.LLP	-0.0131 (0.0550)	-0.0131 (0.0550)	-0.0118 (0.0556)	-0.0118 (0.0556)	-0.0120 (0.0555)	-0.0120 (0.0555)
L1.LGR2	0.119** (0.0507)	0.119** (0.0507)	0.122** (0.0506)	0.122** (0.0506)	0.117** (0.0511)	0.117** (0.0511)
L2.LGR2	0.141*** (0.0472)	0.141*** (0.0472)	0.141*** (0.0471)	0.141*** (0.0471)	0.141*** (0.0468)	0.141*** (0.0468)

**Table A19 (Cont'd): Lending behavior during elections quarter only, Dependent variable: LGR2**

<b>Dependent variable: LGR2</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
L3.LGR2	0.0424 (0.0409)	0.0424 (0.0409)	0.0431 (0.0410)	0.0431 (0.0410)	0.0398 (0.0407)	0.0398 (0.0407)
L4.LGR2	0.0433 (0.0390)	0.0433 (0.0390)	0.0405 (0.0391)	0.0405 (0.0391)	0.0460 (0.0391)	0.0460 (0.0391)
Constant	0.382** (0.155)	0.382** (0.155)	0.394** (0.156)	0.394** (0.156)	0.387** (0.157)	0.387** (0.157)
Observations	1,507	1,507	1,507	1,507	1,507	1,507
R-squared	0.235	0.235	0.233	0.233	0.235	0.235
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

**Table A20: Lending behavior during elections quarter only, Dependent variable: LGR3**

<b>Dependent variable: LGR3</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections0q	0.000251 (0.0169)		0.000130 (0.0168)		0.0511 (0.0403)	
Elections0qxpub1	0.0211* (0.0123)	0.0214 (0.0175)	0.0122 (0.0135)	0.0123 (0.0169)	0.0301 (0.0201)	0.0812** (0.0371)
Elections0qxpub2	0.0308 (0.0196)	0.0310 (0.0234)	0.00851 (0.0193)	0.00864 (0.0235)	0.0570* (0.0337)	0.108** (0.0450)
Elections0qxpvt1		0.000251 (0.0169)		0.000130 (0.0168)		0.0511 (0.0403)
Elections0qxpvt2	0.0490 (0.0360)	0.0493 (0.0375)	0.0313 (0.0468)	0.0314 (0.0468)	0.0715 (0.0516)	0.123** (0.0579)
Elections0qxfor1	0.00913 (0.0124)	0.00938 (0.0181)	0.0214 (0.0147)	0.0215 (0.0187)	-0.0143 (0.0190)	0.0368 (0.0372)
Elections0qxfor2	-0.0280 (0.0412)	-0.0277 (0.0428)	-0.0260 (0.0491)	-0.0259 (0.0501)	-0.0297 (0.0598)	0.0214 (0.0674)
pub1	0.000483 (0.00977)	0.000483 (0.00977)	0.00193 (0.00974)	0.00193 (0.00974)	0.00138 (0.00966)	0.00138 (0.00966)
pub2	-0.0920** (0.0425)	-0.0920** (0.0425)	-0.0908** (0.0427)	-0.0908** (0.0427)	-0.0898** (0.0425)	-0.089** (0.0425)
pvt2	-0.0646** (0.0301)	-0.0646** (0.0301)	-0.0628** (0.0301)	-0.0628** (0.0301)	-0.0615** (0.0294)	-0.061** (0.0294)
for1	-0.0175* (0.0102)	-0.0175* (0.0102)	-0.0190* (0.0102)	-0.0190* (0.0102)	-0.0160 (0.0102)	-0.0160 (0.0102)
for2	-0.211** (0.102)	-0.211** (0.102)	-0.215** (0.102)	-0.215** (0.102)	-0.208** (0.102)	-0.208** (0.102)
L1.Size	-0.0286*** (0.0106)	-0.0286*** (0.0106)	-0.0294*** (0.0106)	-0.0294*** (0.0106)	-0.0286*** (0.0106)	-0.028*** (0.0106)
L1.Capital ratio	-0.00836 (0.0444)	-0.00836 (0.0444)	-0.0134 (0.0443)	-0.0134 (0.0443)	-0.0108 (0.0443)	-0.0108 (0.0443)
L1.Liquidity	0.137*** (0.0334)	0.137*** (0.0334)	0.138*** (0.0336)	0.138*** (0.0336)	0.138*** (0.0334)	0.138*** (0.0334)
L1.ROA	0.192 (0.184)	0.192 (0.184)	0.176 (0.181)	0.176 (0.181)	0.206 (0.188)	0.206 (0.188)
L1.NI margin	-0.427* (0.233)	-0.427* (0.233)	-0.374 (0.236)	-0.374 (0.236)	-0.474** (0.241)	-0.474** (0.241)
L1.LLP	0.0841 (0.142)	0.0841 (0.142)	0.0854 (0.143)	0.0854 (0.143)	0.0841 (0.143)	0.0841 (0.143)
L1.LGR3	0.0423 (0.0430)	0.0423 (0.0430)	0.0450 (0.0430)	0.0450 (0.0430)	0.0387 (0.0432)	0.0387 (0.0432)
L2.LGR3	0.131*** (0.0408)	0.131*** (0.0408)	0.132*** (0.0408)	0.132*** (0.0408)	0.133*** (0.0408)	0.133*** (0.0408)

**Table A20 (Cont'd): Lending behavior during elections quarter only, Dependent variable: LGR3**

<b>Dependent variable: LGR3</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
L3.LGR3	0.0190 (0.0369)	0.0190 (0.0369)	0.0199 (0.0369)	0.0199 (0.0369)	0.0166 (0.0366)	0.0166 (0.0366)
L4.LGR3	0.0519 (0.0334)	0.0519 (0.0334)	0.0500 (0.0334)	0.0500 (0.0334)	0.0534 (0.0335)	0.0534 (0.0335)
Constant	0.658*** (0.253)	0.658*** (0.253)	0.671*** (0.254)	0.671*** (0.254)	0.660*** (0.254)	0.660*** (0.254)
Observations	1,498	1,498	1,498	1,498	1,498	1,498
R-squared	0.259	0.259	0.256	0.256	0.260	0.260
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

\*, \*\* and \*\*\* represents to significance at 10%, 5% and 1% level of confidence respectively.



**Table A21: Lending behavior during elections quarter only, Dependent variable: LGR1 (Deposit banks sample)**

<b>Dependent variable: LGR1</b>	All Elections	All Elections	General Elections	General Elections	Local Elections	Local Elections
Elections0q	0.0109 (0.0159)		0.00695 (0.0160)		0.0579 (0.0500)	
Elections0qpub1	0.0217 (0.0133)	0.0326* (0.0171)	0.0120 (0.0138)	0.0189 (0.0160)	0.0322 (0.0217)	0.0902** (0.0454)
Elections0qxpvt1		0.0109 (0.0159)		0.00695 (0.0160)		0.0579 (0.0500)
Elections0qxfor1	0.00743 (0.0125)	0.0183 (0.0175)	0.0186 (0.0152)	0.0256 (0.0182)	-0.0118 (0.0190)	0.0461 (0.0451)
pub1	0.0178 (0.0131)	0.0178 (0.0131)	0.0195 (0.0132)	0.0195 (0.0132)	0.0191 (0.0130)	0.0191 (0.0130)
for1	-0.0133 (0.0108)	-0.0133 (0.0108)	-0.0141 (0.0108)	-0.0141 (0.0108)	-0.0121 (0.0109)	-0.0121 (0.0109)
L1.Size	-0.0297** (0.0140)	-0.0297** (0.0140)	-0.0296** (0.0140)	-0.0296** (0.0140)	-0.0293** (0.0140)	-0.0293** (0.0140)
L1.Capital ratio	0.362** (0.169)	0.362** (0.169)	0.362** (0.169)	0.362** (0.169)	0.364** (0.169)	0.364** (0.169)
L1.Liquidity	0.158*** (0.0378)	0.158*** (0.0378)	0.155*** (0.0376)	0.155*** (0.0376)	0.158*** (0.0378)	0.158*** (0.0378)
L1.ROA	0.738* (0.410)	0.738* (0.410)	0.725* (0.407)	0.725* (0.407)	0.704* (0.408)	0.704* (0.408)
L1.NI margin	-0.713* (0.397)	-0.713* (0.397)	-0.696* (0.396)	-0.696* (0.396)	-0.689* (0.400)	-0.689* (0.400)
L1.LLP	0.203 (0.171)	0.203 (0.171)	0.208 (0.173)	0.208 (0.173)	0.189 (0.169)	0.189 (0.169)
L1.LGR1	0.0439 (0.0422)	0.0439 (0.0422)	0.0451 (0.0422)	0.0451 (0.0422)	0.0427 (0.0423)	0.0427 (0.0423)
L2.LGR1	0.0510 (0.0369)	0.0510 (0.0369)	0.0523 (0.0370)	0.0523 (0.0370)	0.0520 (0.0370)	0.0520 (0.0370)
L3.LGR1	-0.00551 (0.0379)	-0.00551 (0.0379)	-0.00412 (0.0378)	-0.00412 (0.0378)	-0.00771 (0.0377)	-0.00771 (0.0377)
L4.LGR1	0.0547 (0.0385)	0.0547 (0.0385)	0.0544 (0.0385)	0.0544 (0.0385)	0.0556 (0.0386)	0.0556 (0.0386)
Constant	0.649* (0.340)	0.649* (0.340)	0.645* (0.339)	0.645* (0.339)	0.639* (0.340)	0.639* (0.340)
Observations	1,118	1,118	1,118	1,118	1,118	1,118
R-squared	0.376	0.376	0.376	0.376	0.377	0.377
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

\*, \*\* and \*\*\* corresponds to significance at 10%, 5% and 1% level of confidence respectively.

**Table A22: Lending behavior during elections quarter only, Dependent variable: LGR2 (Deposit banks sample)**

<b>Dependent variable: LGR2</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections0q	0.00689 (0.0106)		0.00424 (0.0107)		0.0395* (0.0233)	
Elections0qpub1	0.0105* (0.00631)	0.0174* (0.0105)	0.00834 (0.00834)	0.0126 (0.0102)	0.0125 (0.00858)	0.0520** (0.0205)
Elections0qpvt1		0.00689 (0.0106)		0.00424 (0.0107)		0.0395* (0.0233)
Elections0qfor1	0.00485 (0.00738)	0.0117 (0.0122)	0.0112 (0.00983)	0.0155 (0.0128)	-0.00590 (0.0102)	0.0336 (0.0208)
pub1	0.00306 (0.00553)	0.00306 (0.00553)	0.00377 (0.00554)	0.00377 (0.00554)	0.00383 (0.00546)	0.00383 (0.00546)
for1	-0.00868 (0.00610)	-0.00868 (0.00610)	-0.00906 (0.00608)	-0.00906 (0.00608)	-0.00788 (0.00624)	-0.00788 (0.00624)
L1.Size	-0.0173** (0.00696)	-0.0173** (0.00696)	-0.0172** (0.00691)	-0.0172** (0.00691)	-0.0171** (0.00696)	-0.0171** (0.00696)
L1.Capital ratio	0.119* (0.0663)	0.119* (0.0663)	0.119* (0.0664)	0.119* (0.0664)	0.119* (0.0663)	0.119* (0.0663)
L1.Liquidity	0.0172 (0.0189)	0.0172 (0.0189)	0.0161 (0.0187)	0.0161 (0.0187)	0.0173 (0.0190)	0.0173 (0.0190)
L1.ROA	0.323* (0.194)	0.323* (0.194)	0.316* (0.192)	0.316* (0.192)	0.306 (0.192)	0.306 (0.192)
L1.NI margin	-0.175 (0.143)	-0.175 (0.143)	-0.165 (0.142)	-0.165 (0.142)	-0.161 (0.144)	-0.161 (0.144)
L1.LLP	0.0124 (0.0367)	0.0124 (0.0367)	0.0143 (0.0372)	0.0143 (0.0372)	0.00622 (0.0363)	0.00622 (0.0363)
L1.LGR2	0.121*** (0.0421)	0.121*** (0.0421)	0.122*** (0.0421)	0.122*** (0.0421)	0.121*** (0.0422)	0.121*** (0.0422)
L2.LGR2	0.0572 (0.0369)	0.0572 (0.0369)	0.0579 (0.0368)	0.0579 (0.0368)	0.0577 (0.0369)	0.0577 (0.0369)
L3.LGR2	0.0624 (0.0414)	0.0624 (0.0414)	0.0637 (0.0412)	0.0637 (0.0412)	0.0597 (0.0412)	0.0597 (0.0412)
L4.LGR2	0.0303 (0.0414)	0.0303 (0.0414)	0.0300 (0.0413)	0.0300 (0.0413)	0.0326 (0.0415)	0.0326 (0.0415)
Constant	0.399** (0.164)	0.399** (0.164)	0.397** (0.163)	0.397** (0.163)	0.395** (0.164)	0.395** (0.164)
Observations	1,118	1,118	1,118	1,118	1,118	1,118
R-squared	0.351	0.351	0.351	0.351	0.351	0.351
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

**Table A23: Lending behavior during elections quarter only, Dependent variable: LGR3 (Deposit banks sample)**

<b>Dependent variable: LGR3</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections0q	0.00902 (0.0147)		0.00589 (0.0149)		0.0408 (0.0451)	
Elections0qpub1	0.0218* (0.0122)	0.0308* (0.0159)	0.0117 (0.0131)	0.0176 (0.0149)	0.0325* (0.0197)	0.0733* (0.0411)
Elections0qxpvt1		0.00902 (0.0147)		0.00589 (0.0149)		0.0408 (0.0451)
Elections0qxfor1	0.00938 (0.0117)	0.0184 (0.0161)	0.0189 (0.0143)	0.0248 (0.0168)	-0.00774 (0.0180)	0.0330 (0.0410)
pub1	0.0172 (0.0117)	0.0172 (0.0117)	0.0190 (0.0117)	0.0190 (0.0117)	0.0184 (0.0115)	0.0184 (0.0115)
for1	-0.0122 (0.0100)	-0.0122 (0.0100)	-0.0128 (0.0100)	-0.0128 (0.0100)	-0.0109 (0.0101)	-0.0109 (0.0101)
L1.Size	-0.0242* (0.0130)	-0.0242* (0.0130)	-0.0241* (0.0130)	-0.0241* (0.0130)	-0.0239* (0.0130)	-0.0239* (0.0130)
L1.Capital ratio	0.330** (0.141)	0.330** (0.141)	0.330** (0.141)	0.330** (0.141)	0.332** (0.141)	0.332** (0.141)
L1.Liquidity	0.139*** (0.0347)	0.139*** (0.0347)	0.137*** (0.0346)	0.137*** (0.0346)	0.139*** (0.0348)	0.139*** (0.0348)
L1.ROA	0.715* (0.398)	0.715* (0.398)	0.700* (0.395)	0.700* (0.395)	0.685* (0.396)	0.685* (0.396)
L1.NI margin	-0.694* (0.361)	-0.694* (0.361)	-0.675* (0.360)	-0.675* (0.360)	-0.674* (0.364)	-0.674* (0.364)
L1.LLP	0.175 (0.151)	0.175 (0.151)	0.178 (0.152)	0.178 (0.152)	0.161 (0.148)	0.161 (0.148)
L1.LGR3	0.0355 (0.0422)	0.0355 (0.0422)	0.0369 (0.0423)	0.0369 (0.0423)	0.0344 (0.0423)	0.0344 (0.0423)
L2.LGR3	0.0554 (0.0382)	0.0554 (0.0382)	0.0568 (0.0384)	0.0568 (0.0384)	0.0560 (0.0384)	0.0560 (0.0384)
L3.LGR3	-0.00736 (0.0385)	-0.00736 (0.0385)	-0.00611 (0.0384)	-0.00611 (0.0384)	-0.00972 (0.0383)	-0.00972 (0.0383)
L4.LGR3	0.0503 (0.0410)	0.0503 (0.0410)	0.0500 (0.0409)	0.0500 (0.0409)	0.0513 (0.0411)	0.0513 (0.0411)
Constant	0.533* (0.316)	0.533* (0.316)	0.530* (0.315)	0.530* (0.315)	0.525* (0.316)	0.525* (0.316)
Observations	1,118	1,118	1,118	1,118	1,118	1,118
R-squared	0.366	0.366	0.366	0.366	0.367	0.367
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

\*, \*\* and \*\*\* corresponds to significance at 10%, 5% and 1% level of confidence respectively.

**Table A24: Lending behavior during general elections, excluding observations of local Election0q**

<b>Dependent Variable:LGR1</b>	<b>General Elections0q</b>	<b>General Elections0q</b>	<b>General Elections1q</b>	<b>General Elections1q</b>	<b>General Elections2q</b>	<b>General Elections2q</b>
Elections	0.00120 (0.0178)		0.0372** (0.0160)		0.0444*** (0.0164)	
Elections xpub1	0.0136 (0.0139)	0.0148 (0.0182)	0.00589 (0.0115)	0.0431** (0.0170)	0.00521 (0.0112)	0.0496*** (0.0175)
Elections xpub2	0.0101 (0.0201)	0.0113 (0.0251)	0.0138 (0.0150)	0.0510*** (0.0197)	0.00152 (0.0136)	0.0459** (0.0193)
Elections xpvt1		0.00120 (0.0178)		0.0372** (0.0160)		0.0444*** (0.0164)
Elections xpvt2	0.0433 (0.0501)	0.0445 (0.0503)	0.0363 (0.0383)	0.0735* (0.0378)	0.0406 (0.0312)	0.0850*** (0.0322)
Elections xfor1	0.0198 (0.0154)	0.0210 (0.0204)	0.0150 (0.0114)	0.0522*** (0.0164)	-0.00281 (0.0113)	0.0416** (0.0167)
Elections xfor2	-0.0356 (0.0485)	-0.0344 (0.0500)	0.0276 (0.0450)	0.0648 (0.0461)	0.0518 (0.0519)	0.0961* (0.0517)
Pub1	-0.00136 (0.0112)	-0.00136 (0.0112)	-0.00103 (0.0113)	-0.00103 (0.0113)	-0.00136 (0.0115)	-0.00136 (0.0115)
Pub2	-0.109** (0.0472)	-0.109** (0.0472)	-0.110** (0.0475)	-0.110** (0.0475)	-0.111** (0.0473)	-0.111** (0.0473)
Pvt2	-0.0777** (0.0338)	-0.0777** (0.0338)	-0.0799** (0.0348)	-0.0799** (0.0348)	-0.0848** (0.0349)	-0.0848** (0.0349)
For1	-0.0225** (0.0112)	-0.0225** (0.0112)	-0.0230** (0.0114)	-0.0230** (0.0114)	-0.0189 (0.0116)	-0.0189 (0.0116)
For2	-0.245** (0.111)	-0.245** (0.111)	-0.245** (0.111)	-0.245** (0.111)	-0.247** (0.111)	-0.247** (0.111)
L1.Size	-0.0340*** (0.0119)	-0.0340*** (0.0119)	-0.0338*** (0.0120)	-0.0338*** (0.0120)	-0.0344*** (0.0120)	-0.0344*** (0.0120)
L1.Capital ratio	-0.0303 (0.0506)	-0.0303 (0.0506)	-0.0277 (0.0509)	-0.0277 (0.0509)	-0.0298 (0.0502)	-0.0298 (0.0502)
L1.Liquidity	0.147*** (0.0370)	0.147*** (0.0370)	0.144*** (0.0369)	0.144*** (0.0369)	0.145*** (0.0363)	0.145*** (0.0363)
L1.ROA	0.171 (0.227)	0.171 (0.227)	0.183 (0.229)	0.183 (0.229)	0.191 (0.229)	0.191 (0.229)
L1.NI Margin	-0.363 (0.306)	-0.363 (0.306)	-0.357 (0.304)	-0.357 (0.304)	-0.347 (0.304)	-0.347 (0.304)
L1.LLP	0.104 (0.162)	0.104 (0.162)	0.102 (0.162)	0.102 (0.162)	0.0987 (0.163)	0.0987 (0.163)
L1.LGR1	0.0520 (0.0459)	0.0520 (0.0459)	0.0490 (0.0461)	0.0490 (0.0461)	0.0459 (0.0451)	0.0459 (0.0451)
L2.LGR1	0.127*** (0.0423)	0.127*** (0.0423)	0.126*** (0.0425)	0.126*** (0.0425)	0.122*** (0.0413)	0.122*** (0.0413)
L3.LGR1	0.0117 (0.0375)	0.0117 (0.0375)	0.0104 (0.0373)	0.0104 (0.0373)	0.0113 (0.0375)	0.0113 (0.0375)
L4.LGR1	0.0649** (0.0321)	0.0649** (0.0321)	0.0667** (0.0322)	0.0667** (0.0322)	0.0677** (0.0321)	0.0677** (0.0321)
Constant	0.783*** (0.285)	0.783*** (0.285)	0.779*** (0.288)	0.779*** (0.288)	0.792*** (0.288)	0.792*** (0.288)
Observations	1,418	1,418	1,418	1,418	1,418	1,418
R-squared	0.261	0.261	0.261	0.261	0.263	0.263
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

**Table A25: Lending behavior during general elections, excluding observations of local Election1q**

<b>Dependent Variable:LGR1</b>	<b>General Elections0q</b>	<b>General Elections0q</b>	<b>General Elections1q</b>	<b>General Elections1q</b>	<b>General Elections2q</b>	<b>General Elections2q</b>
Elections	0.000754 (0.0181)		0.0355** (0.0161)		0.0424** (0.0165)	
Elections xpub1	0.0181 (0.0143)	0.0189 (0.0181)	0.0110 (0.0115)	0.0465*** (0.0169)	0.0111 (0.0111)	0.0535*** (0.0175)
Elections xpub2	0.0177 (0.0200)	0.0185 (0.0247)	0.0225 (0.0148)	0.0580*** (0.0195)	0.0110 (0.0134)	0.0534*** (0.0192)
Elections xpvt1		0.000754 (0.0181)		0.0355** (0.0161)		0.0424** (0.0165)
Elections xpvt2	0.0456 (0.0500)	0.0464 (0.0504)	0.0394 (0.0385)	0.0750** (0.0380)	0.0447 (0.0314)	0.0870** (0.0324)
Elections xfor1	0.0206 (0.0157)	0.0214 (0.0203)	0.0161 (0.0116)	0.0517*** (0.0164)	-0.00147 (0.0114)	0.0409** (0.0167)
Elections xfor2	-0.0328 (0.0486)	-0.0320 (0.0502)	0.0332 (0.0456)	0.0688 (0.0467)	0.0589 (0.0524)	0.101* (0.0520)
Pub1	-0.00267 (0.0103)	-0.00267 (0.0103)	-0.00270 (0.0104)	-0.00270 (0.0104)	-0.00348 (0.0106)	-0.00348 (0.0106)
Pub2	-0.102** (0.0483)	-0.102** (0.0483)	-0.104** (0.0486)	-0.104** (0.0486)	-0.105** (0.0484)	-0.105** (0.0484)
Pvt2	-0.0767** (0.0341)	-0.0767** (0.0341)	-0.0790** (0.0350)	-0.0790** (0.0350)	-0.0842** (0.0350)	-0.0842** (0.0350)
For1	-0.0207* (0.0115)	-0.0207* (0.0115)	-0.0212* (0.0117)	-0.0212* (0.0117)	-0.0169 (0.0119)	-0.0169 (0.0119)
For2	-0.220** (0.111)	-0.220** (0.111)	-0.220** (0.111)	-0.220** (0.111)	-0.222** (0.111)	-0.222** (0.111)
L1.Size	-0.0315** (0.0122)	-0.0315** (0.0122)	-0.0311** (0.0123)	-0.0311** (0.0123)	-0.0317** (0.0123)	-0.0317** (0.0123)
L1.Capital ratio	-0.0348 (0.0509)	-0.0348 (0.0509)	-0.0317 (0.0513)	-0.0317 (0.0513)	-0.0337 (0.0503)	-0.0337 (0.0503)
L1.Liquidity	0.142*** (0.0361)	0.142*** (0.0361)	0.140*** (0.0360)	0.140*** (0.0360)	0.140*** (0.0353)	0.140*** (0.0353)
L1.ROA	0.226 (0.222)	0.226 (0.222)	0.239 (0.224)	0.239 (0.224)	0.244 (0.224)	0.244 (0.224)
L1.NI Margin	-0.415 (0.341)	-0.415 (0.341)	-0.402 (0.340)	-0.402 (0.340)	-0.385 (0.340)	-0.385 (0.340)
L1.LLP	0.0704 (0.164)	0.0704 (0.164)	0.0680 (0.164)	0.0680 (0.164)	0.0625 (0.164)	0.0625 (0.164)
L1.LGR1	0.0519 (0.0484)	0.0519 (0.0484)	0.0484 (0.0486)	0.0484 (0.0486)	0.0452 (0.0476)	0.0452 (0.0476)
L2.LGR1	0.126*** (0.0438)	0.126*** (0.0438)	0.125*** (0.0441)	0.125*** (0.0441)	0.121*** (0.0428)	0.121*** (0.0428)
L3.LGR1	0.0207 (0.0371)	0.0207 (0.0371)	0.0193 (0.0369)	0.0193 (0.0369)	0.0205 (0.0371)	0.0205 (0.0371)
L4.LGR1	0.0760** (0.0324)	0.0760** (0.0324)	0.0781** (0.0326)	0.0781** (0.0326)	0.0793** (0.0325)	0.0793** (0.0325)
Constant	0.727** (0.293)	0.727** (0.293)	0.720** (0.296)	0.720** (0.296)	0.731** (0.295)	0.731** (0.295)
Observations	1,339	1,339	1,339	1,339	1,339	1,339
R-squared	0.269	0.269	0.269	0.269	0.272	0.272
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

**Table A26: Lending behavior during general elections, excluding observations of local Election2q**

<b>Dependent Variable:LGR1</b>	<b>General Elections0q</b>	<b>General Elections0q</b>	<b>General Elections1q</b>	<b>General Elections1q</b>	<b>General Elections2q</b>	<b>General Elections2q</b>
Elections	0.00254 (0.0180)		0.0377** (0.0160)		0.0445*** (0.0164)	
Elections xpub1	0.0188 (0.0144)	0.0214 (0.0182)	0.0121 (0.0118)	0.0498*** (0.0169)	0.0122 (0.0114)	0.0567*** (0.0175)
Elections xpub2	0.0180 (0.0198)	0.0205 (0.0245)	0.0231 (0.0149)	0.0608*** (0.0194)	0.0125 (0.0135)	0.0570*** (0.0191)
Elections xpvt1		0.00254 (0.0180)		0.0377** (0.0160)		0.0445*** (0.0164)
Elections xpvt2	0.0415 (0.0504)	0.0440 (0.0508)	0.0352 (0.0388)	0.0729* (0.0380)	0.0400 (0.0316)	0.0845*** (0.0324)
Elections xfor1	0.0206 (0.0157)	0.0231 (0.0202)	0.0166 (0.0116)	0.0543*** (0.0162)	-0.000993 (0.0114)	0.0435*** (0.0165)
Elections xfor2	-0.0307 (0.0501)	-0.0282 (0.0516)	0.0369 (0.0476)	0.0746 (0.0485)	0.0640 (0.0538)	0.108** (0.0533)
Pub1	-0.00281 (0.0109)	-0.00281 (0.0109)	-0.00302 (0.0110)	-0.00302 (0.0110)	-0.00392 (0.0112)	-0.00392 (0.0112)
Pub2	-0.0897* (0.0517)	-0.0897* (0.0517)	-0.0921* (0.0519)	-0.0921* (0.0519)	-0.0928* (0.0517)	-0.0928* (0.0517)
Pvt2	-0.0715* (0.0365)	-0.0715* (0.0365)	-0.0736* (0.0376)	-0.0736* (0.0376)	-0.0787** (0.0375)	-0.0787** (0.0375)
For1	-0.0176 (0.0119)	-0.0176 (0.0119)	-0.0181 (0.0121)	-0.0181 (0.0121)	-0.0136 (0.0123)	-0.0136 (0.0123)
For2	-0.156 (0.110)	-0.156 (0.110)	-0.157 (0.110)	-0.157 (0.110)	-0.159 (0.110)	-0.159 (0.110)
L1.Size	-0.0303** (0.0132)	-0.0303** (0.0132)	-0.0299** (0.0133)	-0.0299** (0.0133)	-0.0305** (0.0133)	-0.0305** (0.0133)
L1.Capital ratio	-0.0567 (0.0511)	-0.0567 (0.0511)	-0.0538 (0.0516)	-0.0538 (0.0516)	-0.0561 (0.0502)	-0.0561 (0.0502)
L1.Liquidity	0.149*** (0.0376)	0.149*** (0.0376)	0.146*** (0.0375)	0.146*** (0.0375)	0.147*** (0.0366)	0.147*** (0.0366)
L1.ROA	0.144 (0.242)	0.144 (0.242)	0.161 (0.244)	0.161 (0.244)	0.165 (0.243)	0.165 (0.243)
L1.NI Margin	-0.362 (0.391)	-0.362 (0.391)	-0.350 (0.389)	-0.350 (0.389)	-0.331 (0.389)	-0.331 (0.389)
L1.LLP	-0.00806 (0.164)	-0.00806 (0.164)	-0.0111 (0.163)	-0.0111 (0.163)	-0.0188 (0.164)	-0.0188 (0.164)
L1.LGR1	0.0385 (0.0504)	0.0385 (0.0504)	0.0351 (0.0506)	0.0351 (0.0506)	0.0314 (0.0496)	0.0314 (0.0496)
L2.LGR1	0.122*** (0.0465)	0.122*** (0.0465)	0.121*** (0.0467)	0.121*** (0.0467)	0.116** (0.0453)	0.116** (0.0453)
L3.LGR1	0.00674 (0.0392)	0.00674 (0.0392)	0.00513 (0.0390)	0.00513 (0.0390)	0.00633 (0.0391)	0.00633 (0.0391)
L4.LGR1	0.0672** (0.0342)	0.0672** (0.0342)	0.0695** (0.0344)	0.0695** (0.0344)	0.0711** (0.0343)	0.0711** (0.0343)
Constant	0.706** (0.319)	0.706** (0.319)	0.699** (0.321)	0.699** (0.321)	0.712** (0.320)	0.712** (0.320)
Observations	1,261	1,261	1,261	1,261	1,261	1,261
R-squared	0.267	0.267	0.267	0.267	0.270	0.270
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

**Table A27: Lending behavior during Local elections, excluding observations of general Election0q**

<b>Dependent Variable:LGR1</b>	<b>Local Election0q</b>	<b>Local Election0q</b>	<b>Local Election1q</b>	<b>Local Election1q</b>	<b>Local Elections2q</b>	<b>Local Elections2q</b>
Elections	0.0650 (0.0438)		0.0429 (0.0422)		0.0552 (0.0411)	
Elections xpub1	0.0303 (0.0219)	0.0953** (0.0407)	0.0610*** (0.0202)	0.104** (0.0411)	0.0435*** (0.0164)	0.0987** (0.0403)
Elections xpub2	0.0571 (0.0358)	0.122** (0.0481)	0.0986*** (0.0273)	0.141*** (0.0447)	0.0750*** (0.0219)	0.130*** (0.0431)
Elections xpvt1		0.0650 (0.0438)		0.0429 (0.0422)		0.0552 (0.0411)
Elections xpvt2	0.0791 (0.0616)	0.144** (0.0670)	0.0729* (0.0419)	0.116** (0.0516)	0.0291 (0.0344)	0.0844* (0.0484)
Elections xfor1	-0.0187 (0.0197)	0.0464 (0.0401)	0.00494 (0.0186)	0.0478 (0.0411)	0.0120 (0.0169)	0.0672* (0.0407)
Elections xfor2	-0.0422 (0.0606)	0.0228 (0.0694)	0.0154 (0.0441)	0.0582 (0.0592)	0.00212 (0.0378)	0.0573 (0.0538)
Pub1	-0.000510 (0.0112)	-0.000510 (0.0112)	-0.00576 (0.0109)	-0.00576 (0.0109)	-0.00643 (0.0111)	-0.00643 (0.0111)
Pub2	-0.102** (0.0462)	-0.102** (0.0462)	-0.110** (0.0462)	-0.110** (0.0462)	-0.115** (0.0467)	-0.115** (0.0467)
Pvt2	-0.0655** (0.0321)	-0.0655** (0.0321)	-0.0687** (0.0317)	-0.0687** (0.0317)	-0.0687** (0.0320)	-0.0687** (0.0320)
For1	-0.0190* (0.0110)	-0.0190* (0.0110)	-0.0199* (0.0111)	-0.0199* (0.0111)	-0.0219* (0.0112)	-0.0219* (0.0112)
For2	-0.236** (0.110)	-0.236** (0.110)	-0.239** (0.110)	-0.239** (0.110)	-0.242** (0.110)	-0.242** (0.110)
L1.Size	-0.0315*** (0.0115)	-0.0315*** (0.0115)	-0.0311*** (0.0115)	-0.0311*** (0.0115)	-0.0322*** (0.0115)	-0.0322*** (0.0115)
L1.Capital ratio	-0.00962 (0.0505)	-0.00962 (0.0505)	-0.000653 (0.0499)	-0.000653 (0.0499)	-0.00413 (0.0510)	-0.00413 (0.0510)
L1.Liquidity	0.154*** (0.0384)	0.154*** (0.0384)	0.152*** (0.0383)	0.152*** (0.0383)	0.155*** (0.0386)	0.155*** (0.0386)
L1.ROA	0.163 (0.199)	0.163 (0.199)	0.212 (0.192)	0.212 (0.192)	0.222 (0.197)	0.222 (0.197)
L1.NI Margin	-0.399 (0.255)	-0.399 (0.255)	-0.514** (0.253)	-0.514** (0.253)	-0.472* (0.260)	-0.472* (0.260)
L1.LLP	0.0932 (0.154)	0.0932 (0.154)	0.0834 (0.151)	0.0834 (0.151)	0.0775 (0.149)	0.0775 (0.149)
L1.LGR1	0.0413 (0.0445)	0.0413 (0.0445)	0.0394 (0.0445)	0.0394 (0.0445)	0.0401 (0.0443)	0.0401 (0.0443)
L2.LGR1	0.138*** (0.0422)	0.138*** (0.0422)	0.135*** (0.0419)	0.135*** (0.0419)	0.138*** (0.0421)	0.138*** (0.0421)
L3.LGR1	0.0293 (0.0370)	0.0293 (0.0370)	0.0333 (0.0366)	0.0333 (0.0366)	0.0336 (0.0368)	0.0336 (0.0368)
L4.LGR1	0.0485 (0.0319)	0.0485 (0.0319)	0.0506 (0.0317)	0.0506 (0.0317)	0.0494 (0.0318)	0.0494 (0.0318)
Constant	0.715*** (0.275)	0.715*** (0.275)	0.717*** (0.275)	0.717*** (0.275)	0.740*** (0.275)	0.740*** (0.275)
Observations	1,387	1,387	1,387	1,387	1,387	1,387
R-squared	0.262	0.262	0.270	0.270	0.265	0.265
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

**Table A28: Lending behavior during Local elections, excluding observations of general Election1q**

<b>Dependent Variable:LGR1</b>	<b>Local Election0q</b>	<b>Local Election0q</b>	<b>Local Election1q</b>	<b>Local Election1q</b>	<b>Local Elections2q</b>	<b>Local Elections2q</b>
Elections	0.0686 (0.0447)		0.0462 (0.0430)		0.0584 (0.0419)	
Elections xpub1	0.0329 (0.0225)	0.102** (0.0416)	0.0630*** (0.0206)	0.109*** (0.0420)	0.0454*** (0.0167)	0.104** (0.0412)
Elections xpub2	0.0588 (0.0369)	0.127*** (0.0494)	0.100*** (0.0276)	0.146*** (0.0454)	0.0768*** (0.0222)	0.135*** (0.0438)
Elections xpvt1		0.0686 (0.0447)		0.0462 (0.0430)		0.0584 (0.0419)
Elections xpvt2	0.0821 (0.0632)	0.151** (0.0685)	0.0748* (0.0429)	0.121** (0.0526)	0.0316 (0.0349)	0.0900* (0.0494)
Elections xfor1	-0.0186 (0.0202)	0.0500 (0.0411)	0.00545 (0.0189)	0.0516 (0.0420)	0.0126 (0.0172)	0.0710* (0.0417)
Elections xfor2	-0.0336 (0.0608)	0.0350 (0.0694)	0.0249 (0.0449)	0.0710 (0.0598)	0.0103 (0.0395)	0.0687 (0.0550)
Pub1	0.000873 (0.0119)	0.000873 (0.0119)	-0.00486 (0.0116)	-0.00486 (0.0116)	-0.00563 (0.0118)	-0.00563 (0.0118)
Pub2	-0.107** (0.0482)	-0.107** (0.0482)	-0.116** (0.0481)	-0.116** (0.0481)	-0.121** (0.0486)	-0.121** (0.0486)
Pvt2	-0.0713** (0.0337)	-0.0713** (0.0337)	-0.0747** (0.0332)	-0.0747** (0.0332)	-0.0744** (0.0335)	-0.0744** (0.0335)
For1	-0.0244** (0.0115)	-0.0244** (0.0115)	-0.0254** (0.0116)	-0.0254** (0.0116)	-0.0276** (0.0118)	-0.0276** (0.0118)
For2	-0.244** (0.114)	-0.244** (0.114)	-0.247** (0.114)	-0.247** (0.114)	-0.251** (0.114)	-0.251** (0.114)
L1.Size	-0.0334*** (0.0120)	-0.0334*** (0.0120)	-0.0329*** (0.0120)	-0.0329*** (0.0120)	-0.0340*** (0.0120)	-0.0340*** (0.0120)
L1.Capital ratio	-0.0242 (0.0526)	-0.0242 (0.0526)	-0.0140 (0.0521)	-0.0140 (0.0521)	-0.0173 (0.0531)	-0.0173 (0.0531)
L1.Liquidity	0.158*** (0.0410)	0.158*** (0.0410)	0.156*** (0.0410)	0.156*** (0.0410)	0.158*** (0.0414)	0.158*** (0.0414)
L1.ROA	0.142 (0.197)	0.142 (0.197)	0.192 (0.189)	0.192 (0.189)	0.206 (0.195)	0.206 (0.195)
L1.NI Margin	-0.335 (0.250)	-0.335 (0.250)	-0.451* (0.249)	-0.451* (0.249)	-0.409 (0.256)	-0.409 (0.256)
L1.LLP	0.0616 (0.156)	0.0616 (0.156)	0.0516 (0.153)	0.0516 (0.153)	0.0458 (0.151)	0.0458 (0.151)
L1.LGR1	0.0199 (0.0467)	0.0199 (0.0467)	0.0178 (0.0467)	0.0178 (0.0467)	0.0190 (0.0465)	0.0190 (0.0465)
L2.LGR1	0.134*** (0.0449)	0.134*** (0.0449)	0.131*** (0.0446)	0.131*** (0.0446)	0.134*** (0.0449)	0.134*** (0.0449)
L3.LGR1	0.0203 (0.0379)	0.0203 (0.0379)	0.0247 (0.0375)	0.0247 (0.0375)	0.0249 (0.0377)	0.0249 (0.0377)
L4.LGR1	0.0609* (0.0322)	0.0609* (0.0322)	0.0632** (0.0320)	0.0632** (0.0320)	0.0618* (0.0321)	0.0618* (0.0321)
Constant	0.762*** (0.287)	0.762*** (0.287)	0.761*** (0.286)	0.761*** (0.286)	0.782*** (0.287)	0.782*** (0.287)
Observations	1,277	1,277	1,277	1,277	1,277	1,277
R-squared	0.272	0.272	0.280	0.280	0.275	0.275
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES



**Table A29: Lending behavior during Local elections, excluding observations of general Election2q**

<b>Dependent Variable:LGR1</b>	<b>Local Election0q</b>	<b>Local Election0q</b>	<b>Local Election1q</b>	<b>Local Election1q</b>	<b>Local Elections2q</b>	<b>Local Elections2q</b>
Elections	0.0678 (0.0451)		0.0452 (0.0434)		0.0580 (0.0423)	
Elections xpub1	0.0340 (0.0228)	0.102** (0.0424)	0.0643*** (0.0206)	0.110** (0.0426)	0.0463*** (0.0168)	0.104** (0.0418)
Elections xpub2	0.0599 (0.0374)	0.128** (0.0499)	0.101*** (0.0280)	0.146*** (0.0460)	0.0767*** (0.0226)	0.135*** (0.0443)
Elections xpvt1		0.0678 (0.0451)		0.0452 (0.0434)		0.0580 (0.0423)
Elections xpvt2	0.0862 (0.0645)	0.154** (0.0698)	0.0792* (0.0434)	0.124** (0.0533)	0.0345 (0.0354)	0.0925* (0.0502)
Elections xfor1	-0.0201 (0.0205)	0.0477 (0.0419)	0.00339 (0.0191)	0.0486 (0.0427)	0.00974 (0.0174)	0.0678 (0.0423)
Elections xfor2	-0.0208 (0.0625)	0.0470 (0.0714)	0.0378 (0.0447)	0.0831 (0.0601)	0.0205 (0.0398)	0.0785 (0.0557)
Pub1	-0.000947 (0.0125)	-0.000947 (0.0125)	-0.00712 (0.0122)	-0.00712 (0.0122)	-0.00787 (0.0124)	-0.00787 (0.0124)
Pub2	-0.116** (0.0497)	-0.116** (0.0497)	-0.126** (0.0497)	-0.126** (0.0497)	-0.131*** (0.0502)	-0.131*** (0.0502)
Pvt2	-0.0839** (0.0346)	-0.0839** (0.0346)	-0.0875** (0.0339)	-0.0875** (0.0339)	-0.0868** (0.0344)	-0.0868** (0.0344)
For1	-0.0236** (0.0118)	-0.0236** (0.0118)	-0.0243** (0.0119)	-0.0243** (0.0119)	-0.0264** (0.0121)	-0.0264** (0.0121)
For2	-0.250** (0.117)	-0.250** (0.117)	-0.253** (0.117)	-0.253** (0.117)	-0.259** (0.118)	-0.259** (0.118)
L1.Size	-0.0357*** (0.0124)	-0.0357*** (0.0124)	-0.0352*** (0.0123)	-0.0352*** (0.0123)	-0.0361*** (0.0123)	-0.0361*** (0.0123)
L1.Capital ratio	-0.0380 (0.0518)	-0.0380 (0.0518)	-0.0272 (0.0511)	-0.0272 (0.0511)	-0.0302 (0.0523)	-0.0302 (0.0523)
L1.Liquidity	0.134*** (0.0406)	0.134*** (0.0406)	0.131*** (0.0406)	0.131*** (0.0406)	0.134*** (0.0410)	0.134*** (0.0410)
L1.ROA	0.172 (0.211)	0.172 (0.211)	0.221 (0.202)	0.221 (0.202)	0.237 (0.209)	0.237 (0.209)
L1.NI Margin	-0.390 (0.249)	-0.390 (0.249)	-0.506** (0.246)	-0.506** (0.246)	-0.461* (0.254)	-0.461* (0.254)
L1.LLP	0.0770 (0.160)	0.0770 (0.160)	0.0668 (0.156)	0.0668 (0.156)	0.0608 (0.154)	0.0608 (0.154)
L1.LGR1	-0.00647 (0.0467)	-0.00647 (0.0467)	-0.00863 (0.0467)	-0.00863 (0.0467)	-0.00713 (0.0466)	-0.00713 (0.0466)
L2.LGR1	0.116*** (0.0435)	0.116*** (0.0435)	0.113*** (0.0431)	0.113*** (0.0431)	0.117*** (0.0434)	0.117*** (0.0434)
L3.LGR1	0.0350 (0.0382)	0.0350 (0.0382)	0.0397 (0.0378)	0.0397 (0.0378)	0.0398 (0.0380)	0.0398 (0.0380)
L4.LGR1	0.0376 (0.0324)	0.0376 (0.0324)	0.0402 (0.0321)	0.0402 (0.0321)	0.0391 (0.0322)	0.0391 (0.0322)
Constant	0.838*** (0.293)	0.838*** (0.293)	0.835*** (0.293)	0.835*** (0.293)	0.853*** (0.293)	0.853*** (0.293)
Observations	1,193	1,193	1,193	1,193	1,193	1,193
R-squared	0.273	0.273	0.282	0.282	0.276	0.276
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

**Table A30: Lending behavior of banks by ownership types during elections, excluding Garanti bank from the sample**

<b>Dependent Variable: LGR1</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections1q	0.0265 (0.0167)		0.0369** (0.0164)		0.0487 (0.0439)	
Elections1q xpub1	0.0352*** (0.0124)	0.0617*** (0.0178)	0.00494 (0.0118)	0.0419** (0.0172)	0.0621*** (0.0207)	0.111*** (0.0422)
Elections1q xpub2	0.0586*** (0.0166)	0.0851*** (0.0206)	0.0111 (0.0154)	0.0480** (0.0200)	0.102*** (0.0278)	0.151*** (0.0461)
Elections1q xpvt1		0.0265 (0.0167)		0.0369** (0.0164)		0.0487 (0.0439)
Elections1q xpvt2	0.0559* (0.0299)	0.0824*** (0.0306)	0.0328 (0.0380)	0.0697* (0.0374)	0.0723* (0.0422)	0.121** (0.0523)
Elections1q xfor1	0.0164 (0.0117)	0.0429** (0.0169)	0.0166 (0.0118)	0.0535*** (0.0169)	0.00734 (0.0192)	0.0561 (0.0423)
Elections1q xfor2	0.0329 (0.0378)	0.0594 (0.0392)	0.0278 (0.0440)	0.0647 (0.0451)	0.0218 (0.0437)	0.0705 (0.0598)
Pub1	-0.00644 (0.0109)	-0.00644 (0.0109)	0.00107 (0.0111)	0.00107 (0.0111)	-0.00497 (0.0107)	-0.00497 (0.0107)
Pub2	-0.125*** (0.0464)	-0.125*** (0.0464)	-0.114** (0.0469)	-0.114** (0.0469)	-0.120*** (0.0465)	-0.120*** (0.0465)
Pvt2	-0.0844** (0.0330)	-0.0844** (0.0330)	-0.0790** (0.0338)	-0.0790** (0.0338)	-0.0789** (0.0319)	-0.0789** (0.0319)
For1	-0.0222* (0.0120)	-0.0222* (0.0120)	-0.0229* (0.0118)	-0.0229* (0.0118)	-0.0202* (0.0118)	-0.0202* (0.0118)
For2	-0.264** (0.111)	-0.264** (0.111)	-0.265** (0.113)	-0.265** (0.113)	-0.261** (0.112)	-0.261** (0.112)
L1.Size	-0.0341*** (0.0115)	-0.0341*** (0.0115)	-0.0355*** (0.0117)	-0.0355*** (0.0117)	-0.0347*** (0.0116)	-0.0347*** (0.0116)
L1.Capital ratio	0.000226 (0.0491)	0.000226 (0.0491)	-0.0130 (0.0497)	-0.0130 (0.0497)	-0.00524 (0.0487)	-0.00524 (0.0487)
L1.Liquidity	0.155*** (0.0364)	0.155*** (0.0364)	0.156*** (0.0367)	0.156*** (0.0367)	0.158*** (0.0363)	0.158*** (0.0363)
L1.ROA	0.234 (0.196)	0.234 (0.196)	0.188 (0.200)	0.188 (0.200)	0.259 (0.198)	0.259 (0.198)
L1.NI Margin	-0.477* (0.250)	-0.477* (0.250)	-0.371 (0.254)	-0.371 (0.254)	-0.596** (0.260)	-0.596** (0.260)
L1.LLP	0.116 (0.152)	0.116 (0.152)	0.111 (0.155)	0.111 (0.155)	0.104 (0.152)	0.104 (0.152)
L1.LGR1	0.0531 (0.0432)	0.0531 (0.0432)	0.0577 (0.0432)	0.0577 (0.0432)	0.0524 (0.0433)	0.0524 (0.0433)
L2.LGR1	0.127*** (0.0406)	0.127*** (0.0406)	0.126*** (0.0408)	0.126*** (0.0408)	0.127*** (0.0402)	0.127*** (0.0402)
L3.LGR1	0.0229 (0.0361)	0.0229 (0.0361)	0.0209 (0.0362)	0.0209 (0.0362)	0.0226 (0.0357)	0.0226 (0.0357)
L4.LGR1	0.0641** (0.0319)	0.0641** (0.0319)	0.0611* (0.0321)	0.0611* (0.0321)	0.0649** (0.0318)	0.0649** (0.0318)
Constant	0.780*** (0.276)	0.780*** (0.276)	0.803*** (0.281)	0.803*** (0.281)	0.803*** (0.279)	0.803*** (0.279)
Observations	1,443	1,443	1,443	1,443	1,443	1,443
R-squared	0.268	0.268	0.261	0.261	0.272	0.272
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES

**Table A31: Lending behavior during elections, excluding Garanti bank from the sample**

**(Deposit banks sample)**

<b>Dependent Variable: LGR1</b>	<b>All Elections</b>	<b>All Elections</b>	<b>General Elections</b>	<b>General Elections</b>	<b>Local Elections</b>	<b>Local Elections</b>
Elections1q	0.0503*** (0.0154)		0.0544*** (0.0149)		0.0450 (0.0497)	
Elections1q xpubl	0.0341*** (0.0127)	0.0844*** (0.0172)	0.00258 (0.0113)	0.0569*** (0.0156)	0.0637*** (0.0216)	0.109** (0.0486)
Elections1q xpvtl		0.0503*** (0.0154)		0.0544*** (0.0149)		0.0450 (0.0497)
Elections1q xforl	0.0132 (0.0112)	0.0635*** (0.0153)	0.0136 (0.0114)	0.0679*** (0.0152)	0.00613 (0.0185)	0.0511 (0.0482)
Publ	0.0130 (0.0135)	0.0130 (0.0135)	0.0210 (0.0137)	0.0210 (0.0137)	0.0155 (0.0131)	0.0155 (0.0131)
Forl	-0.0171 (0.0118)	-0.0171 (0.0118)	-0.0164 (0.0117)	-0.0164 (0.0117)	-0.0149 (0.0117)	-0.0149 (0.0117)
L1.Size	-0.0284** (0.0141)	-0.0284** (0.0141)	-0.0284** (0.0141)	-0.0284** (0.0141)	-0.0277* (0.0141)	-0.0277* (0.0141)
L1.Capital ratio	0.376** (0.172)	0.376** (0.172)	0.376** (0.172)	0.376** (0.172)	0.389** (0.171)	0.389** (0.171)
L1.Liquidity	0.162*** (0.0390)	0.162*** (0.0390)	0.157*** (0.0389)	0.157*** (0.0389)	0.162*** (0.0389)	0.162*** (0.0389)
L1.ROA	0.737* (0.423)	0.737* (0.423)	0.714* (0.421)	0.714* (0.421)	0.693 (0.422)	0.693 (0.422)
L1.NI Margin	-0.741* (0.402)	-0.741* (0.402)	-0.713* (0.404)	-0.713* (0.404)	-0.749* (0.406)	-0.749* (0.406)
L1.LLP	0.200 (0.164)	0.200 (0.164)	0.208 (0.171)	0.208 (0.171)	0.163 (0.153)	0.163 (0.153)
L1.LGR1	0.0423 (0.0427)	0.0423 (0.0427)	0.0455 (0.0428)	0.0455 (0.0428)	0.0401 (0.0428)	0.0401 (0.0428)
L2.LGR1	0.0507 (0.0375)	0.0507 (0.0375)	0.0521 (0.0377)	0.0521 (0.0377)	0.0484 (0.0372)	0.0484 (0.0372)
L3.LGR1	-0.00483 (0.0381)	-0.00483 (0.0381)	-0.00396 (0.0382)	-0.00396 (0.0382)	-0.00580 (0.0379)	-0.00580 (0.0379)
L4.LGR1	0.0554 (0.0387)	0.0554 (0.0387)	0.0548 (0.0387)	0.0548 (0.0387)	0.0579 (0.0388)	0.0579 (0.0388)
Constant	0.613* (0.341)	0.613* (0.341)	0.613* (0.342)	0.613* (0.342)	0.599* (0.343)	0.599* (0.343)
Observations	1,063	1,063	1,063	1,063	1,063	1,063
R-squared	0.375	0.375	0.372	0.372	0.377	0.377
Bank and Time Fixed Effects	YES	YES	YES	YES	YES	YES