

# Political Competition and the Spread of Banking in Turkey, 1961-2016

Nisan Gorgulu\*

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## Abstract

Can selective opening of bank branches and the timing of the public bank branch openings turn into a political opportunity? This issue is present in many countries where public sector banking exists. I explore this question through the lens of Turkey by studying the effect of political competition on the allocation of public bank branches. I use a large data set of number of bank branches for 188 banks and 14 nationwide elections for 81 cities covering the period 1961-2016. Building on the difference-in-differences strategy that exploits the greater influence of politics on state-owned banks as compared to their private counterparts, I find that greater political competition produces better state-provided financial services. Cities which were won by lower margin of victory are more likely to enjoy increase in the number of state-owned bank branches the year before the elections. By highlighting the role of delivering financial services with high public visibility to win votes in elections, this study adds political angle to the literature explaining the financialization through bank branching.

**Keywords:** political competition, elections, Turkey, state-owned banks

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