Do Local Political Connections Matter for Local Banks? Evidence from Poland

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https://doi.org/10.35609/gcbssproceeding.2026.1(33)

ABSTRACT

The existence of different types of links between companies and the world of the politics constitutes a permanent, inevitable, and important trait of all modern economies. The vast literature on political connections and their relevance documents that political connections substantially affect an impressive array of economic phenomena. Political connections influence companies' access to debt (Faccio et al., 2006), ability to secure government contracts (Goldman et al., 2013), probability of obtaining bailout funds (Kostovetsky, 2015), profitability (Faccio, 2010), employment policies (Bertrand et al., 2018) and capital market performance (Faccio and Parsley, 2009). Moreover, connected firms can count on preferential treatment by regulators and supervisors (Brown and Huang, 2020), a cautious approach by short-sellers (Jia et al., 2023), and positive media reports (Wang et al., 2023).

JEL Codes:

Keywords: *Political Connections, policy-making, modern economies.*