Title: Exploring the Connections Between Democratic Principles and the Performance of Banking Institutions: Evidence From CEMAC Countries

EKOUE BANGAGNAN YANGA Elfy Déba

Teacher-Researcher

Marien NGOUABI University /Faculty of Economic Sciences

elfybang311@gmail.com

Introduction

The global economic crisis triggered by the Covid-19 pandemic has exposed the fragility of globalized economic systems and highlighted the importance of strong and resilient financial institutions (Forbes and Warnock, 2021). Banks play a central role in financing the economy and creating wealth. By connecting savers and borrowers, they help channel savings into productive investment projects. In democratic countries, banks are subject to stricter regulation, which helps to strengthen investor confidence and foster the development of financial markets (La Porta et al., 1998).

The literature on the link between democracy and banking performance has highlighted the critical role of governments in the proper functioning of banks and financial institutions, and in the economic and political life of societies (Demirguc-Kunt and Levine, 2001). Indeed, democratic countries tend to be more politically and economically stable, which can help banks operate more efficiently and make more prudent decisions (Ben Ali, 2020). Furthermore, democratic governments often have mandates to protect consumers and investors, which can translate into stricter regulations on banking practices.

The relationship between democracy and performance has been the subject of both theoretical and empirical controversy. On the theoretical level, the first idea shows that-Democracy can promote bank performance by strengthening governance and transparency (Battesti and Gianfaldoni, 2006). Thus, democracy, by promoting transparency, accountability and

stability, creates an environment conducive to bank performance. Banks operating in democratic regimes are generally more efficient, more stable and better able to contribute to long-term economic growth. The second, on the other hand, states that democracy can lead to political pressures that prevent banks from pursuing long-term objectives, such as financial stability (Claessens and Feijen, 2007). Indeed, political pressures can induce banks to take excessive risks or to grant loans to borrowers with poor creditworthiness.

Empirically, the link between democracy and bank performance is a controversial research topic. Stef and Dimelis (2022) suggest that democracy can have a positive effect on bank performance by strengthening corporate governance and reducing corruption. Indeed, a democratic environment generally fosters greater transparency and accountability of economic actors, which can strengthen investor confidence and improve credit allocation. Democratic regimes often foster more transparent and accountable corporate governance, which strengthens investor confidence and reduces the risks of mismanagement.

However, Park (2012) and Lipscy (2018**)** point out that democracy can also have negative effects on banking performance. Short-term political pressures, regulatory capture, and economic populism can induce governments to make decisions that weaken the banking system. Electoral cycles can induce political leaders to make decisions that are popular in the short term, even if they have negative consequences for long-term financial stability.

CEMAC, a monetary zone where governance and economic development issues are closely linked, offers a particularly fertile field of study to explore the connections between democratic principles and the performance of banking institutions. Indeed, despite relative economic growth observed since 2021, CEMAC countries face persistent challenges related to financial stability and financial inclusion. The work of the World Bank (2023) highlights that the quality of governance is a key determinant of economic performance in the region. In CEMAC countries, political stability plays a central role in the attractiveness of banking investments. According to BEAC data (2022), periods of relative stability, often associated with democratic progress, allow banks to increase their profitability. In Gabon and Cameroon, relative institutional stability between 2010 and 2020 allowed a 15% increase in loans granted, while periods of instability in Chad led to an 8% contraction in banking assets. Democracy, by promoting inclusive policies, boosts access to banking services. World Bank data (2022) shows that countries that have undertaken democratic reforms are at about 22% compared to those with an authoritarian regime which is at 12%.

Theoretical and empirical analyses coupled with stylized facts have made it possible to note a diversity of results and that the debate remains relevant. Thus, the problem of this work can be summed up in the following question*:* ***what is the impact of democracy on the performance of CEMAC banks?*** The objective is to analyze the effect of democracy on the performance of banks. The hypothesis supported is that. To this end, it is postulated in this work that democracy has a positive effect on the performance of CEMAC banks.

The remainder of this paper is organized as follows. The second section is devoted to the literature review; the third deals with the methodology; the fourth presents the results and their discussions. The fifth and final section is the conclusion and the implications for economic policies.

II. Literature review

The relationship between democracy and performance has been the subject of both theoretical and empirical controversy.

On the theoretical level, two ideas are put forward. The first shows that democracy can promote banking performance by strengthening governance and transparency (Battesti and Gianfaldoni, 2006). It is covered by a number of theories.

The theory of democratic governance and banking institutions, developed by authors such as Acemoglu and Robinson (2012), argues that democratic institutions foster an environment of transparency, accountability, and respect for the law, which strengthens governance in various sectors, including banks. In a banking context, democratic governance involves increased monitoring, transparency of decisions, and higher standards for management practices. Thus, this theory posits that banking institutions located in democracies benefit from better performance thanks to the governance mechanisms that arise from democratic processes. Regulators and government authorities, under pressure from citizens and civil society organizations, are more likely to put in place rules that impose greater transparency and prudent risk management on banks. Indeed, democratic countries with well-established legal systems have better performing banks, as democratic policies encourage better governance and reduce corrupt practices (Barth et al; 2004).

The theory of property rights and incentives in democracies, developed by North (1990) and taken up by Djankov et al. (2003), this theory states that democracy protects property rights and creates incentives for long-term investment. Thus, this protection encourages stability

and predictability in management decisions, allowing banks to focus on long-term strategies without fear of arbitrary changes in laws and regulations. Thus, by protecting property rights, democracies provide banks with a stable environment that allows them to increase their performance. Bank managers in democracies have an incentive to innovate and lend more freely knowing that their rights are protected. Furthermore, this protection of rights encourages foreign investors to participate in democratic financial systems, strengthening the stability and lending capacity of banks (La Porta et al., 1999).

The second, on the other hand, states that democracy can lead to political pressures that prevent banks from pursuing long-term goals, such as financial stability (Claessens et al., 2008). This also implements some theories.

The theory of political cycles and populist monetary policies, developed by Nordhaus (1975), explains that politicians in democracies are often subject to electoral pressures that lead them to implement populist monetary and economic policies, often to the detriment of long-term performance. This theory suggests that, in a democratic context, banks may be subject to political pressure to support short-term objectives, such as financing public projects or artificially reducing interest rates before elections. In democracies, governments may exert political pressure on banks to respond to popular demands or electoral objectives, which diverts banking institutions from long-term strategies. Indeed, populist governments sometimes exert direct influence on banks, inducing them to finance politically favorable but unprofitable projects. This affects bank performance, as banks find themselves making decisions that are not aligned with strict financial criteria (Sapienza, 2004).

The theory of political capture, developed by Stigler (1971), argues that in democracies, banks can be captured by interest groups or politicians, forcing them to adopt banking practices or policies that are not optimal for long-term performance. Political capture occurs when bank managers, in order to stay in the good graces of public authorities, are forced to orient their activities according to political interests rather than profitability criteria. Political capture reduces the independence of banks, which must align their strategy with political demands instead of financial objectives. In democracies, where political parties can influence banking institutions, this capture can lead banks to grant non-performing loans or support unprofitable sectors for political reasons. As a result, public banks are pressured to finance businesses linked to political leaders, which weakens their overall performance (Khwaja and Mian, 2005).

Empirically, the literature is also controversial. On the one hand, there is literature arguing that democracy promotes bank performance and on the other hand, there is literature arguing that democracy can limit bank performance through political pressure. As for the early literature, Berger and Demirgüç-Kunt (2021) study how democratic governance influences bank stability using a panel data model covering several countries. In democratic regimes, banks are generally more stable due to stronger governance, which reduces bad loans and bankruptcies. Barth et al (2022), analyze panel data on bank regulation in various political regimes and conclude that democratic regimes increase bank transparency and regulation, reducing systemic risks. Similarly, Beck et al. (2023) observe the effects on performance and default rates using a panel data model. Banks in democratic countries show better performance and lower default rates. Barth, Caprio, and Levine (2004), in their comparative work on more than 100 countries, analyze how institutional structures influence the stability and efficiency of banks. They find that countries with democratic regimes and strong governance mechanisms have better regulated, more transparent, and better performing banks. Their analysis shows that democracy, by promoting strict governance controls and regulatory frameworks, reduces banking risks and improves profitability.

On the other hand, the works that argue that, democracy can limit the banking performance by political pressures. Sapienza (2004), examines the impact of political pressures on Italian public banks by analyzing their credit behavior in regions with strong political influence. The results show that public banks, under political influence, show lower performances compared to private banks, with higher rates of bad debts. Lending decisions based on political motives have a negative impact on their profitability and overall efficiency.

Moreover, Khwaja and Mian (2005), in their study of public banks in Pakistan, analyze how political connections can affect the profitability and stability of banking institutions by showing that firms with close ties to politicians are more likely to obtain credit on favorable terms, even if they are high risk or not financially strong. They find the results that public banks under political influence have higher default rates, with low loan repayment rates. In a similar vein, Cole (2009) examines how public banks in India are pressured to provide agricultural credit in rural areas during election periods. The results show that during pre-election periods, public banks increase loans on favorable terms to farmers, which leads to high default rates after elections.

These empirical studies demonstrate that democracy has contradictory effects on bank performance. On the one hand, democratic principles can promote transparency, governance, and stability of banks, thereby improving their profitability and resilience to crises. On the other hand, political pressures and electoral motivations in democracies can force banks to adopt unprofitable practices, affecting their long-term performance.

III. Methodology

1- Data Presentation

The data used for this study relate to the financing of the economy, the profitability of banks, banking regulation in terms of equity, the economic situation and finally democracy and government of the different CEMAC countries. They come from the World Bank database, the World Government Indicator and the BEAC. These data relate to the six (06) countries of the CEMAC zone, namely Cameroon, Congo, the Central African Republic, Gabon, Equatorial Guinea and Chad.

The period chosen is from 2006 to 2018 due to data availability. Indeed, data relating to the number of variables and in particular to the variable of interest (the democracy index) were not available beyond this period.

2- Presentation of variables

2.1- The dependent variable

The objective of the study is to determine the effect of democracy on the performance of CEMAC banks. Thus, the variable that we will have to model is the performance of CEMAC banks.

For this purpose, we use 2 indicators:

- Return on assets (ROA): This is an economic concept that measures the financial performance of banking institutions in the region. It is calculated by dividing net income by total assets.

$$ROA = \frac{Resultat\ net}{Total\ des\ actifs}$$

  Thus, ROA represents the profitability produced by all the bank's assets.
- The financing capacity of the economy: given that the primary role of financial institutions is to finance the economy, it therefore seems interesting to measure its capacity to achieve this objective. To do this, we construct a variable called the financing

capacity of the economy (CFE). It is constructed by averaging the domestic credit provided by the banking sector and the domestic or domestic credit provided to the private sector.

2.2- The variable of interest

In modeling the performance of banking institutions in the CEMAC zone, we will be particularly interested in analyzing the effect of democracy on the latter. For this purpose, we use the democracy index. It is an annual assessment of the level of democracy in the countries of the world. It was published for the very first time in Great Britain by The Economist Group.

The calculation is based on 60 criteria that can be grouped into six broad categories: political participation, political culture, the electoral process, civil liberties, pluralism and the functioning of government.

The index varies between 0 and 10. The table below gives its interpretation based on the country's rating.

Table 1: Country classification according to the democracy index .

Democracy Index	**Interpretation**
Between 8.00 and 10.00	Full-fledged democracy
Between 6.00 and 7.99	Imperfect democracy
Between 4.00 and 5.99	Hybrid diet
Between 0.01 and 3.99	Authoritarian regime

2.3- Control variables

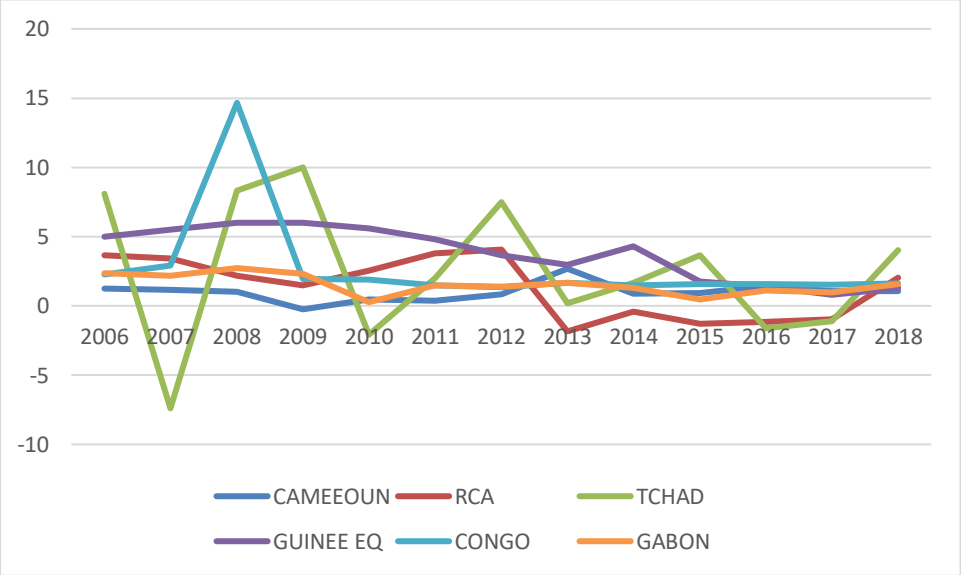
In addition to the democracy index, several other variables can have a considerable impact on the modeling of bank performance. Failure to take these into account could lead to biased estimates. We therefore introduce them into our different models as a control variable.

Based on the different readings, we have retained macroeconomic variables such as annual GDP growth, inflation rate, trade balance and investment rate; government variables such as country stability; financial variables such as interest rate and level of regulatory capital.

3- Descriptive statistics

Descriptive statistics allow us to highlight the characteristics of banks according to their level of performance.

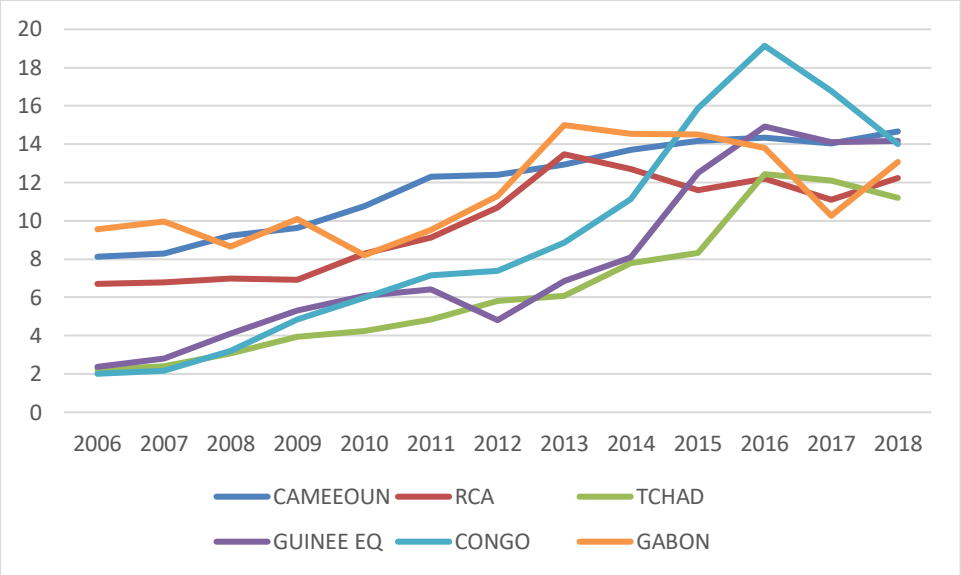
Figure 1: Evolution of ROA by country from 2006 to 2018



Source: Author's calculation

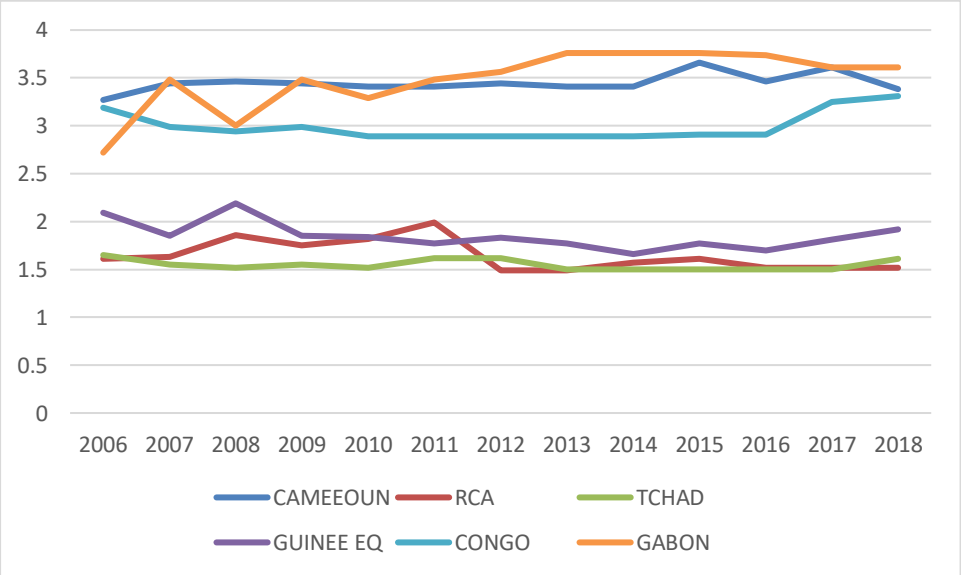
It Figure 1shows us the evolution of the Return on Assets of banks in the 6 CEMAC countries from 2006 to 2018. From this figure, it emerges that the return on assets varies considerably in the zone. The countries in which the variations are more significant are Congo and CHAD. Cameroon and Equatorial Guinea are the countries with the least variation in ROA. However, Cameroon experiences an average increase in the return on assets of its banks over the period, while Guinea experiences a decrease.

Figure 2: Evolution of the capacity of banks to finance the economy



It Figure 2shows the evolution of the capacity of banks in each country in the zone to finance its economy. In all countries in the zone, we note an increasing financing capacity over the period considered. However, we note fluctuations throughout the period. As for the return on assets, Cameroon is the country with the most stable financing capacity over the period.

Figure 3: Evolution of the democracy index in CEMAC countries



This Figure 3informs us about the evolution of democracy within the CEMAC zone. To begin with, we note that all the countries in the zone have an index between 0.01 and 3.99. As a result, they are all said to be countries with authoritarian regimes. However, differences quickly appear when reading the graph. Indeed, we note the formation of two groups.

Cameroon, Gabon and Congo on one side with indices higher than 2.5 and increasing over the entire period and on the other side, we have the CAR, Chad and Equatorial Guinea which have indices lower than 2.2 and which also decrease over the period.

For the rest of the variables, we present a summary of their statistics in the table below.

Table 2: Summary of study variables

Variables	Obs	Mean	Std.Dev	Min	Max
ROA	78	2.16	2.89	-7.4	14.66
CFE	78	9.45	4.1	2.01	19.14
Democracy Index	78	2.49	0.85	1.49	3.76
GDPgrowth	78	2.26	7.86	-36.39	17.80
Inflation	78	3.31	9.72	-21.16	29.42
Money supply	78	17.88	5.80	5.92	31,875
Interest rate	78	3.18	3.16	-7.4	17.84
Stability	78	-0.75	0.813	-2.70	0.39
Trade balance	78	1204.79	1488.16	-1224.51	5961.46
Investment rate	78	28.72	13.27	2.1	74.6

4- Econometric modeling

In this part, we present and justify the different models and the statistical tests used in the analysis.

4.1- Estimation method

For this study based on panel data, the estimation is done by the generalized method of moments (GMM) in dynamic panel. This is the Arellano and Bond model. It is a method widely used in macroeconomic studies. It allows to resolve problems of simultaneity bias, reverse causality or omitted variables.

The model specification is as follows:

$$y_{it} = \alpha_i + \mu_t + \beta_0 y_{t-1} + \sum_{k=1}^{K} \beta_k X_{kit} + \varepsilon_{it} (1)$$

Where y_{it}represents the dependent variable, X_{kit}k=1, …K the explanatory variables.

The term $\alpha_i$represents individual country heterogeneity and $\mu_t$temporal heterogeneity.

The variable ε_{it}represents the error term which is normally distributed with mean zero and constant variance.

Our dynamic models as presented in equation (1) have one or more lags of the dependent variable as explanatory. Therefore, standard econometric estimation techniques such as OLS cannot result in efficient estimators due to the presence of the lag variable as explanatory.

There are two categories of dynamic panel GMM estimators: first difference GMM and system GMM.

The first difference GMM (Arellano and Bond, 1991) consists of taking for each period the first difference of the equation to be estimated in order to get rid of country-specific effects. Then, the endogenous variables are instrumentalized in first difference by their lagged values.

The system GMM is from Blundel and Bond (1998). It combines first difference equations with level equations in which the variables are instrumented by their first differences. Blundel and Bond show that the system GMM estimator is more efficient than the first difference estimator.

4.2- Preliminary tests

Two tests are associated with the dynamic panel estimates. We have the Sargan and Hansen instrument validity test and the Arellano and Bond autocorrelation test. The Sargan and Hansen test has the null hypothesis of the validity of the lagged variables while the Arellano and Bond test has the null hypothesis of the absence of autocorrelation.

But first, it is necessary to perform the Hsiao test to check the homogeneous or heterogeneous specification of the data generating process. This is to know whether the panel specification is adapted to our data or not. This amounts to testing the equality of the coefficients of the model studied in its individual dimension. More concretely, it is a question of determining whether the specified model is identical for all countries or whether, on the contrary, there are specificities specific to each country.

5- Presentation and interpretation of results

5.1- Test results

The homogeneity test gives p-values greater than 0.05 for both models. Therefore, we cannot reject the homogeneous panel hypothesis at the 5% threshold.

For stationarity, we used the Mandala and Wu (1999) test and the Pesearan (2007) test. The results show that all variables are stationary in first difference at the 5% level.

Table 3: Results of Sargan-Hansen and Arellano tests for the CFE model

Sargan and Hansen test	Chi2(11) = 16	P-value = 0.141
Arellano and Bond test for AR(1) in first difference	Z = -2.80**	0.005
Arellano and Bond test for AR(1) in first difference	Z = 0.17	0.865

Note: *** and *** represent significance at the 10%, 5% and 1% threshold respectively.

Table 4: Results of Sargan-Hansen and Arellano tests for the ROA model

Sargan and Hansen test	Chi2(8) =4.16	P-value = 0.842
Arellano and Bond test for AR(1) in first difference	Z = -1.98**	0.047
Arellano and Bond test for AR(1) in first difference	Z = -0.60	0.551

Note: *** and *** represent significance at the 10%, 5% and 1% threshold respectively.

The p-values associated with the Sargan and Hansen tests of the two models are 0.14 and 0.842 respectively. Both values are greater than 0.05. Which does not allow us to reject the null hypothesis. Therefore, at the 5% threshold, the lagged variables are valid for both models.

The Arellano and Bond test of autocorrelation of errors gives us p-values lower than 0.05 for the first order and higher than 0.05 for the second. Therefore for both models, we reject the hypothesis of absence of first-order autocorrelation and we accept the hypothesis of second-order autocorrelation.

5.2- Model results

Table 5: Model significance test

	Wald statistic	P-value
CFE model	84.94 ***	0.000
ROA Model	93.16 ***	0.000

Note: *** and *** represent significance at the 10%, 5% and 1% threshold respectively.

Source: author.

The table above shows us the results of the Wald statistic for both models. The statistics are significant at the 5% level.

Table 6: Results of the estimates of the models relating to CFE and ROA

CFE	CFE		ROA	
	Coef	P-value	Coef	P-value
CFE L1.	0.741***	0.000		
ROA L1.			-1,174	0.94
Invest Rate	-0.064**	0.020	0.16*	0.098
Stability	2.63***	0.004	5.66	0.13
Balance Com	-0.0001*	0.082	-0.00007	0.414
Interest Rates	0.064	0.508	0.72***	0.000
Mass My	0.20**	0.003	-0.57	0.244
Inflation	-0.024	0.355	0.045*	0.087
GDPgrowth	0.091*	0.087	0.016	0.556
Democracy Index	-1,372**	0.009	0.88	0.801

Note: *** and *** represent significance at the 10%, 5% and 1% threshold respectively.

The aim here is to model the performance of banks in the CEMAC zone, with particular attention to the impact of democracy on it. To do this, we studied separately the financial performance (profitability of banks in the zone) and the capacity of banks to finance the economy.

Regarding the ability of banks to finance the economy of each country, we note that democracy has a significant but negative effect. This goes hand in hand with the work of Park (2012) and Lipscy (2018) who showed that democracy can have a negative effect on the performance of banks. They explain that democracy can lead to political pressures that prevent banks from pursuing long-term objectives, such as financial stability. However, this controversial result can also be explained by the low variability of the democracy index in the

study area (Variance = 0.85 in the area). Which makes the population quite homogeneous according to this index.

However, there is a positive and significant effect of stability. This variable captures the political stability of the country, the absence of violence and terrorism. According to estimates, a one-unit increase in stability in a CEMAC country can increase the ability of banks to finance the economy by up to 2.63 points.

Apart from these variables, the investment rate and the money supply have significant effects on the capacity of banks in the zone to finance the economy.

Furthermore, it is noted that the adjustment parameter associated with the delay of the banking development variable is significantly positive at the 1% threshold. There is indeed a dynamic evolution of this synthetic index which depends positively on its past or initial level.

For the model concerning the financial performance of banks in the zone, we note that the democracy index and stability do not have significant effects. This can be explained by the large fluctuation of ROA in the zone relative to the democracy index. The variable that has a real positive impact on profitability is the interest rate.

CONCLUSION AND IMPLICATION OF ECONOMIC POLICIES

This paper analyzes the effect of democracy on the performance of banks in the countries of the Economic and Monetary Community of Central Africa. To do this, the generalized method of moments (GMM) in dynamic panel covering the period from 2006 to 2018 was used.

The results show that democracy has a significant but negative effect on the ability of CEMAC banks to finance the economy. This could be attributed to the political pressures associated with democratic regimes, which hamper long-term banking objectives, such as financial stability. However, this relationship could also be explained by the low variability of the democracy index in the region, making the analysis less robust.

On the other hand, political stability has a positive and significant impact: an improvement in political stability increases the capacity of banks to finance the economy. Other factors, such as the investment rate and the money supply, also influence this capacity significantly. Finally, the dynamics of banking development depends positively on its initial levels.

Regarding the financial performance of banks (ROA), neither democracy nor stability have a significant effect. However, the interest rate appears to be the main lever for improving bank profitability.

In view of these results, Policies combining political stability, rigorous macroeconomic management and effective banking regulations are essential to strengthen the role of banks in the economic development of CEMAC. These will include, among other things:

(i) Improving political stability in order to implement reforms and reducing violence, these factors directly stimulate the ability of banks to finance the economy.

(ii) Limit excessive political interference in banking decisions to enable banks to pursue long-term objectives, such as financial stability and operational efficiency.

(iii) To foster an investment-friendly environment by adjusting the money supply according to economic needs, governments and central banks can strengthen the role of banks in financing the economy.

(iv) Encourage dynamic banking development, including by establishing stable regulatory frameworks and incentives for innovation, to enable their capacity and performance to be strengthened.

Acknowledgment

This research is the result of my independent efforts and dedication to understanding the connections between democratic principles and the performance of banking institutions. I take full responsibility for the work presented in this study.

References

Acemoglu, D. Robinson, JA (2012): Why Nations Fail: The Origins of Power, Prosperity and Poverty. *Danvers, MA: Crown Publishers* .

BEAC (2018) “Annual Report”

BEAC (2021) “Annual Report”

Bank of Central African States (BEAC). “Annual Report on Monetary Policy”. 2020-2023 Editions. Available on the official BEAC website: www.beac.int .

Bank of Central African States (BEAC). “Annual Report 2018” www.beac.int .

World Bank. “Financial Inclusion in Africa: Annual Report. 2023.” Available at: www.worldbank.org .

World Bank. “World Development Report 2022: Finance for an Equitable Recovery.” Washington, DC: World Bank. Available at: https://www.worldbank.org

Barth, J.R., Caprio Jr., G., & Levine, R. (2004). Bank regulation and supervision: what works best?. *Journal of Financial intermediation , 13* (2), 205-248.

Beck, Thorsten, and Ross Levine. Stock markets, banks, and growth: correlation or causality?. Flight. 2670. World Bank Publications, 2001.

Berger, A.N., & Demirgüç-Kunt, A. (2021). Banking research in the time of COVID-19. *Journal of Financial Stability , 57* , 100939.

Barth, A., & Radev, D. (2022). Integration culture of global banks and the transmission of lending shocks. *Journal of Banking & Finance , 134* , 106338.

Beck, T. (2023). Access to finance: adaptability and resilience during a global pandemic. *Accounting and Business Research , 53* (5), 565-579.

Barth, James R., Gerard Caprio Jr, and Ross Levine. "Bank regulation and supervision: what works best?." *Journal of Financial Intermediation* 13, no. 2 (2004): 205-248.

Ben Ali, Mohamed Sami, and Sami Ben Mim. “Democracy and Banking Stability: Is the Relationship U-Shaped?.” Journal of the Knowledge Economy (2022): 1-23.

Claessens, S., Feijen, E., & Laeven, L. (2008). Political connections and preferential access to finance: The role of campaign contributions. *Journal of financial economics , 88* (3), 554-580.

Claessens, Stijn and Erik Feijen. Financial Sector Development and the Millennium Development Goals. No. 89. World Bank Publications, 2007.

Djankov, S., Glaeser, E., La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (2003). The new comparative economics. *Journal of comparative economics , 31* (4), 595-619.

Demirgüç-Kunt, Aslı, and Ross Levine, eds. Financial structure and economic growth: A cross-country comparison of banks, markets, and development. MIT press, 2001.

Doucoure, FB(2016) “Econometric methods course and exercises” ARIMA

Forbes, K., & Warnock, F. (2020). The COVID-19 crisis and the global economy. Journal of Economic Perspectives, 34(2), 3-32.

Khwaja, AI, & Mian, A. (2005). Unchecked intermediaries: Price manipulation in an emerging stock market. *Journal of Financial Economics , 78* (1), 203-241.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. (1999). The quality of government. *Journal of Law, Economics, and Organization , 15* (1), 222-279.

Mohamed Sami Ben Ali, SB (2021) “Democracy and banking stability: Is the Relationship U-Shaped? Journal of the Knowledge Economy

North, D.C. (1990). A transaction cost theory of politics. *Journal of theoretical politics , 2* (4), 355-367.

Nordhaus, W.D. (1975). The political business cycle. *The review of economic studies , 42* (2), 169-190.

Park, Junghee. “Corruption, soundness of the banking sector, and economic growth: A cross-country study.” Journal of international money and Finance 31, no. 5 (2012): 907-929.

Richez-Battesti, N., Gianfaldoni, P., Gloukoviezoff, G., & Alcaras, JR (2006). Cooperative banks and social innovations. *International Review of Social Economy* , (301), 26-41.

Sapienza, P. (2004). The effects of government ownership on bank lending. *Journal of financial economics , 72* (2), 357-384.

Sawadogo, H (2021) “Effects of corruption on banking activity in sub-Saharan Africa.” International Review of French-language Economists.

Stef, Nicolae, and Sophia Dimelis. "Does government stability affect the banking system's stability?." Finance (2022): I15-XLII.

Stigler, G. J. (1971). The theory of economic regulation. *Bell Journal of Economics and Management Science. 2* (1), 3–21.

Richez-Battesti, Nadine, and Patrick Gianfaldoni. "Cooperative Banks in France: The Challenge of Performance and Solidarity." Cooperative Banks in France (2006): 1-294.

Yang, Benhua. "Does democracy foster financial development? An empirical analysis." Economics Letters 112, no. 3 (2011): 262-265.