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Author: Badar Nadeem Ashraf



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Political institutions and bank risk-taking behavior¹

Badar Nadeem Ashraf^{a,b}

^aInternational School, East China Jiao Tong University, Nanchang (330013), China
^bInternational Institute for Financial Studies, Jiangxi University of Finance and Economics, Nanchang (330013), Jiangxi, China

Corresponding author email: <u>badarfcma@gmail.com</u>

Highlights

- This study investigates the impact of political institutions on bank risk-taking
- Sound political institutions stimulate higher bank risk-taking
- Better political institutions promote credit market competition and generate moral hazard problems that lead banks to increase risk-taking
- Political and legal institutions complement each other to influence bank risk-taking

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