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CSR and political insiders^{*}

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Abstract

We study whether political insiders drive the level of banks' CSR activities and reporting. Politicians have incentives to claim credit for corporate CSR activities in order to attract electoral votes during the next election. Using the electoral cycle as exogenous variation in politicians' incentives for credit claiming, we conduct a Difference-in-Differences analysis with politically independent cooperative banks as a control group. Our findings indicate that savings banks engage in 15-23% more CSR activities in election years than in non-election years and relative to cooperative banks. The effect is more pronounced if politicians are exposed to a high level of political contest and if they belong to a left-wing party. Lastly, we document an increase in the amount of reporting on social activities during election years, which is consistent with an increase in real CSR activities rather than mere political credit claiming. Our study is among the first to document insiderinitiated CSR and adds to the literature by identifying another channel through which politicians benefit from holding board seats.

Keywords: Corporate social responsibility, CSR reporting, state-owned banks, corporate philanthropy, corporate charitable activity, political credit claiming

JEL Codes: M14, G21, D72

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1 Introduction

Companies engage in a wide range of corporate social responsibility (CSR) activities, and several factors explain variation in CSR and reporting thereof (for reviews see, e.g., Christensen et al., 2021; Huang and Watson, 2015). We extend this literature by investigating political insiders as drivers of German savings banks' CSR activities and disclosure. With that, we are among the first to identify *insider-initiated* CSR (Bénabou and Tirole, 2010), which reflects management's or board members' personal desires to engage in CSR activities that often arises from corporate governance frictions. To explain the influence of political insiders on savings banks' CSR activities, we build on theories that explain the behaviour of individual politicians. We argue that corporate insiders have incentives to divert company resources to CSR for their own benefit. In our setting, self-motivated politicians seek ways to increase their chances of re-election and, in doing so, they may influence the level and timing of corporate employment (Bertrand et al., 2018), investment (Alok and Ayyagari, 2020; Bertrand et al., 2018) or pricing decisions (Englmaier et al., 2017). Such activities increase the electorate's quality of life and provide opportunities for politicians to claim credit for them. Political credit claiming is remarkably common as it enables political individuals to be associated with achievements and expenditures that they had little or no control over (Cruz and Schneider, 2017; Grimmer et al., 2012; Mayhew, 1974).

To examine whether political insiders drive banks' CSR activities and disclosure, we conduct a Difference-in-Differences analysis in the German banking industry. Our treatment group is composed of savings banks – a large group of public banks that operate under municipal trusteeship. Savings banks' owners are municipalities, e.g., cities or counties, who are represented by local politicians. By statute, the incumbent mayor or county commissioner chairs the supervisory board during his or her term and may therefore influence banks' real CSR activities. This introduces personal political preferences into banks' choices to engage in CSR activities and disclosure. The setting has several features that help us answer our research question. First, in the savings banks setting, the appointment of political directors is a statutory requirement and, therefore, not based on endogenous firm characteristics. This alleviates endogeneity concerns from prior studies on the relation between CSR and political board members (e.g., Bianchi et al., 2019; Fernández-Gago et al., 2018) or political embeddedness (Wang et al., 2018), where political connection is a firm choice.

Second, the timing of municipal elections introduces variation in the political pressure that individual politicians face. To identify whether political insiders drive savings banks' CSR activities, we therefore consider the political cycle as an exogenous shock to politicians' incentives to engage in credit claiming activities. Politicians are under more intense scrutiny from their constituents if an election is imminent than if an election is more distant (Huber et al., 2012). This helps explain extant empirical evidence on the existence of an electoral cycle in a wide range of state-owned companies' activities (Alok and Ayyagari, 2020; Bertrand et al., 2018). Along these lines, we examine whether there is a cycle in state-owned banks' politically associated charitable activities that follows the timing of municipal elections. Geographical variation in the timing of municipal elections increase our confidence that our findings are not due to unobserved confounding events. Third, the German banking setting allows us to introduce a control group of cooperative banks that have a comparable business model, similar clientele and, like savings banks, operate very locally. Cooperative banks engage in similar CSR activities as savings banks and face similar stakeholder pressure to engage in CSR activities. Importantly to our identification strategy, they do not operate under municipal trusteeship and are thus isolated from political influence. We are therefore able to isolate the effect of political insiders in savings banks by introducing cooperative banks as a politically isolated control group.

Our sample consists of savings banks and cooperative banks over the years 2012 to 2020, resulting in 1,404 bank-year observations in total. Our dataset combines banks' financial statement data with data on savings banks' supervisory board chairperson, macroeconomic data on municipal level and detailed hand-collected information on municipal elections. To measure banks' CSR activities, we collect local newspaper articles that cover banks' donations to civil projects under the mention of the mayor or county commissioner (politically associated CSR or charitable activities, henceforth). Our results show that savings banks exhibit 15.2-22.9% higher politically associated charitable activities during election years than non-election years compared to their non-political peers. The finding is robust to a range of control variables, as well as state, year and bank fixed effects, and points to the existence of an electoral cycle in banks' CSR activities. Next, we examine the extent of CSR reporting for the subset of savings banks that provide a mandatory CSR report under the European Non-Financial Reporting Directive (NFRD, Directive 2014/95/EU). We find that savings banks have longer social sections in their CSR reports during election years, compared to non-election years. Other sections (e.g., employee-related, environmental and anti-corruption and bribery) are not significantly longer during election years. This is consistent with increased social engagement during election years and banks' incentives to report on this increase in order to strengthen their legitimacy.

After exploring the impact of the electoral cycle on banks' CSR activities and reporting, we investigate whether cross-sectional variation in political pressure mediates this relation. Our measure of political pressure takes into account political contest, measured as the percentage difference in electoral votes between the winner and the run-up contestant. We find that the electoral cycle in banks' CSR activities is more pronounced for the sub-sample of banks that operate in a politically contested area — consistent with the notion of increased incentives to fight for constituents' votes. Lastly, we investigate whether political orientation mediates the relation between the electoral cycle and banks' CSR activities. Prior studies suggest that firms which have political directors with a liberal ideology (de Andres et al., 2022) and firms which are Democratic-leaning (Di Giuli and Kostovetsky, 2014) engage in higher CSR activities. In line with these studies, we find increased politically associated charitable activities in election years only for a sub-sample of banks with a left-wing supervisory board chairperson. In sum, our results suggest that state-owned banks cater to the interests of political insiders by engaging in higher charitable activities during election years. The effect is more pronounced when political competition is high and when the supervisory board chair belongs to a left-wing party. Furthermore, savings banks increase their reporting on social activities during election years, pointing to an increase in real CSR activities.

Our study contributes to the literature in several ways. First, we add to the literature on determinants of CSR activities and reporting by identifying political insiders as a driver. While prior studies have examined the influence of politicians in their role as outside stakeholders (e.g., Bertrand et al., 2020; Lin et al., 2015; Marquis and Qian, 2014), we provide empirical evidence on the influence of politicians as corporate insiders. Other studies on the relation between CSR and political board members (e.g., Bianchi et al., 2019; Fernández-Gago et al., 2018) or political embeddedness (Wang et al., 2018) are often subject to endogeneity concerns because political

connection is a firm choice in their settings. In the savings banks setting, the appointment of political directors is not based on endogenous firm characteristics because it is a statutory requirement. The study most closely related to ours is de Andres et al. (2022), who analyze the influence of political directors on Spanish savings banks' CSR activities. They document that the proportion of political directors, their political orientation and regional identity are associated with banks' allocation of resources to CSR. Our results corroborate their findings of political influence on banks' CSR activities for the German setting. More importantly, we extend de Andres et al. (2022) who state that "the real motivations that drive political directors to increase CSR remain unclear" (p. 28). Through exogenous variation in political incentives via the electoral cycle and a politically independent control group of cooperative banks, we are able to discern a clear political motive of political directors to increase CSR. With this finding, we add to the few studies on banks' CSR determinants (Wu and Shen, 2013). As financial intermediaries with the means to channel capital into sustainable investments, banks represent an important sector when it comes to CSR. However, there is little evidence on their specific motives to engage in CSR activities and reporting (Dinh et al., 2022).

Our study also contributes to a stream of literature in the political economy science which shows that state-owned companies engage in real activities which benefit incumbent politicians, such as boosting employment (Bertrand et al., 2018; Carvalho, 2014), expanding publicly visible investments (Alok and Ayyagari, 2020; Li et al., 2008) and lowering commodity prices (Englmaier et al., 2017). Politicians with relations to state-owned companies benefit directly from such activities with an increased chance of being re-elected (Markgraf and Rosas, 2019). We add to this literature by exposing CSR as an additional channel through which state-owned companies cater to the interests of political insiders. Furthermore, we extend prior studies on CSR which show that companies cater to the demand of politicians for CSR activities (e.g., Bertrand et al., 2020; Lin et al., 2015; Marquis and Qian, 2014). These studies mainly rely on settings where politicians are outside stakeholders and influence companies' CSR activities indirectly. Our setting, on the other hand, allows us to investigate politicians who are corporate insiders and sit on supervisory boards of German savings banks.

With that, our study contributes to literature that aims to identify insider-initiated CSR. Researchers dating back to Davis (1973) and Friedman (1970) have pointed to the possibility of corporate insiders driving corporate CSR practices to further their own agenda. However, in studying insider-initiated CSR, prior studies mainly relied on cross-sectional differences in board composition and CSR practices (Marquis and Lee, 2013; Wang and Coffey, 1992). Our setting allows us to use the electoral cycle as exogenous variation in the incentives of selfmotivated political insiders and thus helps us provide more causal evidence on the influence of political insiders on companies' CSR. Our findings imply that banks use resources to meet political insiders' demand. These resources are no longer available to pay out dividends to municipal owners or accumulate in retained earnings to strengthen the equity base. The latter is particularly important when interests rates are low.

The paper is structured as follows. Section 2 lays out the institutional setting of German savings and cooperative banks, municipal elections and banks' charitable activities. Section 3 summarizes prior related literature and develops our hypotheses. Section 4 describes the sample selection, data and research method. Section 5 provides a descriptive overview over the data and discusses the parallel trends assumption underlying our model. Section 6 presents the empirical results and section 7 concludes the study, pointing out limitations and avenues for future research.

2 Institutional setting

2.1 German savings banks and local politicians

The German banking industry has three pillars: the commercial banking industry (e.g., Deutsche Bank, Commerzbank), the cooperative banking industry (*Genossenschaftsbanken*) and the public banking industry. We focus on the public banking industry for its statutory ties to local politicians, which provides us with a unique setting to investigate the relationship between insiders' political interests and banks' CSR activities. At the heart of the public banking industry are savings banks (*Sparkassen*), counting 377 institutions as of December 31, 2019. They are organized within the Savings Banks Finance Group, which also contains five central banks (*Landesbanken*) and roughly 130 non-bank institutions (see Figure 1).

[Insert Figure 1 around here]

Strictly speaking, savings banks do not have owners - i.e., they cannot be sold and they cannot be acquired by other banking groups or investors. However, they operate under municipal trusteeship, where trustees can be counties (*Kreissparkasse*), urban municipalities (city with county status) or municipal cities (Stadtsparkasse), or special-purpose associations consisting of several municipalities or counties (Zweckverbandssparkasse). For simplification, we refer to them as the owners (see also Vins, 2008; Markgraf and Rosas, 2019; Koetter and Popov, 2020). By force of statute, members of municipal political and administrative bodies are granted seats on the supervisory board (Verwaltungsrat). Importantly, the mayor or county commissioner (mayor or politician, henceforth) is typically the chair of the supervisory board and member of the credit committee. In their capacity as members of the supervisory board, local politicians can therefore participate in important decisions such as bank consolidation, branch closure, replacement of bank management and, when a member of the credit committee, granting large loans. It is important to note that, despite of the above, savings banks are independent credit institutions run by licensed bankers. Since the municipal guarantor liability was abolished in 2005, they have been operating under normal market conditions and in their day-to-day operations, savings banks operate autonomously.

The close ties between banks and local politicians also manifest in the role that savings banks play for local communities. Due to their public mandate, savings banks aim to provide accessible financial services in their business area, focusing on private customers and small and medium-sized businesses. They also readily fulfill their public mandate by engaging in charitable activities and donating to, e.g., local cultural initiatives, sports teams or schools. They maintain roughly 750 foundations that support a large number of initiatives across Germany. For example, *Sparkasse Zollernalb* sponsors the annual horse show in the municipality of Bisingen, and *Sparkasse Forchheim* donated EUR 4,000 to seven cultural initiatives in December 2020, including the local volunteer firefighters and the water watch. Savings banks' charitable donations in the local community is the primary type of CSR activity they engage in. It helps them stay visible and maintain support from the local population. While these activities serve local communities, we argue that they also benefit local politicians to the degree that they improve electorates' lives and provide positive publicity for the politician. Prior evidence supports the notion that savings banks serve local politicians' political interests. For example, Markgraf and Rosas (2019) provide direct empirical evidence that mayors with a seat on a savings banks' boards have higher chances of winning re-election than mayors without a seat.

From the banks' perspective, supporting their politicians' interests helps them stay on good terms with them. This can pay off, for example, when a bank experiences financial distress. Politicians can decide to use taxpayers' money to bail out the bank or leave the bail-out process and financing to the savings banks association. Bian et al. (2016) provide empirical evidence that politicians include personal considerations when deciding whether to bail out a bank in distress. The authors show that a bank in distress is 30 percent less likely to be bailed out by local politicians in the year preceding a local election than in other years and fifteen per cent less likely if there is high competition in the electoral process. Further, as members of the supervisory board, local politicians approve banks' profit appropriation – a topic over which they can get into conflict with the bank management¹.

2.2 Savings banks' charitable activities

Savings banks use two channels to engage in charitable activities, as displayed in Figure 2. The first, more direct channel involves donations from the bank to donees directly. Organizers of civic initiatives that seek funding place their applications directly with the bank, which are then collected and channeled to the relevant internal decision making body. Typically, the management and supervisory boards decide on the approval of any donation request. Only occasionally, an independent donation committee responsible for approval is established with the aim to increase transparency of the donation process. As Table 1 demonstrates, the overwhelming majority of savings banks' charitable activities (83.1% in 2020) are carried out in such a way.

[Insert Figure 2 around here]

As shown in Figure 2, the second channel involves in-house foundations. Most savings banks have at least one in-house foundation which they provide with an initial, and sometimes subse-

¹Most banks choose to retain all or most of their earnings for risk reserves and some mayors question the viability of this decision when the bank's risk reserves already fulfill regulatory requirements. In the case of *Stadtsparkasse Düsseldorf*, the conflict over profit appropriation escalated after the mayor of Düsseldorf demanded that the bank pays a dividend to the city out of EUR 140 million profits that the bank earned in the fiscal year 2014. The bank paid out EUR 13.6 million in dividends to the city of Düsseldorf after the conflict was resolved (see also Koetter and Popov, 2020)

quent endowment funds. Oftentimes, it carries the bank's name and is governed by a two-tier system: (1) an obligatory management board (*Vorstand*), oftentimes chaired by the bank's chief executive and containing other bank employees, and (2) a discretionary supervisory board (*Kuratorium*), typically chaired by the bank's supervisory board chairperson (i.e., mayor or county commissioner) and including other local politicians, bank employees and knowledgeable citizens. The governance of such non-for-profit foundations is largely unregulated and instead set forth by individual statutes. Moreover, unless surpassing an exceedingly large size threshold, foundations do not fall under public disclosure requirements, leaving their operations largely opaque.

Savings banks' foundations support mostly local initiatives from a broad range of areas (e.g., culture, sports, music, arts and nature) but occasionally, they are restricted to serve very specific activities or organizations (e.g., specific museums). Similar to banks, the management and supervisory boards of foundations base their funding decisions mostly on initiators' applications. Due to the long-term nature of endowment funds, foundations provide a particularly sustainable means of supporting civic initiatives. Moreover, they enjoy significant tax benefits compared to savings banks. However, the separate governance system represents an additional administrative layer for banks' charitable activities. As Table 1 shows, only a small portion of the Savings Banks Finance Group's overall charitable activities is carried out through foundations.

[Insert Table 1 around here]

2.3 Local elections

As a whole, the German political system is divided into the federal state, 16 states (*Bundesländer*) and 401 municipalities (294 counties and 107 municipal cities). We are interested in municipalities, which represent the smallest geographic unit and the lowest tier of the public administration. They function under so-called self-government, which is considered relatively autonomous compared to other countries (Roth, 1999; van Saldern, 1999). Two characteristics of municipal self-government allow us to conduct our study. First, municipalities have a wide range of mandatory and voluntary tasks to fulfill. Mandatory tasks include, for example, the provision of infrastructure, schools and fire departments. Voluntary tasks are very diverse and

range from cultural offerings (e.g., museums, libraries, music schools) to leisure facilities (e.g., swimming pools, green areas) and migration work (Fliedner, 2019). Given the breadth of tasks that municipalities bear, they increasingly face insufficient financial resources to maintain a balanced budget. As a consequence, many are forced to cut on voluntary activities (Prölß, 2018). It is precisely these activities that savings banks support with their donations. Anecdotal evidence suggests that mayors can benefit from savings banks' donations similar to an unofficial shadow budget and they can significantly influence how these donations are distributed (Jost, 2012).

The second defining characteristic of municipal self-government in Germany is the high level of democratic participation, enabling proximity between citizens and local politicians. Citizens participate in elections of new municipal representations every four to eight years and, at the same time, directly elect their mayor². Except for age restrictions, candidates for mayor do not have to fulfill any particular qualification requirements, enabling everyone to stand up for election. Once elected, the mayor functions as the head of the local parliament, responsible for making and executing decisions related to the municipality's administration. To be re-elected as mayor, a candidate must show proximity to voters and commitment to the community. As Kern (2008) showed in a study of municipal elections in state Baden-Württemberg between 1973 and 2003, mayors increasingly fail re-election despite standing again for re-election. To improve their re-election chances, mayors can become personally involved in savings banks' charitable activities. These activities enhance the electorates' quality of life and oftentimes fall under the voluntary type of activity that receive a smaller budget from municipalities directly. As chairpersons of banks' supervisory boards, mayors can relatively effortlessly associate themselves with the discretionary spending of their banks. In practice, the mayor frequently appears at the ceremonial handover of donations, along with one or multiple other bank representatives. For example, savings bank Sparkasse Vest Recklinghausen donated EUR 116.000 to 37 non-profit organizations in October 2021 (see Figure A1 in the Appendix). The mayor of city Dorsten, one of eight municipal owners, who is chair of the supervisory board at the time, attended the ceremonial handover along with the bank's chief

²Except in the three city-states Berlin, Bremen and Hamburg, where the mayor is not directly elected by the citizens but instead by parliament members. The same is true for the election of county commissioners in the states Baden-Wurttemberg and Schleswig-Holstein. Excluding respective observations from these states does not change our results.

executive. The event appeared in the online news outlet *Dorsten Online* with a photo featuring the mayor. Donation ceremonies like this oftentimes appear in the local press, representing a good opportunity for the mayor to attract positive publicity. Figure A1 in the Appendix shows three examples of such news articles.

2.4 Cooperative banks

In order to isolate the effect of political insiders on banks' charitable activities, we include cooperative banks as a control group in our analysis. They share significant commonalities with savings banks with respect to business model and operations but importantly, they are independent of political influence. The cooperative banking industry consists of the Cooperative Financial Network and represents the largest banking group in Germany by number of institutions, counting 812 at the end of 2020. While unlike savings banks, cooperative banks can have overlapping operating regions, they also operate very locally. They focus on providing banking services to a local clientele that mainly consists of private customers and small and medium-sized businesses. They are organized in the National Association of German Cooperative Banks and share a common central bank (DekaBank), which enables them to offer a full range of universal banking services despite their oftentimes small size.

Similar to savings banks, cooperative banks do not pursue profit maximization. Instead, they are obliged to serve their member-owners – i.e., clients who become members of the cooperative and purchase a share in the bank's equity. An annual general assembly allows memberowners to exercise their voting rights with respect to decisions on bank liquidation, mergers with other cooperative banks or amendments to the bank statute. Unlike their state-owned counterparts, cooperative banks have a governance system independent of political influence. The supervisory board consists of knowledgeable private persons with relevant expertise and is elected by the bank's member-owners. The considerable similarity between cooperative banks and savings banks in terms of business model, regionality and non-profit maximization makes them an obvious control group for our study. At the same time, the absence of political influence isolates them from the effect of electoral cycles that we seek to identify in savings banks.

With respect to charitable activities, cooperative banks engage in the local community in a similar manner as savings banks. They support civic projects and initiatives either directly or through in-house foundation. As Table 1 shows, however, foundations seem to play a relatively less important role for the cooperative banking industry than for the savings banks industry, comprising only 7.6% of the total money spent on charitable activities in 2019.

3 Theoretical background and hypothesis development

3.1 Related literature

CSR represents corporate activities and policies that help companies "integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders" (EU, 2011, p.6). CSR reporting thus constitutes the disclosure of information on how a company manages its social and environmental challenges, and it can be voluntary or mandatory. A number of factors determine companies' level of CSR activities. Prior literature found that, apart from meeting the demands by investors, consumers and employees, companies use CSR activities to respond to government pressure or the interests of individual politicians. Empirical evidence comes mostly from interventionist economies such as China (Lin et al., 2015), Russia (Zhao, 2012) and Sri Lanka (Beddewela and Fairbrass, 2016), where property rights are not fully protected and companies depend on politicians' benevolence for their success (Gautier and Pache, 2015). Democracies and liberal economies also provide conditions under which companies engage in politically motivated CSR. For example, companies may channel their donations in a way that benefits powerful politicians. In return, they receive political influence and lobbying power (Bertrand et al., 2020). In these settings, however, politicians are corporate outsiders with limited opportunity to influence companies' CSR activities.

One notable exception is a study by de Andres et al. (2022) that investigates the influence of political directors on Spanish savings banks' level of CSR activities. Spanish savings banks have certain similarities with German savings banks, being an important element of the Spanish financial system and having similar governance structure. The authors find a higher allocation of resources to CSR activities if there is a higher proportion of directors with political ties on the board. Additional tests indicate that this relation is more pronounced for directors with liberal ideology and regional identity. de Andres et al. (2022) explicitly focus on the heterogeneity in the savings banks' director characteristics and acknowledge that "real motivations that drive political directors to increase CSR remain unclear" (p. 28). We extend the study of de Andres et al. (2022) by exploring the specific incentives of political insiders to influence banks' CSR activities.

Prior evidence in the field of political economy science supports the notion that politicians receive personal benefits from sitting on banks' supervisory boards (Bertrand et al., 2018; Inoue, 2020; Alok and Ayyagari, 2020; Li et al., 2020; Sapienza, 2004; Dinc, 2005; Cole, 2009; Carvalho, 2014; Ru, 2018). Markgraf and Rosas (2019) provide direct empirical evidence that mayors with a seat on a savings banks supervisory board have higher chances of being re-elected than mayors without a board seat. We argue that CSR activities can be one way for politicians to benefit from their board seats. By associating themselves with banks' spending in their constituent's district and, in doing so, claim credit for banks' CSR activities, they can gain more electoral votes during the next election (Mayhew, 1974; Grimmer et al., 2012).

With our study, we also contribute to literature on insider-initiated CSR. Bénabou and Tirole (2010) describe three motives for companies to engage in CSR or corporate philanthropy³. First, 'win-win' philanthropy is characterized by the alignment of CSR activities with corporate performance. Also known as 'doing well by doing good', CSR activities under this perspective have a positive repercussion on firms' performance, mainly by taking a long-term perspective to profit maximization. Second, delegated philanthropy involves the sacrifice of money to further social goals on behalf of a company's stakeholders. In particular, stakeholders that want to further a social cause may delegate philanthropic activities to companies that they engage with, and forgo economic resources in return. Similar to 'win-win' philanthropy, delegated philanthropy is often in line with profit maximization because it meets stakeholder demands and contributes to a favorable corporate image. Third and related to our study, insider-initiated corporate philanthropy reflects management's or board members' personal desires to engage in philanthropic activities and often arises as a result of corporate governance frictions. It is not motivated by profit maximization or the desire to contribute to society and is largely criticized as spending other people's money (Friedman, 1970). Contrary to win-win and dele-

³Corporate philanthropy, or corporate charitable activity, is a voluntary component of CSR (Carroll, 1991) and represents an unconditional transfer of economic resources to another party. In the context of savings banks, charitable activities represent the main type of CSR activity. We therefore use the terms CSR, charitable activities and corporate philanthropy interchangeably.

gated philanthropy, insider-initiated philanthropy is typically associated with a deviation from wealth maximization. While prior studies mostly investigate politically motivated CSR in the context of a 'win-win' philanthropic situation, little empirical evidence exists on CSR as an insider-initiated activity. Our study fills this gap by focusing on corporate philanthropy as an insider-initiated activity that caters to the interests of self-motivated political insiders.

3.2 Hypotheses development

We draw from political and socio-political theories to develop hypotheses on the relation between political insiders and state-owned companies' CSR activities and reporting. Extant literature suggests that incumbent politicians use focused spending to gain support from their constituency. They direct projects and provide economic resources to their constituents' communities and receive electorate votes in return (Lazarus and Reilly, 2010). However, because many voters know little about federal spending or are not directly affected by the spending, they are often unable to attribute the spent money to the individual politician. As a result, politicians have to communicate their efforts and claim credit for the expenditure.

While legitimate in principle, several studies show that politicians are not always the actual allocator of the resources they claim credit for. For example, Cruz and Schneider (2017) find that politicians in the Philippines claim credit for development aid even when they have little or no influence on its actual allocation. It appears that politicians do not need to be the actual decision maker of expenditures in order to gain an electoral advantage. Instead, it is sufficient for them to merely be associated with the expenditure. While the political misuse of foreign aid is an extreme form of undeserved credit claiming and clearly unethical, more subtle forms of credit-claiming are common and widespread (Mayhew, 1974). While prior studies identified politicians' credit claiming of private companies' activities, we argue that they may leverage state-owned companies to do the same. Credit claiming for state-owned banks' charitable activities. First, state-owned companies' responsibility towards the public interest puts them under public scrutiny. This limits politicians' ability to control the flow of philanthropic resources and engage in unseemly credit claiming in the first place. Second,

as a response to public critique or as a precautionary measure, state-owned banks may introduce independent committees that manage the bank's philanthropic activities autonomously and prevent political influence. Third, in addition to mere credit claiming activities, politicians may seek to influence the amount of charitable donations, or the projects they are spent on. Since such insider-initiated philanthropic activities are mostly non-profit-maximizing (Bénabou and Tirole, 2010), banks have no economic incentives to engage in them. Ultimately, it is therefore an empirical question whether politicians associate with state-owned banks' charitable activities to gain a political advantage.

Charitable activities and the political cycle. We consider the timing of banks' CSR activities to isolate the effect of political insiders on banks' CSR activities. We rely on the notion that constituents tend to scrutinize incumbent politicians' activities more closely when an election is imminent. They are more attentive to politicians' election-year performance relative to their overall performance, underlying the so-called end bias in retrospective assessment (Achen and Bartels, 2004; Fair, 1978; Kramer, 1971; Huber et al., 2012). This helps explain extant empirical evidence documenting an electoral cycle in state-owned companies' behaviour. For example, Alok and Ayyagari (2020) document that state-owned companies announce more capital expenditure projects in election years than in non-election years, particularly projects that are more visible to voters. Several other studies find that state-owned banks ease their lending policies closer to an election (Sapienza, 2004; Dinc, 2005; Cole, 2009; Carvalho, 2014; Ru, 2018). German savings banks in particular were found to change their business decisions related to branch closure, lay-offs and merger activities, and adjust their lending policies in the run-up to an election (Vins, 2008; Englmaier and Stowasser, 2017). Based on this evidence, we argue that politicians may associate themselves with state-owned banks' CSR activities to a larger degree when an election is imminent⁴. Accordingly, our first hypothesis is formulated as follows:

H1: The level of politically associated charitable activities in savings banks is higher during election years than in other years.

Banks' CSR reporting and the political cycle. Next, we consider the association between

⁴An increase in politically associated charitable activities can be attributed to either a real increase in charitable activities by the savings bank, or an increase in political credit claiming for the existing charitable activities, or both. Note that we refer to politically associated charitable activities as encompassing all three possibilities.

the political cycle and savings banks' CSR reporting. Legitimacy theory of CSR argues that companies need to ensure they are perceived as legitimate, i.e., as operating within society's norms and expectations (Dowling and Pfeffer, 1975). Several empirical studies corroborate the idea that companies use CSR disclosure to signal their legitimacy (e.g., Deegan et al., 2000; Patten, 1992). CSR reporting thus constitutes a primary tool for corporate legitimization, and companies use it to disclose positive news about their social and environmental engagement. Connecting this rationale to the electoral cycle, we argue that banks tend to report more about their CSR activities during election years because they engage in higher CSR activities during these years. Results in line with this notion can also be evaluated as evidence that banks actually increase their CSR activities, rather than let politicians engage in mere credit claiming. In other words, if savings banks engaged in higher CSR activities during election years, we would expect them to report about it. If, on the other hand, savings banks did not actually engage in higher CSR activities during election years, but experienced mere political credit claiming for their existing CSR activities, we would not expect a higher level in CSR reporting during election years. Accordingly, we frame our second hypothesis as follows:

H2: The level of CSR reporting in savings banks is higher during election years than in other years.

The role of political contest. While the electoral cycle determines political pressure across time, other factors determine it in the cross-section. We first focus on political contest as a driver of politicians' vote-seeking behaviour. In politically contested regions, incumbent politicians have to exert more effort into being re-elected than in regions where they face little opposition. Along these lines, several studies find that companies respond to politicians' interests primarily if the election outcome is ambiguous. For example, Carvalho (2014) finds that Brazilian manufacturing firms eligible for government bank lending expand employment before elections only in regions with competitive elections. In a similar vein, Alok and Ayyagari (2020) find that state-owned companies in India are more inclined to announce capital expenditures in districts with a close election outcome. We therefore expect the increase in politically associated charitable activities by savings banks to be higher in politically contested regions. Our third hypothesis is thus stated as follows:

H3: The increase in politically associated charitable activities during election years is

stronger in politically contested regions.

The role of political orientation. Next to political contest, politicians' positioning on the political left and right spectrum may also determine the level of politically associated charitable activities. Political parties on the left side of the spectrum tend to support higher levels of public spending compared to parties on the right side of the spectrum. The attitude toward public spending is therefore used in public policy research as a distinguishing feature between left and right parties (Huber and Inglehart, 1995). Because it appeals more to voters that tend to vote for left-wing parties than to voters that tend to vote for right-wing parties, left-wing politicians competing for votes frame their programs accordingly, in order to serve their constituents' preferences (Cusack, 1997)⁵.

While corporate investments and philanthropy do not constitute public spending, they also improve constituents' lives and therefore serve similar purposes from a politician's perspective. For example, Alok and Ayyagari (2020) find that state-owned companies announce more capital expenditure projects before an election if the incumbent politician belongs to a left-wing party. Similarly, empirical evidence suggests that firms with Democratic or left-wing executives and directors as well as firms that operate in Democratic-leaning states score higher on CSR than their Republican or right-wing counterparts (de Andres et al., 2022; Di Giuli and Kostovetsky, 2014; Rubin, 2014). Accordingly, we argue that politically associated charitable activities are likely to be stronger under left-wing politicians because they appeal more to left-wing constituents. In line with these arguments, our fourth hypothesis is formulated as follows:

H4: The increase in politically associated charitable activities during election years is stronger under left-wing politicians.

Figure 3 shows a summary of the directional relations that underlie our hypotheses.

[Insert Figure 3 around here]

⁵We use the terms left-wing and right-wing to refer to any political positioning left or right of the center, including center-left (e.g., Social Democratic Party of Germany (SPD)) and center-right (e.g., Christian Democratic Union of Germany (CDU)). Our choice of wording is guided by prior literature that most often uses the terms left and right (e.g., Englmaier and Stowasser,2017; Markgraf and Rosas,2019; Alok and Ayyagari,2020). Other terminology that is used and reflects the same political spectrum is liberal and conservative (e.g., Chin et al.,2013).

4 Data and research design

4.1 Sample construction

Our dataset combines data from several sources. As summarized in Table 2 Panel A, the sample size of our treatment group (savings banks) is primarily determined by the availability of balance sheet and income statement data from Bureau van Dijk's BankFocus, and the coverage of banks' charitable activities through local newspapers. Since the availability of financial statement data was limited before 2012, our observation period covers the years 2012-2020. The number of savings banks during that period decreases from 423 in 2012 to 376 in 2020 due to merger activities, resulting in a full population of 3,602 bank-years for the treatment group. From this population, we drop 770 observations because there is no news coverage on these banks' charitable activities. We drop further 598 observations, mainly in the early years of our observation period, because their financial statement data is not available through BankFocus. This reduces our sample size to 2,234. Next, our analysis requires to backward fill electoral data in years when no election took place. In particular for the later years in our sample period, this means that no electoral data is available yet to backward fill the non-election years. This reduces our sample size by an additional 754 observations. Finally, we drop 26 singletons from our sample (i.e., banks with only one observation in our sample period), leaving us with 1,404 observations for the treatment group.

[Insert Table 2 around here]

We construct our control group by matching one cooperative bank to each savings bank based on location and size. Matching based on location is critical to ensure that both banks are exposed to the same electoral cycle and associated political pressure. We therefore only consider cooperative banks whose main office is located in the same city as the savings bank's main office. If no cooperative bank meets this condition, we also consider banks that operate branches in the same location or in close proximity thereof. If several cooperative banks qualify as a control subject for a given savings bank, we choose the bank that is most comparable in terms of total assets. Due to this matching procedure, multiple savings banks are occasionally matched to the same cooperative bank. To avoid duplicate values, we include each cooperative bank only once in our sample, resulting in an overall smaller control group. After dropping banks with missing financial statement data or news coverage, we end up with a sample of 716 observations for our control group. As Table 2 shows, the number of observations ranges from 16 in 2012 to 57 in 2020.

We also construct a sub-sample of savings banks to explore their level of CSR reporting during election years (H2). To that end, we include only banks that disclose a mandatory CSR report according to the European Non-Financial Reporting Directive (NFRD; Directive 2014/95/EU)⁶. Because the NFRD was applicable for financial years 2017 and later, our subsample covers the years 2017, 2018, 2019 and 2020. We exclude 1,022 out of 1,530 bank-year observations because they do not meet the size thresholds of the NFRD and do therefore not publish a mandatory CSR report. We exclude further 24 bank-year observations that are not under municipal trusteeship and 36 bank-year observations that are not within our full sample. This leaves us with a sub-sample of 448 savings bank-year observations to test H2. As detailed in Table 2 Panel B, the observations are almost evenly distributed across the years 2017-2020.

4.2 Data

To construct our dataset, we combine financial statement data, data on savings banks' supervisory board chairperson, data on municipal elections, local news data and macroeconomic data on municipality-level. We leverage several sources to collect the necessary data. First, we obtain financial statement data from Bureau van Dijk's BankFocus. It includes, e.g., banks' total assets, equity and profit before taxes. Next, we collect data on municipal elections. Because many savings banks operate across multiple municipalities, we first need to identify the municipality where each bank's supervisory board chairperson is politically active. To that end, we collect the chairpersons' names and occupations (e.g., county commissioner or mayor) from banks' annual reports, which are published on the website of the German Federal Gazette⁷. If there was a change in the chairperson holding office during the fiscal year (e.g., due to a statutory rotation or due to a change in political power), we collect the data for both chairpersons

⁶We limit our analysis to mandatory CSR reports because savings banks do not provide comprehensive CSR reports on a voluntary basis. Their CSR communication is focused on website postings and, to a limited degree, social media posts (Gulenko et al., 2022).

⁷https://www.bundesanzeiger.de

that held office in the given year⁸.

Using internet search, we then identify the specific municipality where the chairperson holds office or is otherwise politically or non-politically active, as well as the political party he or she is a member of. Having matched savings banks' chairpersons with their municipalities, we continue by collecting data on the elections held in these municipalities. This information can typically be found on the websites of the state statistical offices or on the websites of the municipalities themselves. In case of an election, we collect a wide range of data, including the date of the election, the number of people eligible to vote, the total number of voters, as well as the number of invalid votes. We also collect the names and party affiliations of all contestants, and the number of votes each of them received. If no contestant receives an absolute majority in the primary election, German regulation requires a run-off election to be held between the two contestants with the most votes, roughly two weeks after the primary election. In case of a run-off election, we collect the same set of information on the run-off election.

Fourth, to measure our dependent variable, we obtain data on news articles from local newspapers. We are careful to exclude national newspapers because they do not conform to the local nature of municipal election. Two sources fulfill our data requirements: Wiso Wirtschaftspraxis and Nexis Uni. They both contain news articles from local newspapers and, collectively, they cover approximately 200 local daily newspapers in Germany. Wiso Wirtschaftspraxis has a coverage of 135 newspapers and Nexis Uni has a coverage of 66 newspapers. After having defined the media outlets, our aim is to identify all news articles that cover banks' politically associated charitable activities. To that end, we search both databases for articles that contain three sets of keywords simultaneously:

- 1. "Spende" (donation)
- 2. AND "Bürgermeister" (mayor) OR "Landrat" (county commissioner)
- 3. AND bank name.

To ensure the largest possible coverage, we use, for the third set of keywords, the official name of the bank as well as common aliases and different name spellings. Table A1 in the Appendix contains four examples of news articles that we have identified during this search. Next, we extract available data from the news articles. This mainly includes the release date

⁸In case of a change, we consider the chairperson that holds office for the larger part of the year. That is, if the change took place during the first half of the year, we consider the latter chairperson; if it took place during the second half of the year, we consider the former chairperson.

of the article, the article title and length, as well as the name of the newspaper. Because Nexis Uni allows the bulk download of full-text articles, we collect the full texts of the articles identified through Nexis Uni. In total, we collect 20,449 news articles – 18,441 from Wiso Wirtschaftspraxis and 2,008 from Nexis Uni.

We complement our dataset with geographic and macroeconomic data to control for factors that might influence both the dependent and explanatory variables. Specifically, we collect data on the population and gross domestic product of the municipalities where the politicians hold office. This data is available through the Federal Statistical Office⁹. Table A2 in the Appendix contains detailed information on the data used. Finally, to test Hypothesis 2, we collect mandatory CSR reports for the sub-sample of savings banks that have to report under the NFRD since 2017. Most reports are published on the website of the German Federal Gazette, as part of the annual report or in a separate report. A minority of banks opts to publish their report on their website.

4.3 Research design

To test H1 on the influence of the electoral cycle on banks' politically associated charitable activities, we estimate the following panel OLS regression:

$$CSR_{-}fy_{it} = \alpha_{0} + \beta_{1}Election_{mt}SavingsBank_{i} + \beta_{2}Election_{mt} + \beta_{3}SavingsBank_{i} + \gamma X_{imt} + \delta S_{it} + \theta T_{t} + \rho I_{i} + \varepsilon_{imt}.$$
(1)

The dependent variable CSR_fy_{it} measures the coverage of politically associated charitable activities in local newspapers. It is calculated as the log-transformed sum of articles published in year t that cover bank i's charitable activities under the mention of a local politician. $SavingsBank_i$ is an indicator variable equal to one if bank i is a savings bank, and zero otherwise. $Election_{mt}$ is an indicator variable equal to one if an election took place during the last six months of year t or the first six months of year t + 1 in municipality m where bank i's supervisory board chairperson held office, and zero otherwise. We ascribe an election early in the year t+1 to the charitable activities of year t because a politician is likely to start campaigning for re-election in year t if an election will take place in the first half of of year t + 1. The

⁹https://www-genesis.destatis.de/genesis/online

coefficient of interest β_1 therefore measures the joint effect of $SavingsBank_i$ and $Election_{mt}$ – i.e., to what extent the electoral cycle influences the politically associated charitable activities of savings banks compared to those of cooperative banks.

 X_{imt} is a vector of bank and geographic variables that control for factors that may influence both the dependent variable and the variable of interest. It includes TA_{it} , $Equity_ratio_{it}$, ROA_{it} , $NO_expenses_{it}$, $Population_{mt}$, GDP_capita_{mt} and GDP_growth_{mt} . TA_{it} are the logtransformed total assets of bank i, averaged over years t and t-1, and control for the size of the bank. $Equity_ratio_{it}$ is calculated as the average equity over average assets and controls for bank leverage that can impact a bank's ability to engage in charitable activities. ROA_{it} is measured as the profit or loss before taxes over average total assets and controls for bank profitability for the same reason. $NO_{expenses_{it}}$ is measured as log-transformed non-operating expenses in year t and represents the income statement item that contains expenses from charitable activities. It is the best available proxy for the level of charitable activities. $GDP_{-}capita_{mt}$ is calculated as the log-transformed gross domestic product per capita in municipality m and $GDP_{-growth_{mt}}$ is the year-on-year growth of $GDP_{-capita_{mt}}$. Both control for the macroeconomic strength of the municipality that may determine banks' level of charitable activities. Lastly, $Population_{mt}$ is the log-transformed population size in municipality m and captures demographic differences between municipalities. In our most stringent specification of the model, we include state (S_{it}) , year (T_t) and bank (I_i) fixed effects¹⁰. Note that the fiscal year of our sample banks corresponds to the calendar year, so that our dependent variable is temporally aligned with the control variables. Variable definitions and data sources can be found in Table A2 in the Appendix.

To investigate the role of the electoral cycle in savings banks' CSR reporting (H2), we employ a sub-sample of savings banks that provide a mandatory CSR report under the NFRD¹¹. We then estimate the following OLS regression on this reporting sub-sample:

$$Reporting_{it} = \alpha_0 + \beta Election_{mt} + \gamma X_{imt} + \delta S_{it} + \theta T_t + \varepsilon_{imt}.$$
(2)

¹⁰Note that we include subscript t in state fixed effects because three banks located near a state border switch states during out sample period because they merge with another bank located across the state border.

¹¹We cannot, unfortunately, use a Diff-in-Diff research design comparable to the Model 1 because only ten cooperative banks from our sample are subject to the NFRD, resulting in a too small control group.

The dependent variable $Reporting_{it}$ measures the extent of CSR reporting by bank *i* for fiscal year *t*. It is measured either as the total number of words contained in the CSR report ($Reporting_total_{it}$), or the topic-specific number of words contained in the CSR report ($Reporting_total_{it}$), or the topic-specific number of words contained in the CSR report ($Reporting_environment_{it}$, $Reporting_social_{it}$, $Reporting_employee_{it}$, $Reporting_human$ $rights_{it}$, $Reporting_bribery_{it}$)¹². The variable of interest is $Election_{mt}$, such that the coefficient β measures the effect of the electoral cycle on banks' CSR reporting. To the control variables, we add the variable AR_words_{it} , measured as the total number of words contained in the annual report, which proxies for banks' general tendency to disclose more information. We include the same set of fixed effects as in Model 1.

Next, to assess the influence of political contest on the relationship between the electoral cycle and charitable activities (H3), we construct a new variable $Contested_{mt}$ and split our main sample along the median value of the variable. $Contested_{mt}$ measures the ratio of votes received by the first run-up contestant in the primary election and the votes received by the winner. It is calculated as the number of votes that the first run-up contestant received, divided by the number of votes that the winner received¹³ We then run the Model 1 regression on the two resulting sub-samples, with the full set of fixed effects.

Lastly, we want to explore the effect of political orientation on the relationship between the electoral cycle and charitable activities (H4). To that end, we define the variable $Chair_left_{it}$ as an indicator variable equal to one if the supervisory board chairperson of bank *i* is a member of the Social Democratic Party or the Left party for the larger part of year *t*, and zero otherwise¹⁴. We then split the sample into the group of observations where $Chair_left_{it}$ takes on the value of one and the group where $Chair_left_{it}$ takes on the value of zero. We again run the Model 1 regression on the two resulting sub-samples.

¹²The NFRD prescribes banks to disclosure non-financial information related to the environment, social matters, employee-related matters, respect for human rights, and anti-corruption and bribery. Because savings banks' reports are clearly structured around these five topics, we are readily able to determine the topic-specific amount of text in these reports (see also Gulenko et al., 2022).

¹³For example, if the winner and first run-up contestant received 48,033 and 14,776 votes, respectively, then $Contested_{mt}$ is calculated as 14,776/48,033 = 0.308. The larger the number, the more contested the election.

¹⁴Our results do not change if we include members of the party Bündnis 90/Die Grünne (the Greens) into our *Chair_left* specification.

5 Descriptive overview and parallel trends

5.1 Descriptive overview

To better understand the political landscape of savings banks, we visualize data on the supervisory board chair and municipal elections. Figure 4 shows the occupation of savings bank' supervisory board chairpersons. The left chart shows the distribution of bank-year observations in non-election years and the right chart shows the distribution in election years, for savings banks only. Among all 1,404 bank-year observations, 47.4% of chairpersons are county commissioners and 40.8% are mayors. Some chairpersons (3.8% in total) have a political or administrative occupation distinct from county commissioner or mayor, e.g., district councilor or member of state parliament. Lastly, 8.0% of bank-year observations have a chairperson whose primary occupation is non-political, e.g., directors of small and medium-sized companies or tax consultants. Note that, although the latter have full-time occupations outside of political or administrative offices, they are oftentimes still engaged in local politics or pertain to a political party. The distribution of occupations is similar in election years and non-election years.

[Insert Figure 4 around here]

Figure 5 shows the frequency of chairperson changes during our sample period. Unsurprisingly, changes happen more often during election years (50.5%) than during non-election years (19.9%). The data seem to suggest that approximately half of the elections result in a political power change. Changes during non-election years typically happen due to a statutory requirement by banks that operate in multiple large municipalities or that have a history of merger activities. In such cases, banks' statutes dictate a periodic (every one to four years) rotation of supervisory board members to ensure a fair distribution of decision rights among all municipal trustees. Figure 5 suggests that approximately one in six observations experience such a change in chairpersons during the year.

[Insert Figure 5 around here]

Next, Figure 6 shows the party membership of savings banks' supervisory board chairpersons. The relative distribution in non-election years (left chart) is similar to the distribution in election years (right chart). 54.8% of chairpersons are a member of either the CDU (Christian Democratic Union of Germany) or the CSU (Christian Social Union of Bavaria) - the centerright Christian democratic parties of Germany, and 30.3% are a member of the SPD (Social Democratic Party of Germany), the center-left social democratic party of Germany. Interestingly, the third-largest party affiliation pertains to the Freie Wähler (Free Voters), which are local associations participating in municipal politics without having the status of a registered political party. Other major parties such as Die Linke, (the Left), Bündnis 90/Die Grünen (the Greens) or the FDP (Free Democratic Party) seem to play a minor role in municipal politics. However, a large portion of supervisory board chairpersons (6.1%) are not members of any political party despite being politically active (i.e., independent). Lastly, we could not identify any party affiliation or political occupation for a small portion of supervisory board chairpersons (1.0%) and conclude that they are not politically active.

[Insert Figure 6 around here]

We present detailed summary statistics on municipal elections in Table 3. The upper part of the table shows primary elections and the lower part of the table shows run-off elections, separately for savings banks (left-hand side of the table) and cooperative banks (right-hand side of the table). Note that we only include the 546 bank-year observations that are exposed to an election, thereof 364 pertaining to savings banks and 182 to cooperative banks. For savings banks, the mean number of eligible voters during primary elections is 132,755, slightly higher than for cooperative banks (mean=127,784), and ranges form as little as 2,849 to as high as 1,110,571. The electoral participation is close to 50% for both savings and cooperative banks in the primary election and ranges between 20.7% and 74.9%. Out of the votes that are cast, 1.6% are on average invalid. With respect to the contestants, Table 3 shows that an average of 4.5 contenders (3.5+1) stand for election. The winner in savings banks' (cooperative banks') municipalities receives an average of 55.0% (54.7%) of the votes, which is also close to the median. This suggests that in most cases, the outcome of the primary election does not require a run-off election because the winner receives an absolute majority of the votes. Table 3 also shows that the winner is most likely to be a member of the CDU/CSU, followed by the SPD. The relative party affiliation of the winner approximately resembles the overall party affiliation of the chairpersons (Figure 6). The contestant that receives the second-largest share of the votes (i.e., run-up contestant) receives an average of 26.1% (21.4% for cooperative banks). 38.5% (38.5% for cooperative banks) of the elections result in a run-off election because no contestant received an absolute majority. The lower part of the table shows that run-off elections are more likely to happen in larger municipalities, as indicated by the higher number of eligible voters (170,153 for savings banks and 161,525 for cooperative banks). However, electoral participation is 7.5% (9.0% for cooperative banks) percentage points lower than in the primary election. The winner is less likely to be a member of the CDU/CSU and more likely to be a member of the SPD compared to the primary election. On average, the winner wins by a margin of 17.9 percentage points (18.9 percentage points for cooperative banks)¹⁵.

[Insert Table 3 around here]

Table 4 Panel A presents descriptive statistics for the variables used in the regression analysis for the full sample of 2,120 bank-year observations. We log-transform the variables CSR_fy , TA, *population* and *GDP_capita* in order to normalize their distributions. To eliminate the effect of outliers and preserve our sample size, we further winsorize all continuous variables at the 1st and 99th percentile. Table 4 Panel B presents the same descriptive statistics for savings banks and cooperative banks separately, along with the t-statistics and χ^2 for the null hypothesis that there is no difference between the means. The dependent variable CSR_fy in Panel B shows that an average of 3.6 articles¹⁶ are published yearly on savings banks' charitable activities, 1.4 articles more than for cooperative banks. More than 25% of our bank-year observations do not have a single article published in the given year. 17.9% (21.4%) of bank-year observations that are savings banks (cooperative banks) experience a municipal election in the given year. Savings banks have an average of EUR 2.4 bn in total assets, and are almost twice as large as cooperative banks (EUR 1.3 bn). They also exhibit a higher equity-to-assets ratio than cooperative banks (9.3% versus 8.7\%), but operate slightly less profitably in terms of return on assets (0.4%)versus 0.5%). Savings banks report exceptionally little non-operating expenses compared to cooperative banks (EUR 1,890 versus EUR 2,824,000), which points to fundamentally different GAAP choices when it comes to non-operating expenses. Macroeconomic and election data

¹⁵In rare cases, municipal electoral regulations require the run-off election to be held between all contestants (so-called plurality rule), rather than between the leading two contestants (also known as majority rule). In such cases, a simple majority is sufficient to win the run-off election. That is why the winner votes and the run-up contestant votes in the run-off election do not add up to one hundred.

 $^{{}^{16}}CSR_{-}fy$ is measured on a log scale and reported accordingly in Table 4. The exponential value is calculated as $e^{1.275} = 3.579$. For better readability, we henceforth report the exponential values in the text.

is not significantly different between savings and cooperative banks, which is a result of our matching procedure.

[Insert Table 4 around here]

Table 5 shows Pearson's correlation coefficients between the variables included in our regression model. Most of the coefficients between the independent variables are not statistically significant. Among the statistically significant coefficients, most are well below 30%. However, three correlations stand out. First, banks operating in more populated areas and areas with a higher GDP per capita are larger in terms of total assets. Moreover, areas with higher GDP per capita have a higher year-on-year growth in GDP per capita¹⁷.

[Insert Table 5 around here]

Lastly, Table 6 shows descriptive statistics of reporting practices for the sub-sample of 448 savings bank-year observations that provide a mandatory CSR report in any of the years 2017, 2018, 2019 or 2020. *Reporting_total* shows that the average mandatory CSR report contains 10,229 words and ranges between 4,381 and 20,661 words. Moreover, out of the five topics mandated by the NFRD (i.e., environment, social, employee, human rights and anti-corruption and bribery), most space is dedicated to the employee section (1,828 words), followed by the environmental section (1,498 words). Least space is dedicated to human rights (397 words). Further, Table 6 shows that the annual report is on average 20,764 words long and that mandatory reporters are, as expected, larger than the full sample of savings banks and operate in more populated regions.

5.2 Parallel trends assumption

Our research design heavily relies on the assumption that the counterfactual trend behaviour of treatment and control groups are the same, i.e., the parallel trends assumption (Angrist and Pischke, 2009). In other words, we assume that CSR_fy would have followed the same trend for savings banks (treatment group) and for cooperative banks (control group) throughout the

 $^{^{17}}$ In a sensitivity test, we exclude GDP_capita to remove some of the correlation among the explanatory variables. Our results remain unchanged.

observation period, had elections not taken place. In order to gauge the validity of this assumption, we assess whether CSR_fy follows the same trend for savings banks and for cooperative banks in non-election years.

To do so, we present a visual test of the parallel trends assumption in Figure 7. It shows the average level of politically associated charitable activities for three years before and after an election. To eliminate imbalance in the data, we use a sub-sample of banks with available data during the six years around an election. This balanced sample consists of 38 savings banks (upper line) and 19 cooperative banks (lower line), for a total of 399 bank-year observations. Visual inspection shows that the difference in CSR_fy between savings and cooperative banks is relatively stable through the three years before an election. The difference then experiences a temporary expansion in the election year, which again diminishes in the year after the election. Throughout the three years after the election, the difference between treatment and control group again remains relatively stable.

[Insert Figure 7 around here]

To further scrutinize the result of the visual inspection, we implement a more formal test of parallel trends. To do so, we run a fixed effects regression which resembles Model 1 but includes interaction terms that depict the differences in CSR_fy between savings banks and cooperative banks, for the years around an election. The model is specified as follows:

$$CSR_{-}fy_{it} = \alpha_{0} + \beta_{-2}D_{-2it} + \beta_{-1}D_{-1it} + \beta_{0}D_{0it} + \beta_{1}D_{1it} + \beta_{2}D_{2it} + \beta_{3}D_{3it} + \gamma X_{imt} + \delta S_{it} + \theta T_{t} + \rho I_{i} + \varepsilon_{imts}.$$
(3)

 D_{it} are interaction terms operationalized as $Year_to_election_t \times SavingsBank_i$, where $Year_to$ _election is an indicator variable for the three years before and after an election, respectively¹⁸ We omit the interaction term for year t-3 to avoid the dummy variable trap. T-3 therefore represents the baseline, relative to which the other coefficients should be interpreted. Further, we include the same set of control variables and fixed effects as in Model 1.

Figure 8 visually presents the results of Model 3. It shows the coefficients for the interaction terms, i.e., β_{-2} , β_{-1} , β_0 , β_1 , β_2 and β_3 (dots), along with the 95% confidence interval (vertical

¹⁸For example, β_2 is the coefficient on the interaction term $Year_to_election_2 \times SavingsBank_i$, which is switched on for savings banks during the second year after an election.

lines). The plot shows that the difference in CSR_fy between savings banks and cooperative banks in year t - 2 is not statistically different from the difference in CSR_fy in year t - 3(baseline). The same is true for years t-1, t+1, t+2 and t+3. Much like the visual inspection, the formal test thus supports our assumption of parallel trends¹⁹.

[Insert Figure 8 around here]

6 Empirical results

6.1 Charitable activities and the political cycle

Table 7 presents the results for the first hypothesis on the impact of the electoral cycle on banks' charitable activities. The dependent variable CSR_fy is our proxy for politically associated charitable activities. To explore the effect of the variable of interest separately, column 1 shows a model that includes only the interaction term $Election \times SavingsBank$ and the two interacted variables. Because the dependent variable is measured on the logarithmic scale, the coefficient can approximately be interpreted as a percentage change. The coefficient on the interaction term is positive and statistically significant at the 1% level, suggesting that savings banks exhibit 22.9% higher politically associated charitable activities during election years compared to cooperative banks²⁰.

The magnitude of the coefficient on $Election \times SavingsBank$ is stable after adding the control variables in column 2. While not all control variable coefficients are statistically significant, they mostly show the expected signs. For example, TA has a large positive association with CSR_fy , indicating that larger banks engage in higher levels of politically associated charitable activities. Moreover, banks with a higher equity-to-assets ratio and a higher return on assets have more politically associated charitable activities, albeit statistically not significant. The coefficient of $NO_expenses$ is positive and weakly significant. Because charitable activities are expensed as part of the non-operating expenses, we would expect the association

 $^{^{19}}$ Note that, even in the election year, the confidence interval crosses zero and the null hypothesis is not rejected – albeit the coefficient being further away from zero than in any other year. This result may be explained by the small sample size of 399 observations, which we obtain after balancing our sample for the parallel trends test.

²⁰The approximation represents a prudent estimate of the actual effect. In the given example, the true effect is 25.73% and can be calculated as $(e^{0.229} - 1) * 100 = 25.73\%$. For better comprehension, we use the approximation throughout the paper.

between $NO_expenses$ and CSR_fy to be positive. Lastly, column 2 suggests that GDP_capita is negatively and statistically significantly associated with CSR_fy , whereas GDP_growth is positively associated with CSR_fy . We gradually add fixed effects to the model in columns 3-6, with the most stringent specification in column 6 including state, year and bank fixed effects. The adjusted R^2 in columns 2 and 4 are similar, suggesting that year fixed effects add little explanatory power to the model. State fixed effects on the other hand increase the R^2 by 5.5 percentage points, suggesting strong geographical trends in CSR_fy . Across all model specifications, the coefficients of interest exhibit the same direction and statistical significance. Extending the finding of de Andres et al. (2022) of a positive association between CSR resource allocation and the proportion of political directors on savings banks' boards, our results indicate that savings banks engage in 15.2%-22.9% higher politically associated charitable activities during election years than during non-election years compared to cooperative banks.

[Insert Table 7 around here]

6.2 Banks' CSR reporting and the political cycle

Table 8 shows the results for Hypothesis 2 that the level of CSR reporting in savings banks is higher during election years than other years. The reporting sub-sample consists of all savings banks subject to mandatory reporting under the NFRD in the years 2017, 2018, 2019 and 2020. Columns 1-6 show *Reporting_total* as the dependent variable, measured as the log-transformed total number of words in the CSR report. The coefficient on *Election* is insignificant after adding control variables and fixed effects. It is interesting to note that the control variable AR_words is not significantly correlated with *Reporting_total*. *TA* is, as expected, positively correlated with *Reporting_total*. However, after adding all three sets of fixed effects, the coefficient turns insignificant – as does the coefficient on the other control variables. It is therefore important to note that our panel covers only four post-mandate years, and adding bank fixed effects alongside state and year fixed effects results in too few observations per group to estimate the model coefficients reliably.

Next, we examine the extent of reporting on the five topics which are specified in the NFRD — environment, social, employee-related, human rights and anti-corruption and bribery. Table 8) shows that social-related reporting tends to be longer during election years, as the coefficient on *Reporting_social* is positive in all and statistically significant in two out the six model specifications (columns 7-12). Column 8 in Table 8 shows that reporting on social matters is 17.1% higher during election years than non-election years. The effect remains stable after adding year fixed effects, but turns non-significant after adding state or bank fixed effects. Again, remember that the coefficients with bank fixed effects cannot be estimated reliably on such a short panel.

In sum, it is interesting to note that the overall length of CSR reports is not significantly longer during election years than non-election years. The same is true for the sections that cover employee-related, environmental, human rights and anti-corruption and bribery matters. The latter even tends to be shorter during election years. The notable exception is the section on social matters, which is 11.9-20.2% longer during election years compared to non-election years. It is this exact section that covers philanthropic activities and contributions to society, which are covered by local newspapers and may be associated with local politicians — i.e., politically associated CSR. Importantly, this presents tentative evidence in line with an increase in banks' real CSR activities, as opposed to mere political credit claiming during election years.

[Insert Table 8 around here]

6.3 The role of political contest and orientation

Next, Table 9 explores variation in political contest (H2) and political orientation (H3) as drivers of banks' charitable activities prior to an election. Column 1 presents the baseline results from Model 1, and all model specifications in the table include the full set of control variables and fixed effects.

[Insert Table 9 around here]

Columns 2 and 3 present the results for H3 on the role of political contest. The sample is split on the median of *Contested*, which is measured as the vote difference between the winner and the run-up contestant in the primary election. It ranges between -100 and 0, with higher levels of *Contested* associated with higher political contest. The regression coefficient on *Election* in column 2 suggests that, for the sub-sample of highly contested regions, savings banks engage in 18.1% higher politically associated CSR during election years compared to cooperative banks. The coefficient is higher than in the baseline model but slightly less significant. For the subsample of less contested regions, the coefficient on *Election* is lower and not significant. The results, therefore, support our hypothesis that the electoral cycle has a stronger association with savings banks' CSR activities when political contest is high.

Columns 4 and 5 show the results for H4 on the role of political orientation. The sample is split into those banks that operate under a left-wing politician (column 4) and those that operate under a right-wing politician (column 5)²¹. In line with our expectations, the results show that savings banks under a left-wing politician engage in 39.5% higher politically associated CSR in election years compared to cooperative banks. Banks operating under a right-wing politician do not engage in higher CSR during election years, as the coefficient on *Election* is small and not significant. Supporting the results of de Andres et al. (2022), we document that political orientation is a strong driver of banks' engagement in politically associated CSR.

In sum, the results suggest that savings banks engage in higher politically associated CSR during election years compared to their non-political competitors. This effect is concentrated among banks whose politicians experience intense political contest in the region, and banks that operate under left-wing politicians. Moreover, savings banks provide more information on their CSR activities in election years than in non-election years, specifically on their social and community engagement.

7 Additional and robustness tests

7.1 Performance implications of politically motivated CSR

The evidence on the performance implications of CSR in general is mixed (Orlitzky et al., 2003). Insider-initiated CSR is, however, generally considered to have a negative impact on firm profitability because it deviates from the optimal, firm value maximizing level of CSR activities. We explore in this additional test whether savings banks' financial performance is different from cooperative banks' financial performance during and around election years. Table 10 shows the results, where ROA_m1 , ROA, ROA_p1 and ROA_p2 are the return on assets in

 $^{^{21}}$ Some politicians in column 5 are not right-wing. They can be non-political or belong to a party that is not easily classified into left or right (see Figure 6). However, the majority of politicians in column 5 belong to the CDU/CSU, Grüne or FDP, and can thus be categorized as right-wing.

year t - 1, t, t + 1 and t + 2, respectively. ROA_m1 is higher by 0.023 percentage points for savings banks if an election follows in year t, and the effect is concentrated among banks that engage in a high level of CSR activities (coefficient = 0.034). This effect translates into a 5-10% higher ROA, given that the mean ROA of savings banks is 0.392%. As Table 10 suggests, there seems to be no influence of insider-initiated CSR on post-election year performance.

[Insert Table 10 around here]

Collectively, these results can be interpreted as more financially potent savings banks engaging in higher CSR activities during election years. Moreover, the lack of significant results for the relationship between the electoral cycle and ROA in years t + 1 and t + 2 shows no performance implications of politically motivated CSR along the lines of Bénabou and Tirole (2010). While this may seem surprising, it is in line with savings banks' public mandate, which allows them not to operate under profit maximization. In other words, if savings banks do not maximize their profits during non-election years, any deviation during election years is more difficult to detect.

7.2 Placebo test

To probe whether our results indeed point to the influence of political insiders and are not the result of a spurious statistical relationship, we perform a placebo test in which we run all of the models on cooperative banks only. Because cooperative banks do not have political ties, we would not expect them to increase their CSR activities during election years. The results in Panel A of Table A5 in the Appendix show that cooperative banks have a lower level of CSR activities during election years than other years. The adjusted R^2 is five to ten percentage points lower than for the full sample – suggesting a lower goodness-of-fit of the model when only cooperative banks are included. Similar results are presented in Panel B, where the two sample splits show that the lower CSR activities are concentrated among less contested regions and for cooperative banks who were matched to a savings bank with a left chair. Again, the R^2 is lower than for the full sample. While the results are not very interpretable, they show that cooperative banks do not experience a similar increase in CSR activities during election years as do savings banks – supporting the notion that our findings result from savings banks being influenced by political insiders.

7.3 Other robustness tests

We perform several other robustness tests to further gauge the validity of our results, as presented in Tables A6, A7 and A8 in the Appendix. Specifically, we perform four different variations of the main models. In the first variation, we include association fixed effects to control for the variation in CSR activities that is determined by regional savings banks associations. Each bank is member of a regional association that may issue recommendations related to, e.g., marketing or communication²², which may influence the level of banks' CSR activities and reporting. Panel A of Tables A6, A7 and A8 in the Appendix show that the results remain virtually unchanged. Since seven out of twelve associations are congruent with state borders, we exclude state fixed effects when including association fixed effects.

In the second variation to the baseline model specifications, we use a pooled OLS regression design instead of a panel OLS regression. Given the panel nature of our data, the choice for a panel OLS design was natural, and we present a pooled OLS regression model as a robustness to compare the main results against. Again, as shown in Panel B of Tables A6, A7 and A8, the results are similar to the main results – both in terms of the size of the effect and its statistical significance.

The third variation to the baseline model relates to the clustering of standard errors. Since our data has a panel structure, the standard errors may be correlated within clusters of entities, i.e., banks, and years. The entity effect is likely to be larger in our data, since the dependent variables are more determined by bank-specific characteristics than year-to-year variation. We therefore opt to cluster the standard errors in our main model by bank and include year dummies to parametrically estimate the time dimension (Petersen, 2009). As a robustness test, we present results of a model where standard errors are clustered by year (Panel C of Tables A6, A7 and A8). The results have a similar economic magnitude as the baseline results, but have an overall lower statistical significance because the estimated standard errors are significantly higher. Overall, these results can be viewed as possibly overly conservative estimates of the true effect. In the fourth variation to the baseline model, we exclude banks whose chairperson could not be linked to any political party. These chairpersons presumably have little or no political motives and therefore should not drive banks' CSR activities in election years. Since

 $^{^{22} \}rm https://www.dsgv.de/sparkassen-finanzgruppe/organisation/verbaende.html$

our reporting sub-sample (Hypothesis 2) does not include any of these observations, we perform this robustness test only for Hypotheses 1, 3 and 4. Excluding these observations leaves the results virtually unchanged, as documented in Panel D of Tables A6 and A8.

The last robustness test that we perform relates to the specification of the main variable *Contested* for Hypothesis 4. Specifically, we use a new variable *Competitors* instead of *Contested* to split our sample into highly contested regions and less contested regions. *Competitors* is measured as the log-transformed total number of competitors in the primary election (excluding the winner), and represents the level of competition that the winner faces in the primary election. As Table A9 shows, the results are similar to the baseline model. The coefficient is slightly lower (0.171 instead of 0.181) and slightly more significant. Overall, these results provide confidence that the results of our main tests are not spuriously sensitive to the specification of the variable *Contested*.

8 Conclusion

This study examines whether political insiders drive state-owned banks' CSR activities. While CSR research suggests that corporate insiders drive companies' CSR activities to increase their own benefit, little empirical evidence exists on this, and little is known on insiders' specific incentives to do so. We use the setting of German savings banks to investigate whether corporate political insiders drive the level and timing of banks' CSR activities because it may benefit them politically. Savings banks provide an excellent setting to investigate the influence of self-motivated political insiders on CSR activities because incumbent mayors and county commissioners chair the banks' supervisory boards. They are incentivized to claim credit for banks' CSR activities in order to attract electoral votes during the next election. To isolate the effect of political incentives on banks' CSR activities, we implement a difference-in-differences analysis with cooperative banks as a control group. Cooperative banks provide an obvious control group because they share many similarities with savings banks in terms of business model, clientele and non profit-maximization, but they are isolated from political influence.

We focus on charitable activities as the main CSR activity of savings banks. Our proxy for the level of politically associated CSR uses local news articles on banks' charitable activities under the mention of the incumbent mayor or county commissioner. Our findings indicate that political insiders drive the level and timing of politically associated charitable activities by savings banks. In particular, the presence of political insiders is associated with approximately 15-23% higher politically associated charitable activities during election years. Moreover, we find that political contest and political orientation mediate the relationship between the electoral cycle and banks' CSR. Banks operating in regions with higher political contest, and banks operating under left-wing politicians exhibit a stronger effect of the electoral cycle on their CSR activities. Lastly, we find that savings banks provide more information on their social and community engagement in their CSR reports during election years. This is in line with the notion that savings banks indeed increase their real CSR activities during election years, as opposed to letting politicians engage in mere credit claiming. Moreover, the evidence suggests that banks have incentives to communicate an increase in CSR activities through their CSR reports – which is in line with legitimacy theory of CSR reporting.

Overall, our results suggest that state-owned banks' CSR activities are determined by political insiders and their incentives to attract electoral votes. Our study is among the first to identify corporate insiders' influence on CSR activities and their specific incentives to do so. With that, our study contributes to literature on political credit-claiming, politically motivated CSR and literature on corporate insiders' influence on CSR activities.

Our study has some limitations that should be considered. First, because banks do not disclose the euro amount of their donations, we rely on the rather crude measure of non-operating expenses to control for the level of charitable activities. Because we cannot accurately control for changes in the level of banks' charitable activities, we are not able to fully distinguish between politicians' impact on banks' real CSR activities and mere political credit claiming. Our results may therefore capture both increases in banks' real CSR activities as well as increases in the amount of political credit claiming. The observed increase in CSR reporting, however, provides tentative evidence in line with an increase in actual CSR activities. Second, due to the unavailability of full-text news articles in one of the used databases, we are not able to explore the content of the news articles and identify more granular changes in the articles around elections, such as the euro amount of donations or the specific projects that receive donations.

Lastly, prior research proposed that insider-initiated CSR is different from other types of CSR activities in that it has a negative impact on firm profitability (Bénabou and Tirole, 2010).

The question whether CSR activities initiated by political insiders have an effect on long-term firm value remains unanswered in our study due to the inherent difficulty of isolating the effect in our setting. We leave it to future researchers to explore in more detail the consequences of insider-initiated CSR on firm value. Besides addressing the above limitations, we encourage future research to explore other channels of insider-initiated CSR activities and the consequences thereof. These insights might shed more light on the oftentimes conflicting findings on the complex relation between CSR and firm performance (Orlitzky et al., 2003).

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Appendix

Finanzspritze in schweren Zeiten: Die Spende der Sparkasse Hochrhein greift den von Corona gebeutelten Vereine unter die Arme

Sparkasse Hochrhein unterstützt die Vereine der Gemeinde Klettgau mit einer Spende in Höhe von 20.588 Euro.



Sparkasse Landshut Institutionen aus der Region durften sich über Spenden freuen



Figure A1: Ceremonial donation handovers covered by local news outlets.

Note: This figure shows three articles from local news outlets covering ceremonial donation handovers by savings banks. Sources: Upper – Badische Zeitung (published October 22, 2021), lower left – Idowa/Landshuter Zeitung (published December 4, 2020) and lower right – Weilburger Tageblatt (published April 23, 2020).

Source: Title: Date: Body:	Frankfurter Rundschau Sparkasse fördert Vereine November 11, 2019 Als Wertschätzung für ihr ehrenamtliches Engagement haben am Freitag 101 Vereine aus dem Main-Taunus-Kreis Spenden in Höhe von insgesamt 150 000 Euro aus dem Fördertopf der Taunus Sparkasse erhalten. "Ohne Ihre wichtige Arbeit würde unsere Gesellschaft nicht funktionieren", sagte Landrat Michael Cyriax (CDU), stellvertretender Verwaltungsratsvorsitzender der Taunus Sparkasse , bei der Übergabe im Landratsamt . Oliver Klink, Vorstandsvorsitzender der Taunus Sparkasse , dankte den mehr als 300 Vertretern aus den Vereinen dafür, dass sie "den Main-Taunus- Kreis so besonders machen" und dort helfen, wo Hilfe gebraucht werde und Menschen miteinander verbinden.
Source: Title: Date: Body:	Kölner Stadt-Anzeiger Der alte Dorfteich ist wieder da September 21, 2015 Jahrelang lag der alte Dorfteich vor Haus Torley in Gummersbach-Bernberg trocken, war nur eine grasbewachsene Mulde. Jetzt gibt es ihn wieder, dank des Engagements der Hausbesitzerge- meinschaft, des Gartenbau- und Dorfgemeinschaftsvereins Dümmlinghausen, Bernberg und Hes- selbach, dank vielen ehrenamtlichen Helfern - und dank der 5000-Euro- Spende der Sparkassen- und Bürgerstiftung Gummersbach, die Frank Grebe, Vorstandsvorsitzender der Sparkasse Gummersbach-Bergneustadt (4.v.l.), und Bürgermeister Frank Helmenstein (M.) als die Kuratoriumsvorsitzenden der Stiftung jetzt übergaben. ()
Source: Title: Date: Body:	Rundschau für den Schwäbischen Wald Spende für Sicherheit von Jugendlichen January 31, 2020 Die Kreissparkasse Ostalb spendet 5000 Euro an die Verkehrssicherheitsaktiven "fiftyFifty- Taxi". Jugendliche bis 25 Jahre werden damit an Wochenenden im Ostalbkreis vergünstigt nach Hause gefahren. Andreas Götz (Sparkasse) mit Michaela Conrad (Landratsamt) und Landrat Klaus Pavel bei der Übergabe.
Source: Title: Date: Body:	Hallertauer Zeitung Spende für Sportplatzbau Janaury 19, 2016 Pfeffenhausen. Geschäftsstellenleiter Werner Leopold (rechts) überreichte im Beisein von Bürgermeister , Karl Scharf an den Vorsitzenden des SV Hornbach, Quirin Zirngibl (Mitte), eine Spende der Sparkasse Landshut in Höhe von 5000 Euro. Bisher wurden der Spielbetrieb und auch das Training auf einem Spielfeld durchgeführt. Mit dem geplanten Bau eines Train- ingsplatzes erhofft sich der Verein die Entlastung des bisherigen Hauptspielfeldes und zusätzliche

freute sich Zirngibl über die **Spende** und dankte der Sparkasse für die großzügige Unterstützung. **Note:** The table presents four exemplary articles identified using the three search terms (1) "Spende" (donation), AND (2) "Bürgermeister" (mayor) OR "Landrat" (county commissioner), AND (3) bank name. bank name includes the official bank name for each sample bank, as well as common aliases and different name spellings. The search terms are printed in bold. Articles 1 and 2 are extracted from Nexis Uni and articles 3 and 4 from Wiso Wirtschaftspraxis.

Trainingsmöglichkeiten. Baubeginn soll im März sein. Für die Errichtung des neuen Spielfeldes sind Gesamtkosten in Höhe von 115000 Euro veranschlagt. In Anbetracht der hohen Investition

Variable name	Unit	Variable definition	Data source
Dependent varial	bles		
CSR_fy_{it}	ln	$\ln(1+\text{number of newspaper articles published in year } t$ that cover bank <i>i</i> 's charitable givings and local politicians)	Wiso, Nexis Uni
$Reporting_{it}$	ln	ln(1+number of (topic-specific) words contained in the CSR report of bank i in year t)	Banks' mandato- ry CSR reports
Explanatory vari	ables		
$Election_{mt}$	0/1	Indicator variable = 1 if an election took place during the last six months of year t or first six months of year t + 1 in municipality m where bank i 's supervisory board chairperson held office, and zero otherwise	SSO, municipa- lity websites
$SavingsBank_i$	0/1	Indicator variable = 1 if bank i is a savings bank, and 0 otherwise	SSO, municipa- lity websites
$Contested_{mt}$	%	Votes of 1st run-up contestant in primary municipal election / Votes of the winner, in municipality m in year t	SSO, municipa- lity websites
$Chair_left_{it}$	0/1	Indicator variable = 1 if the supervisory board chair- person of bank i is a member of the Social Democratic Party or the Left party for the larger part of year t , and 0 otherwise	Various websites
Control variables	5		
AR_words_{it}	ln	ln(number of words contained in the annual report of bank i in year t)	Banks'annual financial reports
TA_{it}	ln	$\ln(1+\text{average total assets of bank } i \text{ in year } t)$ = $\ln(1+(\text{total assets of bank } i \text{ in year } t + \text{total assets of bank } i \text{ in year } t - 1) / 2)$	BankFocus
$Equity_ratio_{it}$	%	Average equity over average total assets of bank i in year $t \cdot 100$	BankFocus
ROA_{it}	%	Profit/loss before tax over average total assets of bank i in year $t\cdot100$	BankFocus
$NO_expenses_{it}$	ln	$\ln(1+\text{non-operating expenses of bank } i \text{ in year } t)$	BankFocus
$Population_{mt}$	ln	$\ln(1+\text{population of municipality } m \text{ in year } t \text{ where}$ bank <i>i</i> 's supervisory board chair holds office)	FSO table 12411-01-01-5
GDP_capita_{mt}	ln	$\ln(1+\text{GDP per capita of municipality } m$ in year t where bank <i>i</i> 's supervisory board chair holds office)	FSO table 82111-01-05-4
GDP_growth_{mt}	%	Year-on-year growth rate in GDP per capita of munic- ipality m in year t where bank i 's supervisory board chair holds office \cdot 100	FSO table 82111-01-05-4

Table A2: Variable definitions

Note: The table lists and defines the dependent, explanatory and control variables used in the empirical analysis. The abbreviations SSO and FSP denote State Statistical Offices and Federal Statistical Office, respectively.

Table A3: Reporting on CSR topics other than social issues under the influence of the electoral cycle

	(1)	(2)	(3)	(4)	(5)	(6)
Dependent variable		Pa	nel A: Rep	orting_emplo	oyees	
Election	0.031	0.026	0.019	0.022	-0.002	-0.028
	(0.065)	(0.059)	(0.058)	-0.059	(0.034)	(0.028)
Observations	448	448	447	448	446	445
Adjusted R-squared	-0.002	0.132	0.167	0.319	0.664	0.752
Bank and geographic controls	No	Yes	Yes	Yes	Yes	Yes
State-FE	No	No	Yes	No	No	Yes
Year-FE	No	No	No	Yes	No	Yes
Bank-FE	No	No	No	No	Yes	Yes
Dependent variable		Pan	el B: Repo	rting_enviror	nment	
Election	-0.042	-0.096	-0.058	-0.127	-0.026	-0.079**
	(0.094)	(0.087)	(0.079)	(0.087)	(0.050)	(0.035)
Observations	448	448	447	448	446	445
Adjusted R-squared	-0.002	0.161	0.271	0.282	0.755	0.835
Bank and geographic controls	No	Yes	Yes	Yes	Yes	Yes
State-FE	No	No	Yes	No	No	Yes
Year-FE	No	No	No	Yes	No	Yes
Bank-FE	No	No	No	No	Yes	Yes
Dependent variable		Pan	el C: Repor	rting_human	rights	
Election	0.026	0.005	0.052	-0.005	0.085	0.040
Licenon	(0.026)	(0.000)	(0.092)	(0.006)	(0.063)	(0.040)
Observations	(0.030)	(0.000)	(0.050)	(0.050)	(0.000)	445
Adjusted B-squared	-0.002	0 157	0.209	0.332	0.664	0 723
Bank and geographic controls	No.	Ves	Ves	Ves	Ves	Ves
State-FE	No	No	Ves	No	No	Ves
Year-FE	No	No	No	Yes	No	Yes
Bank-FE	No	No	No	No	Yes	Yes
Dependent variable		Pane	1 D: Repor	ting anticorr	uption	
Election	_0 10/**	_0 128**	-0.058	_0 118**	-0.048	-0.047
Liccum	(0.052)	(0.050)	(0.049)	(0.055)	(0.034)	(0.034)
Observations	(0.002)	(0.000)	(0.045)	(0.000)	446	(0.054)
Adjusted B-squared	0.003	0 117	0.219	0 165	0.638	0.661
Bank and geographic controls	No	Ves	Ves	Ves	Ves	Ves
State-FE	No	No	Yes	No	No	Yes
Year-FE	No	No	No	Yes	No	Yes
Bank-FE	No	No	No	No	Yes	Yes
Dependent variable		Pa	anel E: Rep	oorting_strat	egy	
	0.025	0.020	0.045	0.000	0.004	0.000
ETECHOII	-0.059) (0.059)	-0.039 (0.047)	-0.040	0.000 (0.046)	-0.024 (0.040)	(0.002
Observations	(0.052)	(0.047)	(0.045)	(0.040)	(0.040)	(0.050)
Adjusted R-squared	-0.009	0 198	163		0.651	0.746
Bank and geographic controls	-0.002 No	V.120	V.105	Voc	Vec	0.740 Voc
State-FE	No	No	Vec	No	No	Vec
Voor FF	No	No	No	Voc	No	Voc
ICAL-FE	No	No	No	res		res
Dank-f L	INO	INO	INO	INO	res	res

Note: In this table, we show the results for Hypothesis 2 on banks' mandatory reporting on the remaining topics, namely employees, environmental, human rights, anti-corruption and bribery issues, and general strategy. The dependent variables are calculated as the log-transformed number of topic-specific words contained in the CSR report. The most stringent model specification in column 6 includes bank and geographic controls (see model 2 for the included control variables), and state, year and bank fixed effects. *, ** and *** indicate significance at the 10%, 5%, and 1% significance level, respectively. Standard errors are reported in parentheses.

Table A4: The relative importance of reported CSR topics under the influence of the electoral cycle

· · · · · · · · · · · · · · · · · · ·						
	(1)	(2)	(3)	(4)	(5)	(6)
Dependent variable		Pan	el A: Repo	orting_scocial	_perc	
Election	0.011	0.017^{**}	0.008	0.018^{**}	0.003	0.004
	(0.008)	(0.007)	(0.006)	(0.008)	(0.004)	(0.005)
Observations	448	448	447	448	446	445
Adjusted R-squared	0.002	0.149	0.31	0.144	0.758	0.746
Bank and geographic controls	No	Yes	Yes	Yes	Yes	Yes
State-FE Voor FE	No	INO No	Yes	NO Voc	No	Yes
Bank-FE	No	No	No	No	Vor	Vos
Dependent variable	110	Panel	B. Report	ing employee	es perc	103
Floation	0.007	0.000	0.008	0.005	0.004	0.001
Election	(0.007	(0.008)	0.008	(0.005)	(0.004)	(0.001)
Observations	448	(0.000)	(0.000)	(0.000)	446	(0.005)
Adjusted B-squared	0.001	0.041	0.059	0.049	0 491	0 477
Bank and geographic controls	No	Yes	Yes	Yes	Yes	Yes
State-FE	No	No	Yes	No	No	Yes
Year-FE	No	No	No	Yes	No	Yes
Bank-FE	No	No	No	No	Yes	Yes
Dependent variable		Panel	C: Reportin	ng_environm	ent_perc	
Election	-0.002	-0.009	-0.005	-0.016**	-0.001	-0.008
Licetion	(0.002)	(0.008)	(0.007)	(0.008)	(0.006)	(0.005)
Observations	448	448	447	448	446	445
Adjusted R-squared	-0.002	0.096	0.204	0.139	0.71	0.753
Bank and geographic controls	No	Yes	Yes	Yes	Yes	Yes
State-FE	No	No	Yes	No	No	Yes
Year-FE	No	No	No	Yes	No	Yes
Bank-FE	No	No	No	No	Yes	Yes
Dependent variable		Panel	D: Reporti	ng_humanrig	hts_perc	
Election	0.002	0.001	0.003	-0.001	0.003	0.001
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Observations	448	448	447	448	446	445
Adjusted R-squared	-0.001	0.08	0.134	0.133	0.498	0.511
Bank and geographic controls	No	Yes	Yes	Yes	Yes	Yes
State-FE	No	No	Yes	No	No	Yes
Year-FE	No	No	No	Yes	No	Yes
Bank-FE	No	No	No	No	Yes	Yes
Dependent variable		Panel I	E: Reportin	g_anticorrup	tion_perc	
Election	-0.007^{*}	-0.008**	-0.003	-0.008**	-0.002	-0.001
	(0.004)	(0.003)	(0.003)	(0.003)	(0.002)	(0.002)
Observations	448	448	447	448	446	445
Adjusted R-squared	0.005	0.019	0.129	0.115	0.643	0.651
Bank and geographic controls	No	Yes	Yes	Yes	Yes	Yes
State-FE	No	No	Yes	No	No	Yes
Year-FE	No	No	No	Yes	No	Yes
Bank-FE	No	No	No	No	Yes	Yes
Dependent variable		Pane	el F: Repor	ting_strategy	_perc	
Election	-0.009	-0.007	-0.009	0.004	-0.004	0.007
	(0.011)	(0.011)	(0.011)	(0.011)	(0.009)	(0.009)
Observations	448	448	447	448	446	445
Adjusted R-squared	-0.001	0.032	0.07	0.09	0.444	0.478
Bank and geographic controls	No	Yes	Yes	Yes	Yes	Yes
State-FE	No	No	Yes	No	No	Yes
Year-FE	No	No	No	Yes	No	Yes
Bank-FE	No	No	No	No	Yes	Yes

Note: This table shows the influence of the electoral cycle on the relative prominence of specific topics in banks' CSR reports. The dependent variables are calculated as the number of topic-specific words contained in the CSR report, divided by the total number of words contained in the CSR report. The most stringent model specification in column 6 includes bank and geographic controls (see model 2 for the included control variables), and state, year and bank fixed effects. *, ** and *** indicate significance at the 10%, 5%, and 1% significance level, respectively. Standard errors are reported in parentheses.

Table A5: Placebo test for the political influence on banks' CSR activities

	(1)	(2)	(3)	(4)	(5)	(6)
Dependent variable			CSR	_fy		
			Panel A: H	ypothesis 1		
Election	-0.116**	-0.122**	-0.114**	-0.131**	-0.104**	-0.103**
	(0.054)	(0.053)	(0.052)	(0.057)	(0.049)	(0.051)
Observations	716	716	716	716	716	716
Adjusted R-squared	0.002	0.088	0.153	0.083	0.604	0.597
Bank and geographic control	ls No	Yes	Yes	Yes	Yes	Yes
State-FE	No	No	Yes	No	No	Yes
Year-FE	No	No	No	Yes	No	Yes
Bank-FE	No	No	No	No	Yes	Yes
		Pa	nel B: Hypo	othesis 3 and	4	
		Full sample	Cont	ested	Chai	r_left
			> median	\leq median	= 1	= 0
Election		-0.103**	-0.042	-0.155**	-0.178*	-0.077
		(0.051)	(0.080)	(0.075)	(0.091)	(0.066)
Observations		716	352	355	209	492
Adjusted R-squared		0.597	0.551	0.626	0.536	0.598
Bank and geographic contro	ls	Yes	Yes	Yes	Yes	Yes
State-FE		Yes	Yes	Yes	Yes	Yes
Year-FE		Yes	Yes	Yes	Yes	Yes

Note: In this table, we show the influence of the electoral cycle on CSR activities of politically independent cooperative banks. Excluding savings banks from the sample serves as a placebo test to our main results. Panel A presents the placebo test results for Hypothesis 1, and Panel B presents the results for Hypotheses 3 and 4. The most stringent specification in column 6 includes bank and geographic controls, and state, year and bank fixed effects. We include the same geographic and bank controls and fixed effects as in Model 1. Variable definitions and relevant subscripts can be found in the Appendix Table A2. *, ** and *** indicate significance at the 10%, 5%, and 1% significance level, respectively. Standard errors are reported in parentheses.

	(1)	(2)	(3)	(4)	(5)	(6)
Dependent variable			(CSR_fy		
		Panel A:	Associatio	n FE (inste	ad of State	FE)
Election×SavingsBank	0.229***	0.228***	0.197***	0.214***	0.176***	0.151**
	(0.074)	(0.074)	(0.071)	(0.074)	(0.063)	(0.063)
Observations	2,120	2,120	2,120	2,120	2,120	2,120
Adjusted R-squared	0.050	0.137	0.215	0.138	0.704	0.707
Bank and geographic control	s No	Yes	Yes	Yes	Yes	Yes
Association-FE	No	No	Yes	No	No	Yes
Year-FE	No	No	No	Yes	No	Yes
Bank-FE	No	No	No	No	Yes	Yes
	Panel E	B: Pooled O	LS regressi	on (instead	of panel O	LS regression)
$Election \times SavingsBank$	0.229***	0.228***	0.189^{***}	0.209***	0.176^{**}	0.154^{**}
	(0.074)	(0.074)	(0.071)	(0.074)	(0.069)	(0.070)
Observations	2,120	2,120	2,120	2,120	2,120	2,120
Adjusted R-squared	0.050	0.137	0.184	0.138	0.704	0.708
Bank and geographic control	s No	Yes	Yes	Yes	Yes	Yes
State-FE	No	No	Yes	No	No	Yes
Year-FE	No	No	No	Yes	Yes	Yes
Bank-FE	No	No	No	No	Yes	Yes
	Pane	l C: Standa	ard errors c	lustered by	year (inste	ad of bank)
Election×SavingsBank	0.229*	0.228*	0.214*	0.214*	0.176	0.152
	(0.120)	(0.103)	(0.095)	(0.095)	(0.118)	(0.096)
Observations	2,120	2,120	2,120	2,120	2,120	2,120
Adjusted R-squared	0.050	0.137	0.138	0.138	0.704	0.708
Bank and geographic control	s No	Yes	Yes	Yes	Yes	Yes
State-FE	No	No	Yes	No	No	Yes
Year-FE	No	No	No	Yes	No	Yes
Bank-FE	No	No	No	No	Yes	Yes
		Pan	el D: Only	political ch	airpersons	
$Election \times SavingsBank$	0.226^{***}	0.224^{***}	0.185^{**}	0.211^{***}	0.173^{***}	0.148^{**}
	(0.074)	(0.074)	(0.072)	(0.074)	(0.063)	(0.063)
Observations	2,112	2,112	2,112	2,112	2,112	2,112
Adjusted R-squared	0.049	0.135	0.190	0.136	0.704	0.706
Bank and geographic control	s No	Yes	Yes	Yes	Yes	Yes
State-FE	No	No	Yes	No	No	Yes
Year-FE	No	No	No	Yes	No	Yes

Table A6: Robustness tests for Hypothesis 1

Note: In this table, we report four modifications to Model 1, which serve as robustness tests for the results in Table A6 (Hypothesis 1). The most stringent specification in column 6 includes the full set of control variables and fixed effects of Model 1. In Panel A, we replace state fixed effects with association fixed effects because banks are organized within regional associations rather than state borders. In Panel B, we use a pooled OLS regression, rather than a panel OLS regression. In Panel C, we cluster standard errors on a year level, rather than on a bank level, and in Panel D, we exclude eight observations where the supervisory board chair is not a member of any political party. Variable definitions and relevant subscripts can be found in the Appendix Table A2. *, ** and *** indicate significance at the 10%, 5%, and 1% significance level, respectively. Standard errors are reported in parentheses.

(0.065)0.679-0.007(0.083)0.5680.040(0.039)0.6880.041Yes Yes $\mathbf{Y}_{\mathbf{es}}$ Yes Y_{es} Yes446448(12)Yes Yes Yes 445Yes Yes Yes (0.046)(0.084)(0.057)0.6370.3930.0300.0440.0300.637(11)448446No No Yes 446 \hat{v}_{es} No No Yes Yes $_{\rm N}^{\rm N}$ No Yes Yes 0.202^{**} (0.091)(0.038) 0.202^{**} (0.091)Reporting_social 0.202^{**} 0.1850.1850.185448Yes 448Yes (10)No No No 448Yes No Yes No Yes No Yes **Panel B:** Pooled OLS regression (instead of panel OLS regression) **Panel C:** Standard errors clustered by year (instead of bank) (0.103)(0.074)0.075(0.074)0.1550.0770.0770.1530.154Yes Yes Yes No 448Yes No No 448Yes No No 447 Yes No (6)**Panel A:** Association FE (instead of State FE) 0.171^{**} 0.171^{**} (0.086)(0.106)(0.086)0.0590.0590.0590.171 448No 448No No 448 \hat{v} es Yes No Yes No No No $^{\rm N}$ 2° 8 (0.110)0.119(0.085)0.119(0.085)0.1190.001 0.0010.001No No No No 448448448No No No $^{\rm N}$ N0 N $_{\rm No}$ No No 2° 6 -0.019(0.039)(0.029)(0.025)-0.0210.838-0.0210.7320.842446lesYes Yes Yes 448 \hat{v} es Yes Yes Yes 445Yes Yes Yes Yes 9 (0.016)-0.039(0.049)-0.021(0.031)0.372-0.0210.711 0.711 $^{\rm No}$ No Yes 446 \hat{V} es No N_0 Yes 448 \hat{V} es No No Yes 446Yes 6 -0.009 (0.045)-0.009(0.045)-0.009 (0.027)0.469Reporting_total 0.4690.469Yes Yes 448Yes 448No (4)Yes Yes 448Yes No No No No No -0.036(0.044)-0.033(0.045)-0.033(0.085)0.2020.200Yes 0.201Yes Yes 448 \hat{v} es 448 \hat{v} es No No No \hat{v} es No 447 No 3 No (0.045)(0.075)(0.045)-0.028-0.0280.162-0.0280.1620.162448Yes No No No No 448No No 448No Yes Yes No No $\overline{0}$ -0.015-0.002-0.0150.051)-0.002(0.113)-0.002(0.051)-0.015448448448No No No No No No $^{\rm No}$ No No No No No Bank and geographic controls Bank and geographic controls Bank and geographic controls Adjusted R-squared Adjusted R-squared Adjusted R-squared Dependent variable Association-FE Observations Observations Observations State-FE Bank-FE Bank-FE Bank-FE State-FE Year-FE Year-FE Election Year-FE Election Election

Table A7: Robustness of findings for Hypothesis 2

Note: In this table, we report four modifications to Model 2, which serve as robustness tests for the results in Table 8 (Hypothesis 2). The most stringent specifications in columns 6 and 12 include the full set of control variables and fixed effects of Model 2. In Panel A, we replace state fixed effects with association fixed effects because banks are organized within regional associations rather than state borders. In Panel B, we use a pooled OLS regression, rather than a panel OLS regression, and in Panel C, we cluster standard errors on a year level, rather than on a bank level. Variable definitions and relevant subscripts can be found in the Appendix Table A1. *, ** and *** indicate significance at the 10%, 5%, and 1% significance level, respectively. Standard errors are reported in parentheses.

	(1)	(2)	(3)	(4)	(5)
Dependent variable			CSR_	fy	
]	Full sample	Cont	ested		Chair_left
		> median	\leq median	= 1	= 0
	P	anel A: Ass	sociation FE	(instead of	State FE)
Election×SavingsBank	0.151**	0.182^{*}	0.122	0.395***	0.045
	(0.063)	(0.093)	(0.088)	(0.117)	(0.083)
Observations	2,120	1,041	1,042	628	1,448
Adjusted R-squared	0.707	0.700	0.736	0.691	0.708
Bank and geographic controls	Yes	Yes	Yes	Yes	Yes
Association-FE	Yes	Yes	Yes	Yes	Yes
Year-FE	Yes	Yes	Yes	Yes	Yes
Bank-FE	Yes	Yes	Yes	Yes	Yes
	Panel B: F	Pooled OLS	regression (in	nstead of pa	anel OLS regression)
Election×SavingsBank	0.154^{**}	0.181^{*}	0.122	0.391***	0.045
	(0.070)	(0.105)	(0.099)	(0.135)	(0.092)
Observations	2,120	1,062	1,058	656	1,464
Adjusted R-squared	0.708	0.701	0.740	0.698	0.710
Bank and geographic controls	Yes	Yes	Yes	Yes	Yes
State-FE	Yes	Yes	Yes	Yes	Yes
Year-FE	Yes	Yes	Yes	Yes	Yes
Bank-FE	Yes	Yes	Yes	Yes	Yes
	Panel C	Standard	errors cluster	red by year	(instead of bank)
Election×SavingsBank	0.152	0.181	0.122	0.395***	0.045
	(0.096)	(0.127)	(0.122)	(0.102)	(0.132)
Observations	2,120	1,041	1,042	628	1,448
Adjusted R-squared	0.708	0.702	0.739	0.697	0.711
Bank and geographic controls	Yes	Yes	Yes	Yes	Yes
State-FE	Yes	Yes	Yes	Yes	Yes
Year-FE	Yes	Yes	Yes	Yes	Yes
Bank-FE	Yes	Yes	Yes	Yes	Yes
		Panel D	: Only polit	ical chairpe	ersons
Election×SavingsBank	0.148**	0.174*	0.122	0.395***	0.041
	(0.063)	(0.093)	(0.089)	(0.117)	(0.083)
Observations	2,112	1,033	1,042	628	1,440
Adjusted R-squared	0.706	0.697	0.735	0.687	0.707
Bank and geographic controls	Yes	Yes	Yes	Yes	Yes
State-FE	Yes	Yes	Yes	Yes	Yes
Year-FE	Yes	Yes	Yes	Yes	Yes
Bank-FE	Yes	Yes	Yes	Yes	Yes

Table A8: Robustness of findings for Hypotheses 3 and 4

Note: In this table, we report four modifications that serve as robustness tests for the results in Table 9 (Hypotheses 3 and 4). The most stringent specification in column 6 includes the full set of control variables and fixed effects of Model 1. In Panel A, we replace state fixed effects with association fixed effects because banks are organized within regional associations rather than state borders. In Panel B, we use a pooled OLS regression, rather than a panel OLS regression. In Panel C, we cluster standard errors on a state level, rather than on a bank level, and in Panel D, we exclude eight observations where the supervisory board chair is not a member of any political party. Variable definitions and relevant subscripts can be found in the Appendix Table A2. *, ** and *** indicate significance at the 10%, 5%, and 1% significance level, respectively. Standard errors are reported in parentheses.

	(1)	(2)	(3)
Dependent variable		CSR_fy	
	Full sample	Comp	etitors
		> median	\leq median
Election×SavingsBank	0.152**	0.171**	0.076
	(0.063)	(0.081)	(0.098)
Observations	2,120	$1,\!354$	743
Adjusted R-squared	0.706	0.712	0.716
Bank and geographic controls	Yes	Yes	Yes
State-FE	Yes	Yes	Yes
Year-FE	Yes	Yes	Yes
Bank-FE	Yes	Yes	Yes

Table A9: Alternative competition measure: Number of competitors

Note: In this table, we use the variable *Competitors* instead of *Contested* to split our sample into highly contested regions and less contested regions. This serves as a robustness test to our results for Hypothesis 4 on the role of political contest in politically associated CSR. *Competitors* is measured as the total number of competitors in the primary election (excluding the winner). Column 1 presents the results of the baseline OLS regression (Table 7, column 6) that tests Hypothesis 1 on the full sample, including state, year and bank fixed effects. Column 2 (3) presents results for a sub-sample of bank-year observations that operate in regions where the political contest, measured as *Competitors*, is larger than (smaller than or equal to) the median. All specifications include the full set of control variables and fixed effects of Model 1. Continuous variables which are not scaled are log-transformed and all continuous variables are winsorized at the 1st and 99th percentile. *, ** and *** indicate significance at the 10%, 5%, and 1% significance level, respectively. Standard errors are reported in parentheses.

Figures



Figure 1: Structure of the Savings Banks Finance Group

Note: This figure shows the structure of the Savings Banks Finance Group, as of December 31, 2020. Adapted from https://www.dsgv.de/sparkassen-finanzgruppe/organisation/verbandsstruktur.html and Gulenko et al. (2022).



Figure 2: Banks' charitable activity channels

Note: This figure shows the two channels through which savings banks and cooperative banks engage in charitable activities. Channel 1 comprises direct donations from the bank to the donee. Channel 2 comprises donations through in-house foundations.



Figure 3: Summary of the theoretical framework.

Note: This figure summarizes the theoretical framework underlying the analysis. It shows the directional relationships between the political cycle and politically-associated CSR, and the two mediating factors political contest and political orientation.



Figure 4: Occupation of savings banks' chairpersons

Note: This figure shows the occupation of savings banks' chairpersons, split into election-years (right-hand side) and non-election years (left-hand side). Collectively, the majority of bank-year observations have county commissioners (n=665) and mayors (n=573) as chairpersons, 53 have a chairperson with a different political or administrative occupation and 113 have a chairperson with a non-political occupation. N=1,404.



Figure 5: Intra-year change of chairpersons

Note: This figure shows the number of savings banks that experience a change in chairperson during the fiscal year. Observations with an election are displayed on the right-hand side and observations without an election are displayed on the left-hand side. N=1,404.



Figure 6: Party affiliation of savings banks' chairpersons

Note: This figure shows the party affiliation of savings banks' chairpersons, split into election-years (right-hand side) and non-election years (left-hand side). Collectively, the majority of bank-year observations have chairpersons affiliated with the CDU/CSU (black; n=770), the SPD (red; n=425) and Freie Wähler (blue; n=69). 85 observations have a chairperson that is politically active but not associated with any party (i.e., independent; gray), and 8 observations have a chairperson that is not politically active (white). N=1,404.



Figure 7: Visual test of the parallel trends assumption

Note: This figure shows the average level of politically associated CSR for the three years before and after an election, for savings banks (upper plot) and cooperative banks (lower plot) separately. It is based on a balanced sub-sample of 38 savings banks and 19 cooperative banks that experience a municipal election in their operating region during year t.



Figure 8: Formal test of the parallel trends assumption

Note: This figure shows the coefficients obtained from regressing $CSR_{-}fy_{imts}$ on the interaction term D_{imts} . D_{imts} is obtained from interacting indicator variables for the 3 years before and after an election, respectively, with $SavingsBank_i$. Year t-3 is omitted and represents the baseline. Details on the underlying regression model can be found in Section 5.2.

Tables

	ballks charitable act	Ivities
	Savings banks	Cooperative banks
Total donations (EUR 1,000)	437,890	158,000
In $\%$ of total assets	0.0184	0.0114
In $\%$ of earnings before tax	10.42	1.55
Thereof through foundations (EUR $1,000$)	$74,\!200$	12,000
In $\%$ of total donations	16.94	7.59
Thereof direct (EUR 1,000)	$363,\!690$	146,000
In $\%$ of total donations	83.06	92.41
Number of supported foundations	769	340
Total endowment funds (EUR 1,000)	2,740,000	$307,\!000$

Table 1: Overview over banks' charitable activities

Note: The table presents an overview over the charitable activities of the full saving banks population (left-hand side) and cooperative banks population (right-hand side). For reasons of data availability, savings banks information reports data from year 2020 and cooperative banks information reports data from year 2019. Sources: GSBA (2020), https://www.sparkasse.de/mehr-als-geld/engagement/soziales-engagement/was-macht-uns-anders.html, NAGCB (2019), https://www.vr.de/privatkunden/news/stiftungskapital-von-buergerstiftungen.html.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	400	41.7	41.0	41.0	400	200		270	070	
Savings banks population	423	417	410	413	403	390	385	379	376	3,602
No CSR activity data	-21	-107	-107	-105	-99	-91	-87	-84	-69	-770
No fin./elect. data	-343	-206	-1	-1	-1	-1	-1	-1	-43	-598
No data to backward fill	-16	-20	-39	-74	-101	-106	-129	-162	-157	-754
Only one observation	0	0	-26	0	0	0	0	0	0	-26
Savings banks sample	43	84	243	233	202	192	168	132	107	$1,\!404$
Cooperative banks sample	16	62	120	111	101	98	83	68	57	716
Total	59	146	363	344	303	290	251	200	164	2,120

Table 2: Sample selection for full sample and reporting sub-samplePanel A: Selection of the full sample

Panel B: Selection of the reporting sub-sample

	2017	2018	2019	2020	Total
Full population	390	385	379	376	1,530
Out of scope of the NFRD	-260	-256	-255	-251	-1,022
Not under municipal trusteeship	-6	-6	-6	-6	-24
Outside of our main sample	-9	-6	-7	-14	-36
Total	115	117	111	105	448

Note: The table shows the sample selection process for the full sample (Panel A) and the sub-sample that only includes bank-year observations with mandatory CSR reports (Panel B). We exclude banks with no newspaper articles in any of the years 2012-2020. We also exclude observations with missing financial and electoral data. Missing data on the geographic control variables is handled by carrying forward the last value. Each savings bank in the full sample is matched to a cooperative bank that operates branches in the same operating region. In case of multiple such cooperative banks, the one that is most similar in terms of total assets is selected.

								I									
					Savir	ıgs banks							Coopers	tive ban	ks		
		Ζ	mean	$^{\mathrm{sd}}$	min	p25	p50	p75	max	Ν	mean	sd	min	p25	p50	p75	max
	Number of eligible voters	364	132,755	141,806	2,849	40,692	89,057	179,856	1,110,571	182	127,784	129,639	3,988	49,122	85,491	166,097	820,527
u	Election particiption $\%$	364	48.278	11.146	20.740	40.75	48.497	56.112	74.880	182	50.137	10.846	23.922	42.644	50.183	58.047	73.821
oito	Invalid votes $\%$	364	1.600	1.229	0.208	0.903	1.378	1.908	14.822	182	1.620	1.424	0.208	0.939	1.370	1.834	14.822
ele	Number of challengers	364	3.505	2.318	0	2	3	5	6	182	3.566	2.328	0	2	3	ŋ	6
ցւλ	Winner votes $\%$	364	55.000	15.339	23.064	43.38	53.935	63.880	112.647	182	54.739	15.215	23.064	43.392	53.700	63.580	96.096
min	CDU/CSU winner $(0/1)$	364	0.530	0.500	0	0	1	1	1	182	0.560	0.498	0	0	1	1	1
Ч	SPD winner $(0/1)$	364	0.261	0.440	0	0	0	1	1	182	0.214	0.411	0	0	0	0	1
	Run-up contestant votes $\%$	364	26.378	10.301	0	21.27	26.830	33.370	48.465	182	26.509	9.917	0	22.394	26.830	32.989	47.752
	Run-off election $(0/1)$	364	0.385	0.487	0	0	0	1	1	182	0.385	0.488	0	0	0	1	1
	Number of eligible voters	140	170,153	183,239	7,815	56,791	105,292	208,705	1,109,032	20	161,525	149,173	12,615	64,761	106,956	208,589	818,731
uo	Election particiption $\%$	140	40.761	11.397	17.628	32.16	38.792	48.990	67.372	20	41.120	11.232	22.217	32.139	38.026	49.349	65.232
itəə	Invalid votes $\%$	140	1.031	0.649	0.204	0.579	0.857	1.314	4.303	20	0.917	0.546	0.204	0.559	0.758	1.044	2.762
lə Ŧ	Winner votes $\%$	140	58.413	7.427	34.884	52.68	57.745	62.905	81.038	20	58.625	8.304	34.884	53.459	57.926	63.319	81.038
ļo-u	CDU/CSU winner $(0/1)$	140	0.371	0.485	0	0	0	1	1	20	0.386	0.490	0	0	0	1	1
nЯ	SPD winner $(0/1)$	140	0.350	0.479	0	0	0	1	1	20	0.314	0.468	0	0	0	1	1
	Run-up contestant votes $\%$	140	40.544	7.013	18.962	35.89	41.254	46.539	49.836	20	39.761	7.454	18.962	35.820	41.057	45.897	49.804
No tom are	te: The table shows description of the table displays reasured in absolute terms	ptive s run-off unles	statistics f elections s otherwi	for the mi s, for savin se denote	unicipal angs bank d. N=54	elections s (left-h. 6.	during and side	of the tai	le period. ble) and c	The u oopera	pper parative ban	t of the take (right-	able disp hand sid	lays prin e of the	nary elec table) se	tions and parately.	the bot- The data

Table 3: Summary statistics for municipal elections (primary and run-off)

I aller III Boo	periperio s	eacheries ioi	the run sur	mpro (m = ,	1 0)		
	mean	sd	min	p25	p50	p75	max
CSR_fy	1.105	1.069	0	0	0.896	1.946	3.871
Election	0.191	0.393	0	0	0	0	1
ТА	14.475	0.921	12.396	13.840	14.439	15.143	16.738
Equity_ratio	9.097	1.913	4.799	7.849	8.933	10.136	15.387
ROA	0.430	0.174	0.0816	0.312	0.407	0.518	1.010
NO_expenses	3.107	4.008	0	0	0	7.741	10.401
Population	11.555	1.068	8.717	11.008	11.629	12.300	13.861
GDP_capita	10.429	0.321	9.880	10.215	10.386	10.569	11.586
GDP_{growth}	4.655	27.170	-60.958	0.525	2.713	4.308	181.234
Contested	0.541	0.268	0	0.362	0.545	0.778	0.999
Chair_left	0.309	0.462	0	0	0	1	1

Table 4: Descriptive statistics for variables used in the analysis Panel A: Descriptive statistics for the full sample (n=2,120)

Note: The table shows descriptive statistics for the variables used in the empirical analysis for the full sample of 2,120 savings and cooperative bank-year observations. Continuous variables which are not scaled are log-transformed and all continuous variables are winsorized at the 1st and 99th percentile. The dependent variable is the log-transformed number of CSR-related newspaper articles published in the respective fiscal year. Details of variable definitions and relevant subscripts are in Table A2 in the Appendix.

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Panel B: Descriptive statistics for savings banks and cooperative banks separately

			Savings	banks (n	i=1,404)					Cooperat	ive banks	(n=716)	(
	mean	$^{\mathrm{sd}}$	min	p25	p50	p75	max	mean	$^{\mathrm{sd}}$	min	p25	p50	p75	max	Diff	t-test	χ^2
CSR_fy	1.275	1.114	0	0	1.099	2.079	3.871	0.772	0.885	0	0	0.693	1.386	3.871	-0.502	-10.495^{***}	I
Election	0.179	0.384	0	0	0	0	1	0.214	0.410	0	0	0	0	1	0.035	·	3.589^{*}
TA	14.691	0.889	12.396	14.115	14.676	15.256	16.738	14.053	0.832	12.396	13.461	14.003	14.571	16.372	-0.638	-15.959^{***}	ı
Equity_ratio	9.307	1.959	4.799	8.035	9.107	10.391	15.387	8.684	1.748	4.799	7.504	8.584	9.657	15.387	-0.622	-7.168^{***}	ı
ROA	0.392	0.152	0.082	0.294	0.376	0.475	1.010	0.505	0.189	0.082	0.367	0.490	0.615	1.010	0.113	14.808^{***}	ı
NO_expenses	0.639	1.993	0	0	0	0	10.401	7.946	2.102	0	7.601	8.294	8.987	10.401	7.307	78.367^{***}	I
Population	11.568	1.063	8.717	10.987	11.640	12.311	13.861	11.531	1.078	8.717	11.080	11.626	12.277	13.861	-0.037	-0.748	ı
GDP_capita	10.435	0.319	9.880	10.219	10.391	10.574	11.586	10.419	0.324	9.880	10.203	10.377	10.554	11.586	-0.016	-1.056	ı
$GDP_{-growth}$	5.065	26.117	-60.958	0.635	2.721	4.308	181.237	3.853	29.126	-60.958	0.321	2.685	4.311	181.237	-1.212	-0.971	ı
Contested	0.539	0.266	0	0.360	0.545	0.765	0.999	0.546	0.271	0	0.366	0.545	0.786	0.999	0.07	0.598	I
Chair_left	0.312	0.463	0	0	0	1	1	0.304	0.461	0	0	0	1	1	-0.008	I	-0.125
Note: The tab are not scaled a cal minimum an banks, along wit means. *, ** an A2 in the Appen	le shows re log-tr d maxin th the co d *** in-	, descript ansforme num valu orrespond dicate sig	ive statist d and all es for bot ling t-stat çnificance	tics for t continuc th bankin tistic (for at the 1	he varial bus varial ng group: c continu 0%, 5%,	bles used bles are s. The ri ous varia and 1%	in the envinsorized ght-hand bles) and significan	npirical a 1 at the side of t χ^2 (for ce level,	malysis, f 1st and 9 the table binary w respectiv	or saving 9th perce shows th ariables) <i>i</i> ely. Deta	ss and co entile. D e differer for the n ails of var	operative ue to the ice in me ull hypor iable de	e banks s winsoriz ans betw thesis the finitions a	eparately ation, ser een savin at there is and relev	. Contin veral var ugs bankı s no diffe ant subs	uous variabl iables exhibi s and cooper rence betwe cripts are in	ss which t identi- ative en the Table

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
(1) CSR_fy	1										
(2) Election	0.001	1									
(3) TA	0.331^{*}	-0.015	1								
(4) Equity_ratio	0.016	0.003	-0.106*	1							
(5) ROA	-0.001	0.015	-0.04	0.174^{*}	1						
(6) NO_expenses	-0.131*	0.024	-0.174*	-0.185*	0.235^{*}	1					
(7) Population	0.187^{*}	0.005	0.511^{*}	-0.108*	0.015	0.051	1				
(8) GDP_capita	0.044	-0.034	0.311^{*}	0.087^{*}	-0.002	0.042	0.107^{*}	1			
(9) GDP_growth	0.04	-0.027	0.036	0.007	-0.011	0.009	-0.044	0.415^{*}	1		
(10) Contested	0.011	0.006	0.171^{*}	-0.031	0.047	0.021	0.224^{*}	0.113*	0.011	1 *	
(11) Chairperson_left	-0.022	-0.001	0.185^{*}	-0.044	-0.03	0.031	0.242^{*}	0.071^{*}	0.076^{*}	0.170^{*}	1

 Table 5: Correlation coefficients between variables

Note: The table shows Pearson's correlation coefficients between variables used in the empirical analysis, for the full sample of 2,120 bank-year observations. * indicates significance at the 1% significance level or higher. Details of variable definitions and relevant subscripts are in Table A2 in the Appendix.

	mean	sd	min	p25	p50	p75	max
Reporting_total	9.233	0.370	8.385	8.963	9.257	9.507	9.936
Reporting_environment	7.312	0.632	5.663	6.849	7.274	7.916	8.377
Reporting_social	6.659	0.608	4.727	6.275	6.641	7.088	7.981
Reporting_employee	7.511	0.450	6.011	7.217	7.562	7.840	8.474
Reporting_humanrights	5.985	0.676	4.143	5.568	6.148	6.450	7.353
Reporting_bribery	6.705	0.426	5.242	6.420	6.736	7.020	7.559
Election	0.0960	0.295	0	0	0	0	1
AR_words	9.941	0.181	9.548	9.812	9.939	10.05	10.43
ТА	15.50	0.487	14.71	15.14	15.38	15.80	17.09
Equity_ratio	9.876	1.698	6.485	8.781	9.593	10.96	14.18
ROA	0.368	0.131	0.0860	0.279	0.348	0.449	0.761
GDP_capita	10.57	0.352	9.936	10.32	10.52	10.73	11.66
GDP_growth	5.950	30.95	-57.77	0	2.162	3.886	177.9
Population	12.15	0.765	9.965	11.69	12.22	12.66	13.90
NO_expenses	0.344	1.454	0	0	0	0	7.498

Table 6: Descriptive statistics for the reporting sub-sample (n=448)

Note: The table shows descriptive statistics for the variables used in the empirical analysis to test Hypothesis 2, for the savings banks that publish a mandatory non-financial report in years 2017, 2018, 2019 or 2020. The dependent variables are the log-transformed number of words contained in the CSR report (total and topic-specific). Continuous variables which are not scaled are log-transformed and all continuous variables are winsorized at the 1st and 99th percentile. Details of variable definitions and relevant subscripts are in Table A2 in the Appendix.

	(1)	(2)	(3)	(4)	(5)	(6)
Dependent variable			C	SR_fy		
Election×SavingsBank	0.229***	0.228***	0.191***	0.213***	0.176***	0.152***
	(0.074)	(0.074)	(0.072)	(0.074)	(0.063)	(0.063)
Election	-0.116**	-0.115**	-0.117**	-0.133**	-0.108**	-0.125**
	(0.054)	(0.054)	(0.053)	(0.055)	(0.049)	(0.049)
SavingsBank	0.457***	0.555***	0.482***	0.580***		
	(0.101)	(0.176)	(0.178)	(0.182)		
ТА	. ,	0.319***	0.355***	0.318***	0.501^{***}	0.680***
		(0.064)	(0.063)	(0.065)	(0.151)	(0.179)
Equity_ratio		0.020	0.015	0.016	-0.005	-0.005
		(0.024)	(0.024)	(0.027)	(0.032)	(0.040)
ROA		0.306	0.228	0.343	0.130	0.050
		(0.230)	(0.236)	(0.265)	(0.194)	(0.203)
NO_expenses		0.038^{*}	0.030	0.040**	-0.008	-0.011
		(0.019)	(0.020)	(0.020)	(0.010)	(0.010)
Population		0.051	0.015	0.053	-0.011	-0.002
		(0.037)	(0.044)	(0.037)	(0.047)	(0.048)
GDP_capita		-0.299*	-0.227	-0.304*	-0.006	0.043
		(0.155)	(0.166)	(0.158)	(0.138)	(0.145)
$\mathrm{GDP}_{-}\mathrm{growth}$		0.002^{***}	0.002^{*}	0.002***	0.000	-0.000
		(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Constant	0.797***	-1.797	-2.500	-1.753	-5.940**	-9.104***
	(0.073)	(1.556)	(1.713)	(1.651)	(2.528)	(3.110)
Observations	$2,\!120$	$2,\!120$	$2,\!120$	2,120	$2,\!120$	$2,\!120$
Adjusted R-squared	0.050	0.137	0.192	0.138	0.704	0.706
State-FE	No	No	Yes	No	No	Yes
Year-FE	No	No	No	Yes	No	Yes
Bank-FE	No	No	No	No	Yes	Yes
Cluster	Bank	Bank	Bank	Bank	Bank	Bank

Table 7: Politically associated CSR and the electoral cycle

Note: The table presents results of OLS panel regressions that examine the effect of election years on savings banks' politically associated CSR. The dependent variable $CSR_{-}fy$ measures the newspaper articles covering banks' charitable activities under the mention of local politicians in the respective fiscal year. Column 1 includes only the main variables. *Election* is an indicator variable taking on the value of 1 during election years, and 0 otherwise. *SavingsBank* is an indicator variable taking on the value of 1 for savings banks, and 0 otherwise. Column 2 adds control variables. Continuous variables which are not scaled are log-transformed and all continuous variables are winsorized at the 1st and 99th percentile. Details of variable definitions and relevant subscripts can be found in the Appendix Table A2. Columns 3-6 add fixed effects, with the most stringent specification including state, year and bank fixed effects. *, ** and *** indicate significance at the 10%, 5%, and 1% significance level, respectively. Standard errors (clustered by bank) are reported in parentheses.

	(1)								Donomti			
Dependent variable			Report	ing_total					nnchor	ng-social		
Election	-0.015*	-0.028	-0.033	-0.009	-0.021	-0.021	0.119	0.171^{**}	0.077	0.202^{**}	0.030	0.040
	(0.051)	(0.045)	(0.045)	(0.045)	(0.031)	(0.025)	(0.085)	(0.086)	(0.074)	(0.091)	(0.057)	(0.065)
AR_words		-0.189	-0.068	-0.067	-0.047	0.078		0.488^{*}	0.364	0.608^{**}	-0.143	-0.047
		(0.139)	(0.167)	(0.123)	(0.160)	(0.112)		(0.286)	(0.298)	(0.276)	(0.278)	(0.287)
ΓA		0.162^{**}	0.142^{*}	0.073	2.771^{***}	-0.132		-0.232*	-0.179	-0.328***	2.066^{**}	-1.127
		(0.071)	(0.075)	(0.063)	(0.690)	(0.206)		(0.122)	(0.124)	(0.121)	(0.971)	(0.700)
Equity_ratio		-0.003	-0.007	-0.014	0.113^{**}	-0.024		0.029	0.012	0.019	0.016	-0.115
		(0.014)	(0.014)	(0.013)	(0.056)	(0.034)		(0.026)	(0.025)	(0.027)	(0.088)	(0.076)
SOA		-0.658***	-0.588***	-0.041	-0.472^{*}	-0.011		-0.179	-0.348	0.484	-0.342	0.147
		(0.163)	(0.168)	(0.157)	(0.259)	(0.138)		(0.334)	(0.302)	(0.338)	(0.427)	(0.298)
VO_expenses		-0.004	-0.007	0.016	-0.021	0.001		0.028	0.019	0.051^{*}	-0.006	0.018^{*}
		(0.016)	(0.017)	(0.013)	(0.013)	(0.009)		(0.030)	(0.028)	(0.027)	(0.017)	(0.010)
Population		0.015	0.043	0.021	0.076	0.050		0.136^{**}	0.200^{***}	0.144^{**}	0.194^{**}	0.168^{**}
		(0.034)	(0.033)	(0.032)	(0.051)	(0.036)		(0.060)	(0.060)	(0.060)	(0.089)	(770.0)
3DP_capita		0.250^{***}	0.138^{*}	0.181^{**}	0.207^{**}	-0.026		0.292^{*}	0.097	0.215	0.276	0.022
		(0.077)	(0.077)	(0.074)	(0.100)	(0.078)		(0.174)	(0.172)	(0.172)	(0.244)	(0.243)
3DP_growth		-0.002***	-0.001***	-0.001	-0.001^{**}	0.000		-0.001	-0.000	0.000	-0.001	0.001
		(0.000)	(0.000)	(0.000)	(0.000)	(0.000)		(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Constant	9.234^{***}	6.051^{***}	6.018^{***}	6.750^{***}	-37.277***	10.427^{***}	6.647^{***}	0.430	2.366	1.271	-29.250^{*}	23.378^{*}
	(0.025)	(1.609)	(1.748)	(1.469)	(10.786)	(3.495)	(0.046)	(3.451)	(3.267)	(3.303)	(15.595)	(12.044)
Observations	448	448	447	448	446	445	448	448	447	448	446	445
Adjusted R-squared	-0.002	0.162	0.200	0.469	0.711	0.836	0.001	0.059	0.154	0.185	0.637	0.676
State-FE	N_{O}	No	Yes	No	No	Yes	N_{O}	No	Yes	N_{O}	No	Yes
Year-FE	No	No	No	Yes	No	Yes	No	No	N_{O}	Yes	No	\mathbf{Yes}
Bank-FE	No	No	No	No	γ_{es}	Yes	N_{O}	No	N_{O}	N_{O}	Yes	\mathbf{Yes}
Cluster	Bank											

	(1)	(2)	(3)	(4)	(5)
Dependent variable			CSR_fy		
	Full sample	Cont	ested	Chair	_left
		> median	\leq median	= 1	= 0
Election×SavingsBank	0.152**	0.181*	0.122	0.395***	0.045
	(0.063)	(0.093)	(0.089)	(0.117)	(0.083)
Election	-0.125**	-0.077	-0.173**	-0.252***	-0.082
	(0.049)	(0.076)	(0.067)	(0.094)	(0.062)
ТА	0.680***	0.850***	0.296	0.976***	0.578**
	(0.179)	(0.262)	(0.223)	(0.325)	(0.247)
Equity_ratio	-0.005	-0.010	-0.021	0.017	-0.003
	(0.040)	(0.057)	(0.041)	(0.069)	(0.058)
ROA	0.050	0.198	-0.004	0.074	-0.038
	(0.203)	(0.225)	(0.255)	(0.280)	(0.277)
NO_expenses	-0.012	-0.010	0.002	0.025	-0.026*
	(0.010)	(0.012)	(0.013)	(0.017)	(0.014)
Population	-0.001	-0.041	-0.016	-0.089	-0.045
	(0.048)	(0.080)	(0.059)	(0.099)	(0.066)
GDP_capita	0.046	0.120	0.102	-0.124	0.090
	(0.145)	(0.323)	(0.137)	(0.288)	(0.238)
$GDP_{-}growth$	-0.000	-0.001	-0.000	0.000	-0.000
	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)
Constant	-9.143***	-12.035**	-3.837	-11.226*	-7.469
	(3.120)	(4.939)	(3.807)	(5.832)	(4.640)
Observations	2,120	1,041	1,042	628	1,448
Adjusted R-squared	0.706	0.698	0.735	0.689	0.708
State-FE	Yes	Yes	Yes	Yes	Yes
Year-FE	Yes	Yes	Yes	Yes	Yes
Bank-FE	Yes	Yes	Yes	Yes	Yes
Cluster	Bank	Bank	Bank	Bank	Bank

Table 9:	The role of	political	contest and	l orientation	in	politically	v associated	CSR
LUDIC 01		ponoioui	concost and	orionication	***	ponoidany	abboolatou	

Note: Column 1 presents the results of the baseline OLS regression (Table 7, column 6) that tests Hypothesis 1 on the full sample, including state, year and bank fixed effects. Column 2 (3) presents results for a sub-sample of bank-year observations that operate in regions where the political contest, *Contested*, is larger than (smaller than or equal to) the median. Column 4 (5) presents results for a sub-sample of bank-year observations where the respective chairperson is a member (not a member) of a left-wing party. Details of variable definitions and relevant subscripts can be found in the Appendix Table A2. Continuous variables which are not scaled are log-transformed and all continuous variables are winsorized at the 1st and 99th percentile. *, ** and *** indicate significance at the 10%, 5%, and 1% significance level, respectively. Standard errors (clustered by bank) are reported in parentheses.

		Lable 10	I'he pe	rtormance	implicati	ons of pc	litically a	associated	CSR			
	(1)	(2)	(3)	(4)	(5)	(9)	(2)	(8)	(6)	(10)	(11)	(12)
Dependent variable	ROA_m1	ROA	ROA_p1	ROA_p2	ROA_m1	ROA	ROA_p1	ROA_p2	ROA_m1	ROA	ROA_p1	ROA_p2
		Full s	sample			High CS	R sample			Low CSI	λ sample	
$Election \times SavingsBank$	0.023^{*}	-0.005	-0.007	0.000	0.034^{*}	0.014	-0.003	0.035	0.023	-0.033*	-0.020	-0.019
	(0.013)	(0.011)	(0.013)	(0.015)	(0.019)	(0.017)	(0.017)	(0.023)	(0.021)	(0.017)	(0.021)	(0.021)
Election	-0.014	0.010	-0.003	0.004	-0.027	0.000	0.004	-0.011	-0.012	0.015	0.002	0.011
	(0.012)	(0.009)	(0.012)	(0.012)	(0.017)	(0.016)	(0.015)	(0.018)	(0.019)	(0.013)	(0.018)	(0.018)
GDP_capita	0.061^{**}	0.002	0.011	0.001	0.029	-0.030	0.005	0.017	0.087	0.037	0.009	0.006
	(0.030)	(0.027)	(0.017)	(0.017)	(0.028)	(0.023)	(0.022)	(0.034)	(0.055)	(0.043)	(0.035)	(0.027)
$GDP_{-growth}$	-0.000	0.000	-0.000	0.000	-0.000	0.000	-0.000	-0.000	-0.000	-0.000	-0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.00)	(0.00)	(0.000)	(0.000)	(0.00)	(0.000)	(0.000)	(0.000)	(0.000)
Population	-0.010	0.004	0.003	0.008	0.006	-0.002	0.009	0.016	-0.020**	0.005	0.003	0.006
	(0.006)	(0.007)	(0.008)	(0.007)	(0.011)	(0.010)	(0.013)	(0.013)	(0.00)	(0.012)	(0.011)	(0.010)
Constant	-0.079	0.364	0.271	0.306	0.070	0.756^{**}	0.260	0.038	-0.228	-0.012	0.302	0.282
	(0.319)	(0.299)	(0.206)	(0.206)	(0.324)	(0.306)	(0.302)	(0.438)	(0.590)	(0.468)	(0.372)	(0.294)
Observations	1,736	2,120	1,950	1,738	816	1,003	921	808	827	1,016	923	828
Adjusted R-squared	0.672	0.678	0.665	0.677	0.682	0.698	0.681	0.664	0.647	0.669	0.650	0.680
State-FE	\mathbf{Yes}	\mathbf{Yes}	\mathbf{Yes}	$\mathbf{Y}_{\mathbf{es}}$	Yes	\mathbf{Yes}	\mathbf{Yes}	Yes	Yes	Yes	\mathbf{Yes}	\mathbf{Yes}
Year-FE	\mathbf{Yes}	$\mathbf{Y}_{\mathbf{es}}$	\mathbf{Yes}	$\mathbf{Y}_{\mathbf{es}}$	Yes	$\mathbf{Y}_{\mathbf{es}}$	$\mathbf{Y}_{\mathbf{es}}$	Yes	\mathbf{Yes}	\mathbf{Yes}	\mathbf{Yes}	\mathbf{Yes}
Bank-FE	\mathbf{Yes}	Yes	\mathbf{Yes}	$\mathbf{Y}_{\mathbf{es}}$	Yes	\mathbf{Yes}	$\mathbf{Y}_{\mathbf{es}}$	Yes	Yes	Yes	\mathbf{Yes}	\mathbf{Yes}
Note: In this table, we expression of high CSR performed and the dependent variables <i>R</i> respectively. Other variable data in the respective year.	plore the imf formers (whe DA_m1 , RO_4 is are defined *, ** and **	plication of the $CSR_{-}f$ $A, ROA_{-}p$ in the Ap ** indicate	f politically y > median 1 and ROA . pendix Tab	associated C , columns 5- , 2 are calcu le A2. The s s at the 10%	SR for bank 8) and a san lated as the ample size d , 5%, and 1%	s' financial aple compr profit or lc leviates fro δ significan	performanc ised of low (ss, divided m the full s ce level, res	ce – for the f CSR perform by the avera ample of 2,2 pectively.	ull sample o ters (where of ge total asse 10 because o	f banks (cc $CSR-fy \leq CsR, in year$ its, in year of the unav	blumns 1-4), median, col t-1, t, t+ ailability of	a sample umns 9-12). 1 and $t + 2$ relevant