Forming Banking Relationships: The Role of Hiring Bankers*

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Abstract

How do firms acquire banking relationships, and what drives the lending benefits they generate? We show that firms can acquire relationship capital by hiring former bankers. Using loan-level data from a commercial bank matched to employment histories, we find that firms employing former bankers receive more credit at lower interest rates and face lower collateral requirements, but only from the branch where the banker previously worked. Loans issued by other branches of the same bank show no improvement. Our empirical design compares outcomes within the same firm-year across different branches of the same bank, holding hard information constant and isolating the contribution of soft information. Firms receive 22 percent more credit and pay interest rates that are 32 basis points lower from connected branches. The effects are stronger for smaller and younger firms, for firms with no prior relationship with the bank, and for bankers who previously held credit-related roles. Loan performance improves rather than deteriorates, ruling out favoritism. The benefits partially reverse when the hired banker leaves the firm, yet firms retain some advantage relative to firms that never hired a banker, consistent with hiring leading to a long-lasting firm-branch relationship.

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1 Introduction

We document that firms hiring former bankers receive more credit on better loan terms—but only from the branch where the banker previously worked. By comparing loan outcomes within the same firm-year across different branches of the same bank, we make two distinct contributions. First, our setting allows us to cleanly separate soft and hard information and thereby quantify the value of soft information in lending. Second, we show that firms actively use hiring as a way to form banking relationships.

Banks develop valuable information about borrowers through lending relationships. Some of this information is hard—verifiable data like financial statements, credit scores, and collateral records. But much of it is soft: subjective assessments of management quality, informal knowledge about operations, judgments that are difficult to codify or transmit (Stein, 2002; Petersen, 2004; Liberti and Petersen, 2019). While soft information is thought to explain why relationships matter, quantifying its value is empirically challenging because it is inherently unobservable and bundled with hard information. When a relationship bank offers better terms, it is unclear whether this reflects private soft knowledge or simply hard information that researchers cannot observe. Our setting overcomes this challenge by holding hard information fixed while varying soft information. When a firm borrows from multiple branches of the same bank, each branch accesses the same centralized records—only soft information differs.

Our results also speak to how firms acquire banking relationships. The extant literature documents that relationships are valuable and treats relationship capital as accumulating passively through repeated interactions over time (Petersen and Rajan, 1994; Berger and Udell, 1995; Boot, 2000) or through pre-existing social and personal connections (Engelberg et al., 2012; Karolyi, 2018). We show that firms can take a more active role. By hiring former bankers, they are not just acquiring human capital but also acquiring relationship capital with a specific financial institution. This suggests that hiring decisions, typically viewed through the lens of productivity and skills, may also have financing implications.

The analysis uses a novel dataset that combines loan-level information with resumes of bankers. The credit data come from a large commercial bank in Iran that cover the universe of corporate loans originated at this institution over a 15-year period from 2009 to 2024. We observe detailed

loan terms—amounts, interest rates, collateral requirements, maturity, and subsequent repayment outcomes—for over 180,000 loans to more than 26,000 firms. We match these records to employment histories from the country's leading resume platform, which hosts approximately two million resumes and allows us to track banker movements from specific branches to non-financial firms. This matching enables us to identify precisely which firms hire former employees of which branches.

We begin by evaluating who hires former bankers. We find that smaller firms, younger firms, and firms without an existing relationship with the bank are more likely to do so. This pattern is consistent with firms using hiring strategically to overcome information frictions. Firms that are opaque or lack established banking relationships have the most to gain from acquiring relationship capital—and they are precisely the ones more likely to pursue this channel.

Our empirical strategy compares loan outcomes for the same firm in the same year across different branches of the same bank. We build on Khwaja and Mian (2008), who use within-firm variation across banks to separate credit supply from demand. We go one step further by exploiting within-firm, within-bank, across-branch variation—holding constant not only firm-level demand but also bank-level supply shocks and hard information. Differences in loan terms across branches of the same bank therefore cannot reflect firm quality, bank-wide credit conditions, or differences in hard information. We find that firms employing a former banker receive 22 percent more credit, pay 32 basis points lower interest rates, and face 12 percent lower collateral requirements from the branch where that banker previously worked. These effects are economically significant—the interest rate reduction is comparable to a one-notch improvement in credit rating. Loans from other branches of the same bank show no improvement, confirming that the benefit is tied to the specific branch, not to general advantages of having a banker on staff.

An alternative explanation is that better terms reflect favoritism rather than information (La Porta et al., 2003; Khwaja and Mian, 2005; Cornaggia et al., 2016; Lucca et al., 2014). Former bankers may extract favors from old colleagues rather than transmit useful knowledge about their new employers. We assess this possibility by examining loan performance. If connected loans reflected quid-pro-quo, they should perform worse—bankers would be helping firms obtain credit beyond what their creditworthiness warrants. The soft information interpretation predicts similar or better performance, as improved screening should reduce default risk. Controlling for observable loan terms, we find that loans from connected branches are less likely to default. Notably, this

improvement is confined to loans from the branch where the hired banker previously worked; loans from other branches of the same bank show no change in performance. This is consistent with soft information improving screening rather than distorting it.

Several additional results support the soft information interpretation. First, effects are stronger for informationally opaque borrowers—smaller firms and younger firms, and for firms with no prior borrowing relationship with the bank (Berger and Udell, 2002; Berger et al., 2005). These are precisely the firms for whom soft information should matter most. Second, effects on interest rates are concentrated among former bankers who held credit-related roles such as loan officer or credit analyst (Uchida et al., 2012). Effects on both credit quantity and pricing are stronger for bankers who held mid-to-senior positions; bankers in junior positions produce no discernible effect. Third, the effect declines with the time elapsed since the banker left the bank, and increases with banker's tenure at the branch—consistent with relationship capital that can be acquired relatively quickly but depreciates with distance from the institution.

These patterns help distinguish soft information from alternative mechanisms. A large literature documents that firms benefit from the human capital of hired financial experts — whether at the board level (Kroszner and Strahan, 2001; Güner et al., 2008), the CEO level (Custódio and Metzger, 2014), or among rank-and-file employees (Chernykh and Mityakov, 2022). One might argue that former bankers help firms by providing general institutional knowledge—understanding the bank's credit policies, application procedures, or internal decision-making processes. But such expertise is not branch-specific; a banker who understands how the institution operates could help a firm navigate any branch. We find that benefits are confined to the banker's former branch—absent from both other branches of the same bank and from other banks entirely—and that the effects decline with the time elapsed since the banker left the bank, suggesting that soft information that resides with specific individuals at specific locations rather than financial expertise drives our results (Stein, 2002).

We address several additional concerns. First, one might worry that firms hire bankers because they already have strong relationships with that branch. We examine loan terms before and after hiring and find no evidence of differential treatment prior to the banker joining the firm—the differences appear only after hiring. Second, selection into hiring could bias our estimates if struggling firms are more likely to recruit bankers. We find that firms hiring former bankers are not

observably worse along dimensions like size, age, or prior loan performance—and our within-firm-year design absorbs any such differences regardless. Third, our identification relies on within-firm-year variation, which rules out time-varying firm-level confounds, and include firm-by-branch fixed effects, absorbing any time-invariant features of specific lending relationships.

We next evaluate whether the benefits of hiring a former banker reflect a one-time relationship formation—establishing a connection that persists independently—or whether they require the banker's continued presence at the firm. To distinguish between these possibilities, we examine loan outcomes following the departure of the hired banker from the firm. The effects partially reverse upon departure—credit access declines and interest rates rise at the connected branch—suggesting that the banker's continued presence facilitates the ongoing transmission of soft information. Yet these firms retain some advantage relative to firms that never hired a banker, consistent with hiring leading to a long-lasting firm-branch relationship.

A natural question is whether our findings generalize beyond this setting. Iran's banking sector differs from developed markets in important ways—credit bureaus are less developed, formal credit scoring plays a smaller role, and relationship lending remains central to credit allocation. These features may amplify the value of soft information, meaning our estimates may represent an upper bound. However, the underlying mechanisms are not unique to Iran. Soft information matters wherever borrowers are opaque and lenders rely on judgment (Petersen and Rajan, 1994; Berger and Udell, 1995). Bankers move to non-financial firms in every economy (Lucca et al., 2014; Cornaggia et al., 2016). And the organizational frictions that prevent information from flowing across branches—the fact that soft knowledge resides in people, not systems—are universal features of large institutions (Stein, 2002; Liberti and Mian, 2008). The specific magnitudes may differ in settings with different credit infrastructure, but the qualitative patterns are likely to hold: hiring a banker helps, but only at the branch where soft information resides.

Our paper contributes to the literature on how firms form banking relationships. Prior work has largely treated relationship capital as accumulating passively—either through repeated interactions over time (Petersen and Rajan, 1994; Boot, 2000) or through pre-existing social connections. Engelberg et al. (2012) show that when firm and bank executives share educational or professional ties, loan spreads are lower and loan amounts larger. Karolyi (2018) uses exogenous executive turnover to identify the causal effect of personal relationships, finding that borrowers whose

connected banker departs receive worse loan terms. These papers study connections that arise from shared backgrounds or prior affiliations rather than deliberate firm choices. In contrast, we show that firms can actively create relationships through hiring. By recruiting a former banker, a firm gains immediate access to relationship capital at a specific branch. This finding reframes relationship formation as a strategic choice rather than a passive outcome, and suggests that labor market decisions may have first-order effects on firms' access to credit.

We also contribute to the literature on relationship banking and soft information. A large body of work documents that lending relationships improve credit access and loan terms, particularly for opaque borrowers (Petersen and Rajan, 1994, 1995; Berger and Udell, 1995; Boot, 2000; Degryse and Van Cayseele, 2000). The theoretical premise is that relationships allow lenders to accumulate soft information that cannot be easily verified or transmitted (Stein, 2002; Berger and Udell, 2002). A related literature examines the role of loan officers in producing soft information, showing that loan officer turnover disrupts lending and harms borrowers (Scott, 2006; Uchida et al., 2012; Drexler and Schoar, 2014; Hertzberg et al., 2010). We contribute by providing a clean test of soft information's value. Our within-bank, across-branch design holds hard information fixed, allowing us to quantify soft information's contribution directly rather than inferring it as a residual.

2 Data

2.1 Corporate Loan Data

Our primary dataset consists of corporate loans originated by a major commercial bank in Iran, spanning a 15-year period from 2009Q2 to 2024Q1. The data cover a large random sample of corporate loans issued by the bank during this period and include 183,689 loan originations to 26,081 unique firms, originated by more than 1,000 distinct bank branches. Each observation corresponds to a loan issued by a specific branch of the bank to a given firm. Because the majority of loans are extended to finance working capital, it is not uncommon that a firm receives multiple loans within a year.

The dataset provides granular loan-level information, including unique identifiers for both the originating branch and the borrowing firm, as well as detailed contract characteristics such as loan amount, interest rate, maturity, contractual form, stated purpose, and collateral structure. It also

tracks ex post loan performance using disaggregated delinquency measures, distinguishing among current balances, past-due amounts, overdue balances, and doubtful receivables. For borrowing firms, the dataset records core legal and administrative identifiers, including the firm's legal name, registration number, and national identification number. In addition, it contains rich borrower attributes, such as the firm's year of establishment, the date and branch at which the firm opened its initial account with the bank, detailed industry and sub-industry classifications based on ISIC codes, and precise geographic identifiers.

2.2 Resumes Data

To track the movement of personnel between bank branches and borrowing firms, we match the corporate loans data to the largest available database of resumes in the country. These resumes are sourced from the country's leading job platform, which hosts more than 3 million unique profiles. By searching for the bank's name in individuals' employment histories, we identify transitions of bankers from specific bank branches to nonfinancial firms, allowing us to trace movements from lending branches to borrowing firms.

For each firm–branch pair, we construct an indicator capturing whether the borrowing firm is employing a banker who previously worked at that branch prior to joining that firm. The procedure begins by identifying resumes that report employment at both the firm and the branch. Among these candidates, we retain only cases in which the individual's tenure at the bank branch strictly precedes their employment at the firm. Eventually, we construct an indicator variable, $Banker\ present_{ijt}$, equals one if firm i employs a former employee of branch j at time t, and zero otherwise. This construction is applied to all branch–firm pairs in the dataset.

Resumes that report only the city or neighborhood of the bank branch, without mentioning the branch code, are excluded unless the region contains onyl one branch. When employment dates are reported at a monthly frequency, the independent variable $Banker\ present_{ijt}$ is assigned a value of one only in periods that clearly overlap with the banker's tenure at the firm.

Figure A1 presents a hypothetical resume for a banker who was employed as a loan manager at Tejarat Bank, branch 040, from June 2011 to August 2016. She later joined Farazmaher Asia Company, where she was employed from September 2016 to February 2018. Under the assumption that Farazmaher Asia Company did not hire any other bankers who had previously worked at branch

040, we code the independent variable $Banker\ present_{ijt}$ as one for the Farazmaher Asia–Branch 040 pair from September 2016 through February 2018.

As of February 2026, the resume database contains over 3 million unique profiles, encompassing all entries and user updates made at any point in time. On average, approximately 81.1 percent of resumes are complete, including both education and employment dates. We conducted a thorough screening of roughly 20 thousand resumes that reported past employment at the bank at some point in order to identify relevant matches. The employment histories of all resumes that survived the matching procedure were manually reviewed to ensure accuracy. To safeguard user privacy, all resumes were anonymized prior to review.

In the final sample, we record approximately two thousand instances of bankers being hired by borrowing firms over the 60 quarters of the sample period. Among these hires, approximately 76.8 percent previously held medium- or high-ranking positions at the bank. Table A2 presents the complete list of job titles reported on the resumes. Panels A, B, and C correspond to low-, mid-, and high-ranking positions, respectively. Within each panel, column 2 reports the percentage share of each job title. Among low-ranking roles, bank teller is the most prevalent title, while among high-ranking positions, deputy head of the branch is the most common. Column 4 of Table A2 indicates whether a given job title is associated with the bank's loan office.

2.3 Sample Statistics

The loan-level dataset comprises 183,689 loan originations. The average loan size is 15.7 billion Iranian rials (IRR), corresponding to approximately 148.3 thousand USD, while the median loan size is substantially smaller at 1.3 billion IRR (26.5 thousand USD), indicating a strongly right-skewed distribution. The average interest rate is 0.2, with an interquartile range tightly concentrated between 0.1 and 0.2. Loan maturities are predominantly short, with a median term length of 11 months. Additional loan-level descriptive statistics are reported in Table 1.

Panel B of Table 1 shows that majority of loans, 66.2 percent, are issued for working capital financing. Business start-ups account for 21.1 percent of loans, followed by business expansion at 12.4 percent. Loans issued for miscellaneous purposes constitute a negligible share of the sample. Finally, Panel C presents descriptive statistics on hired former bankers. Former bankers hired by borrowing firms have an average tenure of 9.5 years at the bank, with a median of 9 years. The gap

between leaving the bank and joining the borrowing firm averages 5.2 years. Once hired, bankers remain with borrowing firms for an average of 5.0 years.

Firm-level characteristics are summarized in Table A1. As of 2023, the end of the sample period, most borrowing firms are middle-aged: 66.2 percent are between 6 and 15 years old, while 31.9 percent are older than 15 years. Young firms aged five years or less account for less than 2 percent of the sample. In terms of firm size, micro and small firms dominate the sample. Firms employing fewer than 50 workers represent over 62 percent of observations, while medium-sized firms account for 21.5 percent. Large and very large firms together comprise approximately 16 percent of borrowers.

Panels C and D of Table A1 report industry composition and legal form. Borrowers are primarily concentrated in agriculture, which accounts for 57.7 percent of firms, followed by construction at 22.8 percent and mining and quarrying at 10.3 percent. Manufacturing firms represent less than 1 percent of the sample. Limited liability companies are the most common organizational form, accounting for 38.8 percent of firms, followed by sole proprietorships at 22.0 percent and partnerships at 15.1 percent. Corporations, both private and public, jointly represent approximately 14 percent of the sample.

3 Empirical Design

This section outlines the empirical strategy to examine whether loan contracting outcomes are more favorable when the borrowing firm employs a former employee of the lender. First, we delineate the empirical framework used to assess whether firms that hire former bankers differ systematically from other firms.

3.1 Who Is Hiring Bankers?

The objective of this section is to examine whether firms that hire former bankers differ systematically from other firms, and to identify the dimensions along which such differences arise. To assess this, we estimate the following equation:

$$Y_{it} = \beta \cdot \mathrm{X}_{it} + \alpha_t + \gamma_s + \delta_p + \varepsilon_{it}, \tag{1}$$

where i indexes firms and t indexes year-quarters. The variable X_{it} captures firm-level characteristics. The explanatory variables are indicators for firm characteristics associated with greater informational opacity. The variable No borrowing history is an indicator for firms that have never obtained a loan from the bank. When it equals one in a given firm-quarter, it indicates that the firm had not received a loan from the bank prior to that quarter. New customer designates clients that recently opened their first account with the bank, defined as those whose account opening year falls in the top quintile of the distribution. Small firm equals one for firms with 49 or fewer employees, and Young firm identifies firms whose incorporation year falls in the top quintile of the distribution.

The term α_t denotes quarter fixed effects, allowing the analysis to exploit within-quarter variation in the likelihood of hiring a former banker. The term γ_s represents industry fixed effects, which control for industry-specific differences in hiring practices. The term δ_p denotes province fixed effects. Lastly, ε_{it} represents the error term.

The coefficient of interest, β, measures the association between firm characteristics and the likelihood of hiring a former banker in a given quarter. We construct three dependent variables. First, we define an indicator equal to one for a given firm-quarter pair if the firm hires a former banker in that quarter who previously worked at the bank, and zero otherwise. Second, we define an indicator equal to one if the firm hires a former banker who previously held a middle- or high-level position at the bank, and zero otherwise. Third, we define an indicator equal to one if the firm hires a former banker who previously held a middle- or high-level position specifically related to lending activities, and zero otherwise. For a detailed list of banker job titles in the data and their classification as middle- to high-level or lending-related positions, see Table A2.

3.2 Credit From Connected Branches

This section outlines the empirical strategy used to examine whether a firm that hires a former employee of a branch has significantly greater access to credit from the branch where the hired former banker used to work, compared to the firm's access to credit from other branches of the same bank in a given quarter. In addition, conditional on the firm having credit outstanding from the branch where the hired former banker used to work, we examine whether such credit has significantly better terms. Specifically, we test whether such credit is larger in size, carries lower

interest rates, and requires less collateral.

The main empirical challenge in examining the association between hiring a former banker and firm's credit outcomes is that firms employing former bankers may differ systematically from firms that do not. If firms with better prospects or stronger fundamentals are more likely to hire bankers, then any observed improvement in loan terms could reflect firm quality rather than influence of hiring. Controlling for observable firm characteristics does not fully resolve this concern, as unobserved factors may drive both hiring decisions and credit outcomes. A second challenge is that soft and hard information are typically bundled in lending relationships. When a relationship bank offers better terms, it is difficult to determine whether this reflects private soft knowledge or simply hard information that researchers cannot observe. An ideal research design would hold firm characteristics constant while isolating variation in soft information.

Our empirical strategy builds on Khwaja and Mian (2008), who use within-firm variation across banks to separate credit supply from demand. By comparing how the same firm is treated by different banks in the same period, their design holds firm-level demand constant and isolates bank-side factors. We extend this approach by exploiting within-firm, within-bank, across-branch variation. Specifically, we compare loan outcomes for the same firm in the same year from different branches of the same bank. This design holds constant not only firm-level demand but also bank-level supply shocks and, crucially, hard information. In our setting, hard information is centralized—all branches of the bank access the same financial statements, credit history, and collateral records. What varies across branches is soft information: the branch where the hired banker previously worked possesses soft knowledge about the firm, while other branches do not.

Our most stringent specification includes three sets of fixed effects. Firm-year fixed effects absorb all time-varying firm characteristics, ensuring that comparisons are made across branches for the same firm in the same year. Branch-year fixed effects absorb time-varying credit supply conditions and local economic shocks at the branch level. Firm-branch fixed effects absorb time-invariant features of specific lending relationships, such as geographic proximity or historical ties. With this structure, identification comes from comparing loan terms at connected branches—where the hired banker previously worked—to loan terms at non-connected branches of the same bank, for the same firm, in the same year.

Figure A2 illustrates the identifying variation in our empirical design. The figure provides a

stylized example of loans issued to firms by different branches of the same bank within a calendar year. Rectangles represent firms, circles represent bank branches, and dashed arrows denote loans.

In the example, firm F1 borrows from branches B1, B2, and B4 during the same year. Suppose that, in that year, F1 hires a former banker who previously worked at branch B2. In this setting, branch B2 is the connected branch, while B1 and B4 remain non-connected branches. Our empirical design compares the loan outcomes that F1 receives from B2 with the loan outcomes it receives from B1 and B4 within the same year.

Formally, we estimate the following equation:

$$Y_{ijt} = \beta \cdot \text{Banker present}_{ijt} + \alpha_{it} + \gamma_{jt} + \delta_{ij} + \varepsilon_{ijt}, \tag{2}$$

where Y_{ijt} denotes the outcome for firm i at branch j in year t. Our primary outcomes are the inverse hyperbolic sine of credit outstanding, the annualized interest rate, and collateral requirements. $\textit{Banker present}_{ijt}$ is an indicator equal to one if firm i employs a former employee of branch j in year t. The terms α_{it}, γ_{jt}, and δ_{ij} represent firm-year, branch-year, and firm-branch fixed effects, respectively. Standard errors are clustered at the firm level to account for serial correlation within firms.

The identifying assumption is that, absent hiring a former banker, access to credit and loan terms from connected and non-connected branches for the same firm would have evolved similarly. We assess this assumption by examining pre-trends. If firms that eventually hire a banker were already receiving favorable treatment from the to-be-connected branch, this would suggest reverse causality—that good relationships precede hiring rather than follow from it. We find no evidence of differential outcomes prior to hiring; they appear only after the banker joins the firm. A related concern is selection into hiring. If struggling firms hire bankers in an attempt to improve credit access, our estimates could be biased. However, our firm-year fixed effects absorb any firm-level selection, and the within-firm-year design ensures that time-varying firm quality cannot explain differences across branches.

3.3 Performance of Loan From Connected Branches

In this section, we examine whether loans issued by connected branches exhibit differential repayment performance relative to comparable loans. The underlying data classify each loan into mutually exclusive performance categories that reflect escalating repayment distress: current balances, past-due amounts, overdue balances, and doubtful receivables. Current balances correspond to loans in good standing. Past-due amounts capture early-stage delinquency, defined as cases in which more than two months but no more than six months have elapsed since the contractual due date of principal or interest, or since installment repayments were formally suspended. Overdue balances refer to loans for which more than six months but fewer than eighteen months have elapsed since the due date or suspension. Doubtful receivables represent the most severe category and include loans for which more than eighteen months have passed since the due date or suspension of repayments.

Our empirical analysis focuses on more persistent forms of repayment distress. Specifically, we construct two delinquency indicators. Delinquent (6–18 months) equals one if more than six months but fewer than eighteen months have elapsed since the contractual due date or suspension of installments. Delinquent (18+ months) equals one if more than eighteen months have elapsed. The latter captures severe and prolonged repayment failure. We do not use the early past-due category as an outcome, as it reflects short-term liquidity frictions rather than sustained default risk.

The analysis is conducted using a cross-sectional dataset of all loan originations in the sample. For each loan, we track subsequent repayment outcomes and relate them to whether the issuing branch is connected. The key empirical challenge is to ensure that performance comparisons are made across loans with similar ex ante risk profiles. Loans with comparable interest rates and collateral requirements should, in principle, reflect similar underlying credit risk assessments.

To implement this comparison, we partition interest rates into five quintiles. We also classify collateral requirements into three categories: (i) loans without collateral, (ii) loans with collateral that are not fully collateralized, defined as a collateral-to-loan ratio below one, and (iii) fully collateralized loans, defined as a collateral-to-loan ratio equal to or greater than one. These groupings allow us to compare loans within relatively homogeneous contractual risk categories.

We estimate the following regression:

$$\text{Delinquent}_{ijl} = \beta \cdot \text{Banker present}_l + \alpha_{rc} + \gamma_t + \delta_i + \varepsilon_{ijl}, \tag{3}$$

where $Delinquent_{ijl}$ denotes one of the two delinquency indicators for loan l received by firm i and issued by branch j, where r indexes the interest rate quintile and c the collateral category. The indicator $Banker\ present_l$ equals one if, at the time of loan issuance, the borrowing firm employed a former employee from any branch of the lending bank, and zero otherwise. The fixed effects α_{rc} absorb all combinations of interest rate and collateral categories, ensuring that comparisons are made within loans with similar contractual terms. The term γ_t denotes issuance year fixed effects, which control for time-varying shocks to credit supply and regulatory conditions. The firm fixed effects δ_i account for time-invariant heterogeneity in borrower quality.

Furthermore, we reestimate equation 3 by decomposing the main independent variable into two mutually exclusive indicators. Specifically, we replace $Banker\ present_l$ with $Same\text{-}Branch\ banker_l$ and $Other\text{-}Branch\ banker_l$. The variable $Same\text{-}Branch\ banker_l$ equals one for loans issued to a firm that employed a former employee of the issuing branch, and zero otherwise. In contrast, $Other\text{-}Branch\ banker_l$ equals one for loans issued to a firm that employed a former employee of any branch other than the issuing branch, and zero otherwise.

The coefficient of interest, β, measures whether loans issued by connected branches experience systematically different repayment outcomes relative to observationally similar loans issued to the same firm in the same year and with comparable contractual terms. A negative estimate would indicate superior performance of loans issued by connected branches, whereas a positive estimate would suggest weaker repayment performance.

4 Results

Using the empirical strategy outlined in Section 3, we present the main estimation results. We first examine whether firms that hire former bankers differ systematically from other firms, and, if so, along which dimensions these differences arise. Next, exploiting within–firm-year variation, we study the effect of employing a former banker on the outcomes of loans issued to the same firm in

the same year by the bank branch where the hired banker previously worked, relative to loans issued to the same firm in the same year by other branches of the same bank. Finally, to shed light on the economic mechanisms underlying the findings, we examine the subsequent performance of loans originated to firms that hire a former banker by the bank branch where that banker was previously employed.

4.1 Who Is Hiring Bankers?

Table 2 reports coefficient estimates of Equation 1, which examines whether firms that hire former bankers differ systematically from those that do not. In Panel A, the dependent variable is an indicator equal to one for a firm-quarter observation if the firm hires a former employee of the bank in that quarter, and zero otherwise. Panel B focuses on hirings of former bankers who previously held medium- or high-level positions during their tenure at the bank. Panel C further restricts attention to hirings of former bankers who held medium- or high-level positions specifically related to lending activities. Table A2 provides the list of job titles held by bankers during their tenure at the bank and their classification by rank and lending relevance.

Panel A of Table 2 shows that firms without prior borrowing history are no more likely to hire a former banker, as the coefficient is statistically indistinguishable from zero. In contrast, firms that recently opened an account with the bank are significantly more likely to hire a former banker. Small firms and young firms also exhibit a higher probability of such hires. The estimated coefficients are positive and statistically significant. Although the magnitudes are small in absolute terms, they are economically meaningful relative to the low baseline probability of hiring a former banker.

Restricting attention to former bankers who held medium- or high-level positions reveals stronger patterns. Firms with no prior borrowing history are significantly more likely to hire such individuals. Similarly, new customers, small firms, and young firms are more likely to recruit former bankers who previously held more senior positions. For example, the coefficient for new customers implies a sizable increase in the likelihood of hiring a more senior former banker.

When further restricting the sample to former bankers with medium- or high-level lending-related roles, the results remain positive and statistically significant across all firm characteristics. Firms with no borrowing history, recent customers, small firms, and young firms are all more likely to hire former bankers with senior lending experience. The magnitudes of the estimated coefficients

remain economically meaningful relative to the baseline probability of such hires.

Overall, the evidence in Table 2 suggests that firms facing greater informational frictions are more likely to recruit former bankers, particularly those with senior or lending-related experience. This pattern is consistent with the interpretation that firms facing greater informational frictions have stronger incentives to build banking relationships.

4.2 Having a Former Banker On Team

Section 4.1 documents the ex-ante disparities in characteristics between firms that engage in hiring bankers and those that do not. This underscores the need to address endogeneity concerns. To this end, our analysis exploits within-firm variation by including firm-year fixed effects, such that both treated and control loans are granted to the same firm by different branches of the same bank within the same calendar year. In addition, our regression models incorporate branch-year fixed effects to account for time-varying heterogeneity across lending branches, including localized credit supply shocks such as credit quotas, as well as firm-branch fixed effects to control for time-invariant heterogeneity in the lending relationship between a given firm and a specific branch.

Using the loan issuance data, we construct a fully balanced quarterly panel at the firm–branch level. Each panel observation corresponds to a firm–branch–quarter and records the outstanding credit held by the firm from that branch during the quarter. We also construct the interest payment due in each quarter for the corresponding firm–branch pair. Using the accrued interest and outstanding credit, we then compute the implied annual interest rate on the credit held by the firm from that branch in that quarter. In a similar manner, we construct measures of collateral requirements. Specifically, we create an indicator for whether collateral was posted for the credit and a collateral intensity measure defined as the monetary value of collateral relative to the loan amount. We now implement the empirical strategy outlined in Section 3.2.

Table 3 reports coefficient estimates from estimating regression Equation 2. The table is organized into two panels. Panel A examines the association between the presence of a hired former banker and the hiring firm's access to credit from the bank branch at which the hired former banker previously worked. Panel B examines how the presence of a former banker relates to the terms of credit conditional on obtaining credit.

Panel A reports estimates for credit access and credit outstanding. In columns 1–3, the

dependent variable is an indicator equal to one if the firm has non-zero credit outstanding from a given branch in a given quarter. In the most demanding specification shown in column 3, which includes firm-by-year, branch-by-year, and firm-by-branch fixed effects, the coefficient on *Banker present* is positive and statistically significant. This implies that having a former banker at firm is associated with over 11 percentage points increase in having credit outstanding from the branch at which the hired former banker previously worked compared to other branches of the same bank during the same calendar year. Given that the mean of the dependent variable is 0.22, this estimate implies that the presence of a former banker increases the likelihood that a firm obtains credit from the corresponding branch by roughly 50 percent relative to the mean.

Columns 4–6 examine the amount of credit outstanding using the inverse hyperbolic sine transformation of credit. In the most stringent specification in column 6, the coefficient estimate is positive and statistically significant. This indicates that the presence of a former banker is associated with substantially higher credit balances from the connected branch compared to credit held by the same firm from other branches of the same bank during the same calendar year.

Panel B shifts the focus to terms of credit. For the price of credit, we also find a statistically significant effect of banker presence. Columns 1–3 report results for the annualized interest rate on the outstanding credit. In the specification with the full set of fixed effects in column 3, the coefficient on *Banker present* is –0.33 and statistically significant at the 1 percent level, implying that credit held by firms employing a former banker is significantly cheaper when it is issued from the branch at which the hired former banker previously worked compared to credit held by the same firm issued from other branches of the same bank during the same calendar year.

Columns 4–6 examine whether the loan is collateralized. In the most demanding specification in column 6, the coefficient estimate is 0.02 and statistically insignificant, indicating that the presence of a former employee of the lender has no significant effect on whether a loan requires collateral. However, the coefficient estimates in columns 7–9 show that the presence of a former banker can reduce collateral requirements on the intensive margin. Specifically, we find that the collateral-to-loan ratio is significantly lower for credit held by banker-hiring firms when the credit is issued by the connected branch, compared to credit held by the same firm but issued by other branches of the same bank during the same calendar year. Given that the mean collateral-to-loan ratio is 2.20, the coefficient estimate suggests that collateral requirements relative to the loan amount are over

12 percent lower for credit issued by the branch where the hired former banker previously worked, compared to credit held by the same firm but issued by other branches of the same bank during the same calendar year.

Overall, the results in Table 3 indicate that hiring a former banker is associated with improved access to credit and more favorable borrowing terms from the connected branch, the branch at which the hired former banker previously worked. This is compared to loan contracting outcomes for the same firm in the same calendar year from other branches of the same bank. The presence of a former banker improves access to credit and terms of loan contracts including a higher likelihood of having a credit balance outstanding, larger credit balances, lower interest rates, and lower collateral requirements relative to the loan amount.

5 Mechanism

5.1 Performance of Loans

Using the empirical strategy outlined in Section 3.3, we use within–issuance-year variation to test whether loans issued by connected branches, the branch at which the hired former banker previously worked, perform differently from otherwise comparable loans issued in the same calendar year with similar interest rate and collateral requirements. Table 7 reports the results in two panels. In both panels, the dependent variable in Columns 1 to 3 is an indicator equal to one if a loan is recorded as delinquent in the sense that more than six months but fewer than eighteen months have elapsed since the contractual due date. The dependent variable in Columns 4 to 6 is an indicator equal to one if a loan is delinquent and more than eighteen months have elapsed since the contractual due date.

Panel A reports estimates of Equation 3. In Columns 1–3, the coefficient estimate is negative and statistically significant in the most demanding specification shown in Column 3, which controls for time-invariant heterogeneity across firms. This coefficient estimate implies that the probability that a loan falls into the six to eighteen months past due category is 1.5 percentage points lower when the loan is issued to a firm that, at the time of issuance, employs a former banker who previously worked at any branch of the bank. This comparison is made within the same calendar year and among loans with similar interest rate and collateral requirements. The magnitude of the coefficient

estimate is also economically meaningful. Relative to the baseline delinquency rate of 8 percent, this decline corresponds to roughly a 20 percent reduction.

The last three columns of Panel A show a similar pattern for the more severe delinquency measure. The coefficient is negative and statistically significant across all three specifications. In the most demanding specification shown in Column 6, the estimate implies that the probability that a loan is more than eighteen months past due is 1.2 percentage points lower when the borrowing firm, at the time of issuance, employs a former banker who previously worked at the bank. Relative to a baseline rate of 4 percent, this corresponds to roughly a 30 percent reduction.

Panel B decomposes the key independent variable into two mutually exclusive indicators, *Same-Branch banker* and *Other-Branch banker*, to distinguish whether the performance difference reflects the presence of any former banker at the firm regardless of whether the loan-issuing branch is exactly the branch where the hired banker used to work. The results indicate that the performance improvements are concentrated in loans issued by the branch where the hired former banker previously worked. In Columns 1–3, the coefficient on *Same-Branch banker* is negative and statistically significant across all specifications. The estimate in Column 3 implies a 2.9 percentage-point lower probability of being six to eighteen months past due when the issuing branch matches the banker's former branch. Relative to the 8 percent baseline, this corresponds to about a 36 percent reduction.

The last three columns of Panel B show an analogous pattern for loans more than eighteen months past due. The coefficient on *Same-Branch banker* is negative and statistically significant across specifications. In Column 6, the estimate implies a 2.0 percentage-point reduction. Compared to the 4 percent baseline, this corresponds to a 50 percent reduction. In contrast, the coefficient on *Other-Branch banker* is not statistically distinguishable from zero across specifications and for both delinquency measures, suggesting that the improvement in performance of loans issued to firms hiring a former banker is present only when the lender is the branch where the hired banker previously worked, indicating that the presence of a former banker per se does not decrease the likelihood of default.

5.2 Heterogeneity Analyses

This section presents heterogeneity analyses motivated by the hypothesis that informationally opaque firms benefit more from the presence of a former banker on the team. If former bankers facilitate the transmission of information from their employing firms to loan decision makers at their former branches, the effects should be stronger when information frictions are more severe.

Heterogeneity Analysis: Firm Characteristics We examine whether the effect of the presence of a former banker at a firm on access to credit is stronger for firms that are more informationally opaque, specifically firms with no prior borrowing history, small firms, and young firms. The results are shown in Table 4 across three panels. In all panels, columns 1–3 examine the amount of credit outstanding using the inverse hyperbolic sine of credit, while columns 4–6 examine the price of credit conditional on having non-zero credit, measured by the annualized interest rate on outstanding credit.

Panel A studies heterogeneity by prior borrowing history with the branch. The coefficient on *Banker present* in column 3 captures the effect for firms that previously borrowed from the branch. The estimate is positive and statistically significant, indicating that hiring a former banker increases the amount of credit outstanding for firms with prior borrowing relationships. The interaction term between *Banker present* and *No borrowing history* is also positive and statistically significant. This implies that the effect of the presence of a former banker at the firm is substantially larger for firms without prior borrowing relationships with the branch. Taken together, the estimates suggest that former bankers play an especially important role in facilitating credit expansion for firms that did not previously borrow from the branch. In the interest rate regressions in column 6, the coefficient on *Banker present* is negative and statistically significant, indicating that firms with prior borrowing relationships obtain credit at lower interest rates after hiring a former banker. The interaction term with *No borrowing history* is small and statistically insignificant, suggesting that the interest rate reduction does not differ meaningfully between firms with and without prior borrowing relationships.

Panel B examines heterogeneity by firm size, focusing on small firms defined as those with 10–49 employees. In column 3, the coefficient on *Banker present* is positive and statistically significant, indicating that for larger firms the presence of a former banker increases the amount of credit outstanding. The interaction between *Banker present* and *Small firm* is also positive and

statistically significant, with a coefficient of 1.749. This estimate implies that the increase in credit outstanding is larger for small firms relative to other firms. In the interest rate regressions in column 6, the coefficient on *Banker present* is small and statistically insignificant, suggesting no meaningful change in borrowing costs for larger firms. However, the interaction term with *Small firm* is negative and statistically significant. This indicates that small firms receive credit from the connected branch at significantly lower interest rates during the presence of the former banker.

Panel C studies heterogeneity by firm age, focusing on young firms defined as those in the top quintile by incorporation year. In column 3, the coefficient on *Banker present* is positive and statistically significant, indicating that hiring a former banker is associated with an increase in credit outstanding. The interaction between *Banker present* and *Young firm* is positive but statistically insignificant, suggesting that the credit expansion associated with hiring a former banker does not differ meaningfully between young and older firms. In the interest rate regressions in column 6, the coefficient on *Banker present* is negative but statistically insignificant, indicating that older firms receive credit from the connected branch at no lower interest rates during the presence of the former banker. In contrast, the interaction term is negative and statistically significant, suggesting that the reduction in interest rates is significantly larger for young firms relative to older firms.

Overall, the heterogeneity analyses reported in Table 4 indicate that the effects of the presence of a former banker at a firm on access to credit and terms of credit are particularly pronounced for firms that are typically more opaque. These firms include those that lack prior borrowing history with the bank, as well as small and young firms. The results suggest that the presence of former bankers at firms may be valuable in facilitating credit access, especially when informational barriers in credit markets are greater.

Heterogeneity Analysis: Banker Characteristics Next, we conduct heterogeneity analyses based on characteristics of hired former bankers. The results are shown in Table 5. The analysis examines whether the effects of the presence of a former banker at the firm on loan outcomes differ based on characteristics of the hired former banker. Specifically, the table studies heterogeneity by whether the hired former banker held a mid- or high-level position during their tenure at the bank and whether their position was related to lending activities.[1] The structure of the panels mirrors

[1]For the list of job titles held by bankers during their tenure at the bank and their classification by rank and lending relevance, see Table A2.

Table 4.

Panel A studies heterogeneity by the banker's rank at the bank. The coefficient on *Banker present* is positive and statistically significant, indicating that hiring such bankers significantly increases the amount of credit outstanding from the connected branch. The coefficient of the interaction term is also positive and statistically significant, implying that the increase in credit outstanding is larger when the hired banker previously held a more senior position at the bank.

Conditional on having a non-zero credit balance, column 6 shows that the coefficient on *Banker present* is not statistically significant, indicating that hiring a former banker who previously held a low-level position at the bank has no significant effect on the price of credit extended by the connected branch. However, the coefficient of the interaction term is negative and statistically significant. This implies that when the hired banker previously held a more senior position, the firm obtains credit at a substantially lower price from the connected branch.

Panel B examines heterogeneity by whether the hired banker previously held a position related to lending activities. In column 3, the coefficient on *Banker present* is positive and statistically significant, indicating that hiring a former banker whose prior role was not directly related to lending is also associated with an increase in credit outstanding from the connected branch. However, the coefficient of the interaction term is statistically insignificant, suggesting that the increase in credit outstanding from the connected branch does not differ meaningfully based on whether the banker previously held a lending-related position.

In the interest rate regression in column 6, the coefficient on *Banker present* is statistically insignificant, indicating no meaningful change in borrowing cost from the connected branch when the hired banker did not previously work in a lending-related role. However, the coefficient on the interaction is negative and statistically significant, indicating that firms hiring bankers who previously held lending-related roles obtain credit at significantly lower interest rates from the connected branch.

Overall, the results suggest that banker characteristics play an important role in shaping the effects of the presence of a former banker at the borrowing firm. While hiring any former banker is associated with increased credit access, the most favorable loan terms arise when the hired banker previously held a more senior position or worked in a lending-related role at the bank.

Heterogeneity Analysis: Firm×Banker Characteristics In this section, we conduct heterogeneity analyses based on characteristics of the match between the banker and the firm. Specifically, we examine heterogeneity with respect to the gap between the former banker's departure from the bank and joining the firm, and the former banker's length of tenure at the bank prior to joining the firm. The results are reported in Table 6.

Panel A examines how the effect of the presence of a former banker varies with the time gap between the banker leaving the bank and joining the firm. In column 2, the coefficient on *Banker present* is positive and statistically significant, indicating a large increase in access to credit for a firm hiring a former banker from the connected branch, the branch at which the banker previously worked prior to joining the firm. The interaction is negative and statistically significant, suggesting that the increase in access to credit from the connected branch declines with the time elapsed between the banker leaving the bank and joining the firm.

In columns 3–4, we examine this heterogeneity with respect to the size of credit available to the firm. The coefficient on *Banker present* is positive and statistically significant, and the interaction with the gap in years is negative and statistically significant. This is consistent with the results reported in columns 1 and 2. According to column 4, the presence of a former banker at firm has a significant positive impact on the size of credit outstanding from the branch at which the banker previously worked prior to joining the firm. However, this improvement declines significantly as the gap in years between leaving the bank and joining the firm increases.

Lastly, columns 5–6 examine heterogeneity with respect to the price of credit. In column 6, the coefficient on *Banker present* is negative, while the interaction term is statistically insignificant. This implies that a firm hiring a former banker receives credit from the connected branch at a significantly lower price, and that this reduction in price is not sensitive to the time elapsed between bank employment and joining the firm.

Panel B examines heterogeneity with respect to the banker's tenure at the branch prior to joining the firm. As in Panel A, the dependent variable in columns 1–2 is an indicator equal to one if there is nonzero positive credit outstanding from a branch at a given point in time. In columns 3–4, the dependent variable is the size of credit outstanding. Lastly, in columns 5–6, the dependent variable is the interest rate.

In columns 1–4 of Panel B, the coefficient on *Banker present* is positive and statistically

significant, indicating an increase in access to credit from the connected branch during the presence of the former banker at the firm. The interaction terms are statistically insignificant, suggesting that this increase in access to credit does not vary meaningfully with the length of time the banker worked at the branch. Lastly, in columns 5–6, the coefficient on *Banker present* is negative and statistically significant. The interaction term is negative but statistically insignificant, implying that the reduction in the price of credit from the connected branch during the presence of the former banker does not significantly vary with the banker's tenure at the branch prior to joining the firm.

Overall, the results in Table 6 suggest that the effects of the presence of a former banker at the firm on the firm's credit access and loan terms originating from the branch where the banker previously worked are relatively stable across different banker–firm match characteristics. While some interaction terms are not statistically significant, the overall pattern suggests that the improvements are more pronounced when the hired banker has a shorter gap between leaving the bank and joining the firm, or when the banker had spent more years working at the branch prior to joining the firm. Both of these heterogeneity analyses are consistent with the information mechanism, whereby greater relational capital of the hired former banker leads to stronger improvements in credit access from the branch where the banker previously worked.

6 After the Departure of the Former Banker

The results presented in Section 4.2 show that the presence of a former banker at the firm is associated with improved access to credit and more favorable borrowing terms from the connected branch, the branch at which the hired banker previously worked. These effects are identified by comparing loan outcomes from the connected branch to those from other branches of the same bank for the same firm within the same calendar year. The presence of a former banker improves several dimensions of loan contracting, including a higher likelihood of having a credit balance outstanding, larger credit balances, lower interest rates, and lower collateral requirements.

This section examines whether these improvements in loan contracting outcomes persist after the former banker leaves the firm. To do so, we estimate a modified version of Equation 2 in which the key independent variable is *Banker departed*$_{ijt}$. This variable is an indicator equal to one for

firm–branch pair i, j in all quarters following the departure of the hired banker from the firm if the hired former banker previously worked at branch j prior to joining firm i. For all pairs of firms and branches where there is no movement of personnel, including cases where there is a gap between leaving the bank and joining the firm, *Banker departed*$_{ijt}$ is always zero.

Table 8 reports the results. The table has three panels. Panel A examines whether firms continue to have higher access to credit from the connected branch after the departure of the former banker. Panel B examines whether the favorable loan terms persist after the former banker leaves the firm. Finally, in Panel C, we compare firms in the post-banker-departure period with firms that never hired a banker during the sample period in order to assess whether the bank relationship built with the help of the presence of the former banker at the firm persists relative to firms without such hires.

The structure of Panel A mirrors that of Panel A of Table 3. Columns 1–3 examine the likelihood that a firm has non-zero credit outstanding from a given branch in a given quarter, while columns 4–6 examine the amount of credit outstanding using the inverse hyperbolic sine transformation of credit. Focusing on the most demanding specifications with firm-by-year, branch-by-year, and firm-by-branch fixed effects, the estimates indicate that credit access and credit balances decline following the departure of the former banker from the firm.

Panel A reports results for credit access and the amount of credit outstanding. In columns 1–3, the dependent variable is an indicator equal to one if a firm has non-zero credit outstanding from a given branch in a given quarter. Focusing on the most demanding specification in column 3, the coefficient estimate is negative and statistically significant. Given that the mean of the dependent variable is 0.06, this estimate implies a substantial decline in the likelihood that a firm obtains credit from the connected branch following the banker's departure.

Columns 4–6 examine the amount of credit outstanding using the inverse hyperbolic sine transformation of credit. In the most demanding specification in column 6, the coefficient on *Banker departed* is also negative and statistically significant, indicating a substantial decline in credit balances from the connected branch after the banker leaves the firm.

Panel B examines loan terms conditional on having non-zero credit outstanding. Columns 1–3 report results for the annualized interest rate on outstanding credit. In the most demanding specification in column 3, the coefficient on *Banker departed* is positive and statistically significant,

indicating that borrowing costs from the connected branch increase following the banker's departure.

Columns 4–6 examine whether loans are collateralized. In the specification with the full set of fixed effects in column 6, the coefficient on *Banker departed* is positive and statistically significant at the 10 percent level, suggesting a modest increase in the likelihood that loans issued by the connected branch require collateral after the banker leaves the firm.

Finally, columns 7–9 examine the collateral intensity of loans, measured as the ratio of collateral value to the amount of the originated loan. In the most demanding specification in column 9, the estimated coefficient is statistically insignificant, indicating no significant change in the collateral-to-loan ratio on credit originated from the connected branch following the banker's departure from the firm.

Lastly, Panel C compares firms in the post-departure period with firms that never hired a former banker. The coefficient estimates indicate that firms that previously hired and then lost a banker have higher credit access relative to firms that never hired a former banker. However, differences between the terms of credit issued to such firms following the departure of the former banker and the terms of credit issued to firms that never hired a former banker are small and generally not statistically significant.

Overall, the results indicate that the benefits associated with hiring a former banker partially reverse once the banker departs. Firms become less likely to have credit originated from the connected branch and experience a decline in credit outstanding from the connected branch. Similarly, the price of credit issued from the connected branch appears to increase after the former banker leaves. The findings support the interpretation that the presence of the former banker plays a critical role in facilitating credit relationships between the firm and the lender.

7 Robustness Analysis: Bankers Previously Employed at Other Banks

In this section, we examine whether the positive effects of the presence of a former banker at the firm on the firm's access to credit and terms of loans also exist when the firm hires a former banker who previously worked at other commercial banks. To do so, we estimate a modified version of Equation 2 where the independent variable is an indicator for the presence of a former banker at

the firm who previously worked at another commercial bank.

The results are reported in Table 9. Columns 1–2 examine whether hiring such bankers is associated with better access to credit, measured by an indicator equal to one for a firm-branch pair at a given time if the firm has non-zero credit outstanding extended by that branch during that time. Focusing on the most demanding specification in column 2, which includes branch-by-year and firm-by-branch fixed effects, the coefficient on *Banker present* is statistically insignificant. Columns 3–4 examine the amount of credit outstanding using the inverse hyperbolic sine transformation of credit. In column 4, the estimated coefficient is again statistically insignificant, indicating no meaningful association between hiring a banker from another bank and the amount of credit obtained from the branch. Columns 5–6 examine the annualized interest rate on outstanding credit conditional on having non-zero credit. In the specification with branch-by-year and firm-by-branch fixed effects in column 6, the coefficient on *Banker present* is close to zero and statistically insignificant, indicating no systematic change in borrowing costs following the hiring of bankers who previously worked at other commercial banks.

Overall, the results provide no evidence that hiring bankers who previously worked at other commercial banks affects access to credit, credit amounts, or loan pricing at the branch level. These findings suggest that the effects documented in Section 4.2 are unlikely to be driven by general financial expertise or the ability of former bankers to navigate the loan application process.

8 Conclusion

This paper documents that firms hiring former bankers receive more credit at lower interest rates and face lower collateral requirements, but only from the branch where the banker previously worked. Loans from other branches of the same bank—or other banks entirely—show no improvement, indicating that the benefit is tied to the specific branch rather than to general advantages of having a banker on staff. Loan performance from connected branches improves rather than deteriorates, ruling out favoritism as an explanation for the better terms.

Several heterogeneity results support soft information as the underlying mechanism. Effects are stronger for smaller and younger firms, and those without any relationship with the bank, precisely the borrowers for whom soft information should matter most. Effects on interest rates

are concentrated among former bankers who held credit-related roles such as loan officer or credit analyst, and effects on both credit quantity and pricing are stronger for bankers who held mid-to-senior positions. Bankers in junior positions produce no discernible effect. The effect declines with the time elapsed since the banker left the bank, and increases with the banker's tenure at the branch—consistent with relationship capital that can be acquired relatively quickly but depreciates with distance from the institution.

Our findings make two contributions. First, we quantify the value of soft information in lending. Our within-bank, across-branch design holds hard information fixed, allowing us to attribute the results to soft information rather than inferring it as a residual. Second, we show that firms can actively form banking relationships through hiring. Prior work has treated relationship capital as accumulating passively over time or through pre-existing social connections. We demonstrate that firms can acquire it directly by recruiting former bankers.

These findings have broader implications. Hiring decisions may have consequences beyond productivity, shaping firms' access to external finance. Labor markets and credit markets appear more intertwined than standard frameworks suggest.

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9 Figures

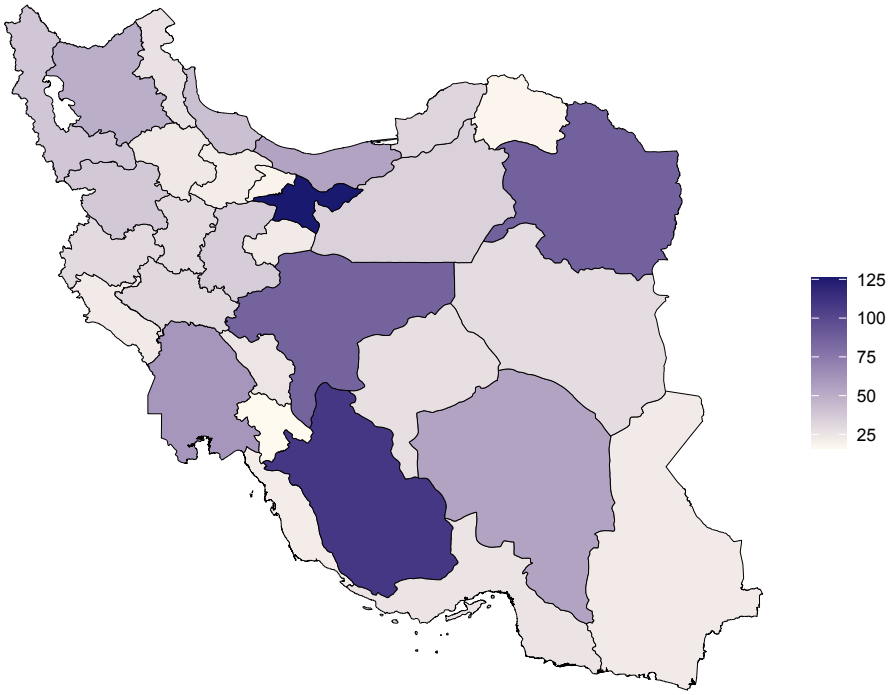
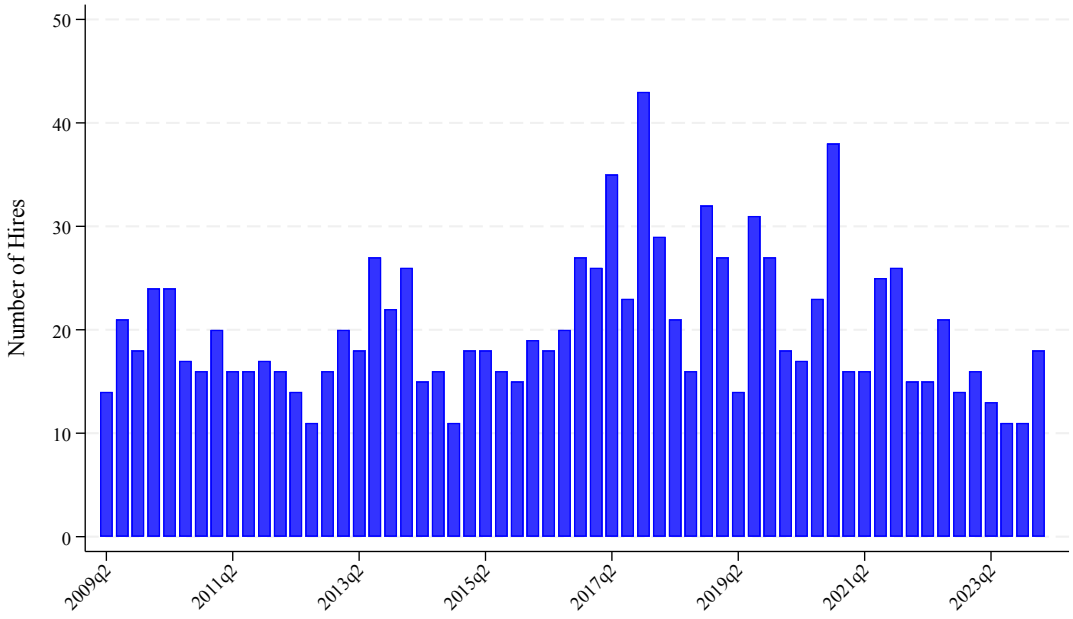
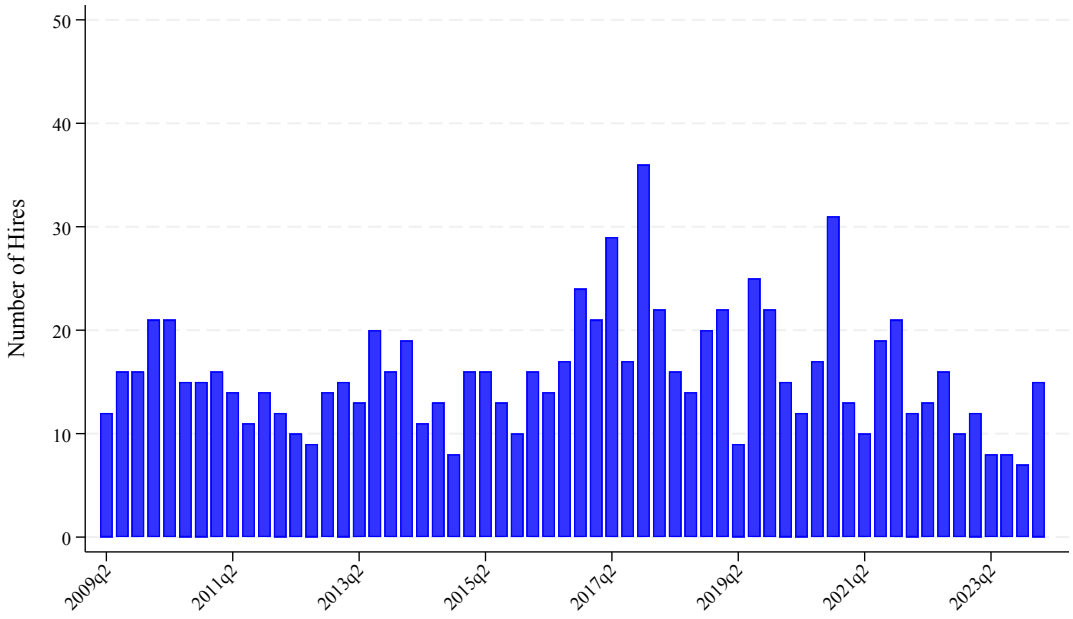


Figure 1: This figure displays the geographic distribution of total number of branches in each province that originated at least one loan over the sample period. Tehran, the capital of the country, accounts for the largest share, with 10.0 percent of the branches in the sample.



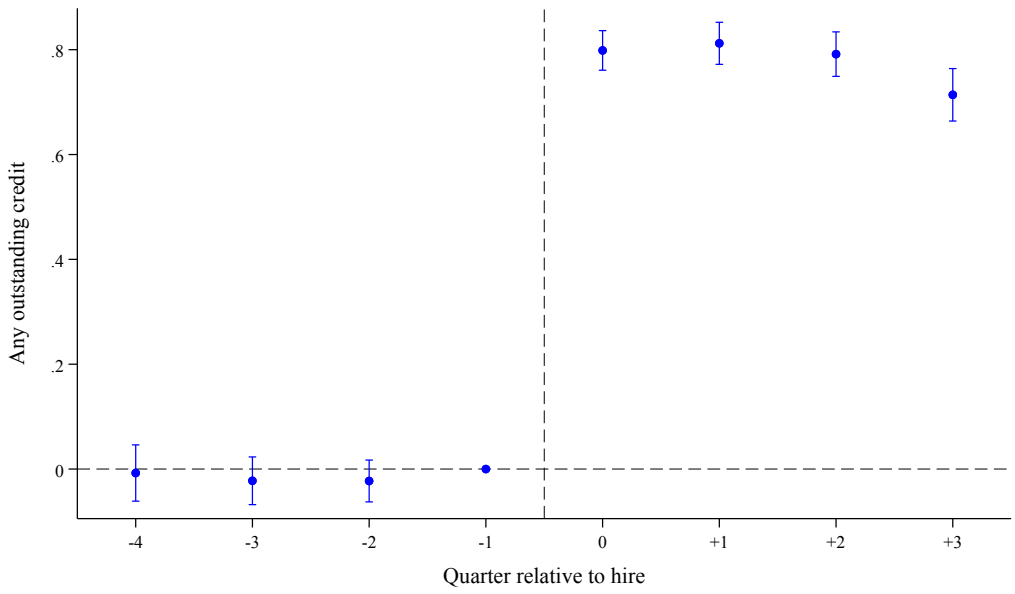
(A) Any Former Banker



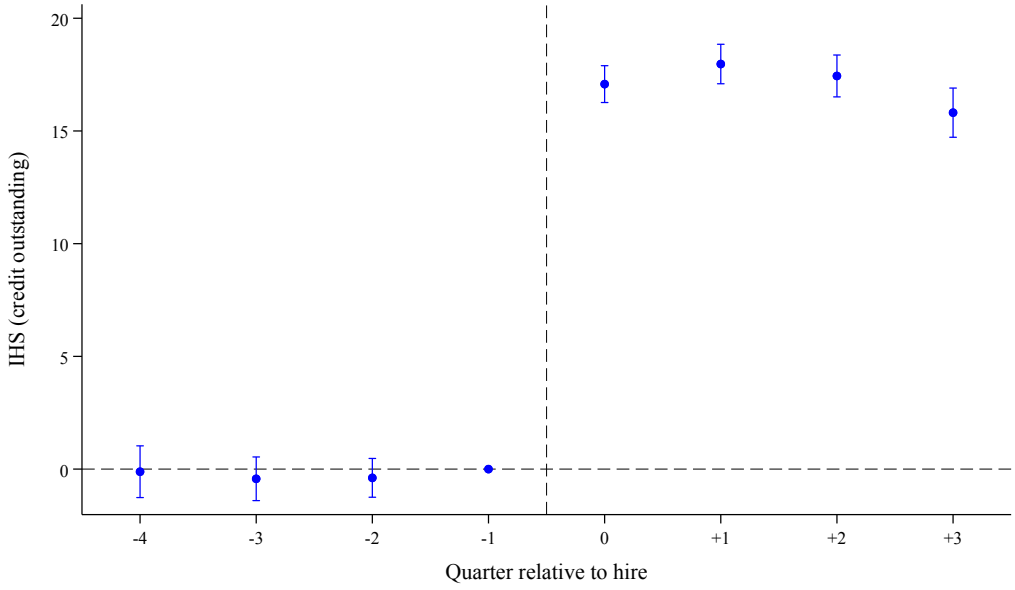
(B) Mid- or Senior-Level Former Banker

Figure 2: Hiring of Former Bankers Over Time

This figure plots the total number of hirings of former bankers by firms in our sample on a quarterly basis over the sample period. Each observation represents the aggregate number of hiring events in a given year-quarter, where a hiring event corresponds to a firm employing an individual who previously at one of the branches of the bank under study.



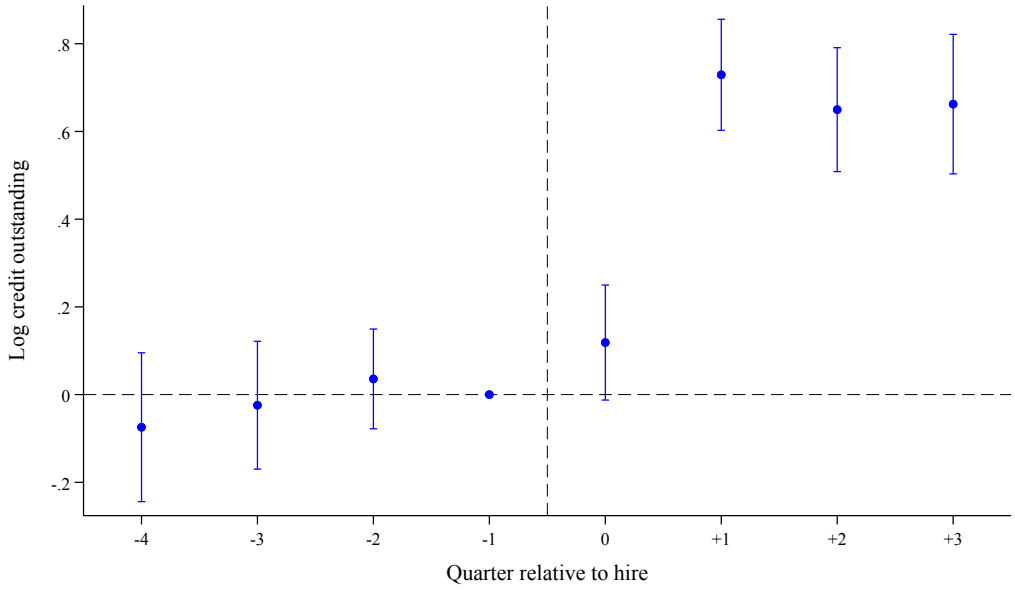
(A) 1(outstanding credit)



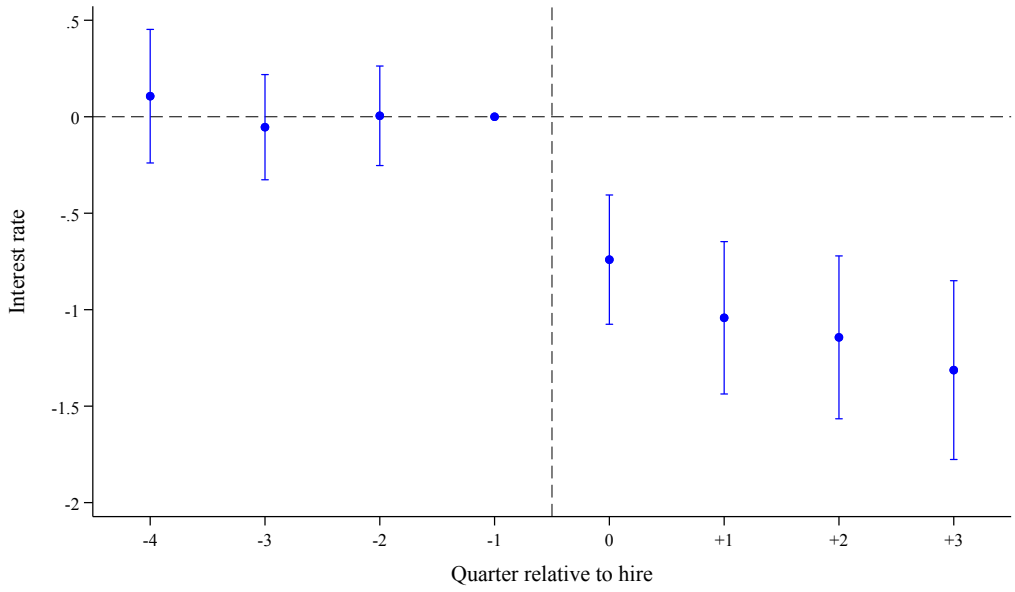
(B) IHS(outstanding credit)

Figure 3: Loan Outcomes Around the Hiring of the Former Banker

This figure illustrates the dynamics of the effect of having a former banker at the firm on loan outcomes. The x-axis shows quarters relative to the hiring event, with the quarter preceding the hiring quarter serving as the benchmark. In Panel A, the dependent variable is an indicator equal to one for a firm–branch–quarter if the firm has credit outstanding from that branch in that quarter. In Panel B, the dependent variable is the inverse hyperbolic sine of the credit outstanding from that branch held by the firm in a given quarter. Dots represent point estimates and vertical bars denote 95 percent confidence intervals. Standard errors are clustered at the firm level.



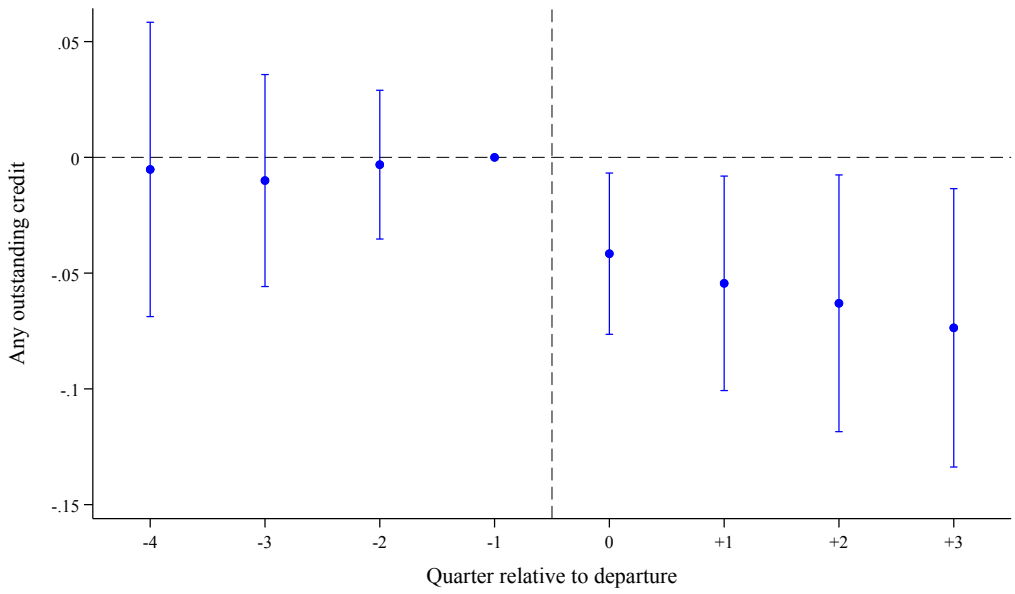
(A) Outstanding credit balance



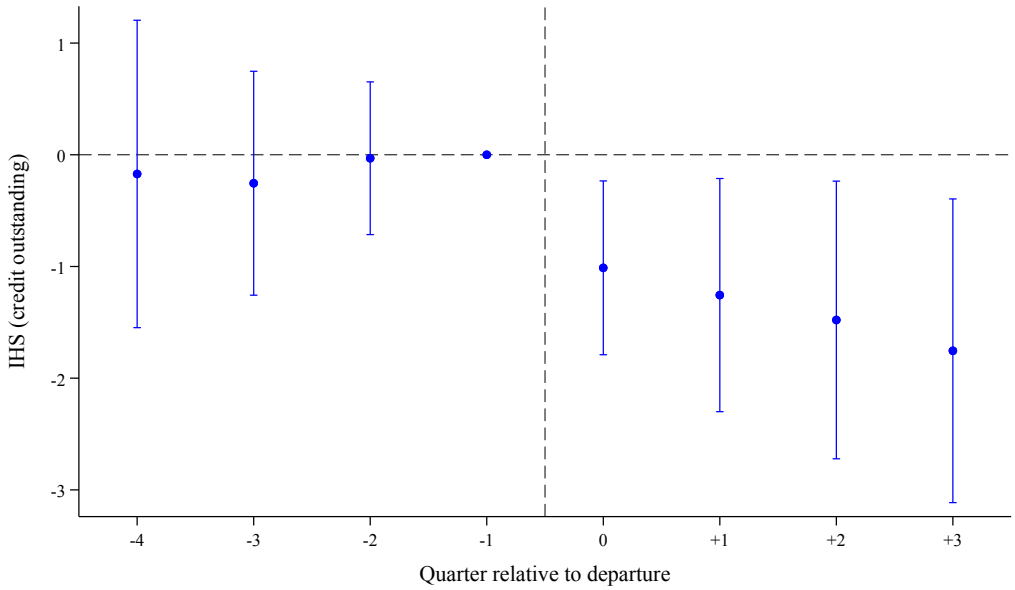
(B) Interest rate

Figure 4: Loan Outcomes Around the Hiring of the Former Banker

This figure illustrates the dynamics of the effect of having a former banker at the firm on loan outcomes. The x-axis shows quarters relative to the hiring event, with the quarter preceding the hiring quarter serving as the benchmark. The dependent variables are measured conditional on the firm having credit outstanding from the branch. In Panel A, the dependent variable is the logarithm of credit outstanding from that branch held by the firm in a given quarter. In Panel B, the dependent variable is the interest rate on that credit outstanding. Dots represent point estimates and vertical bars denote 95 percent confidence intervals. Standard errors are clustered at the firm level.



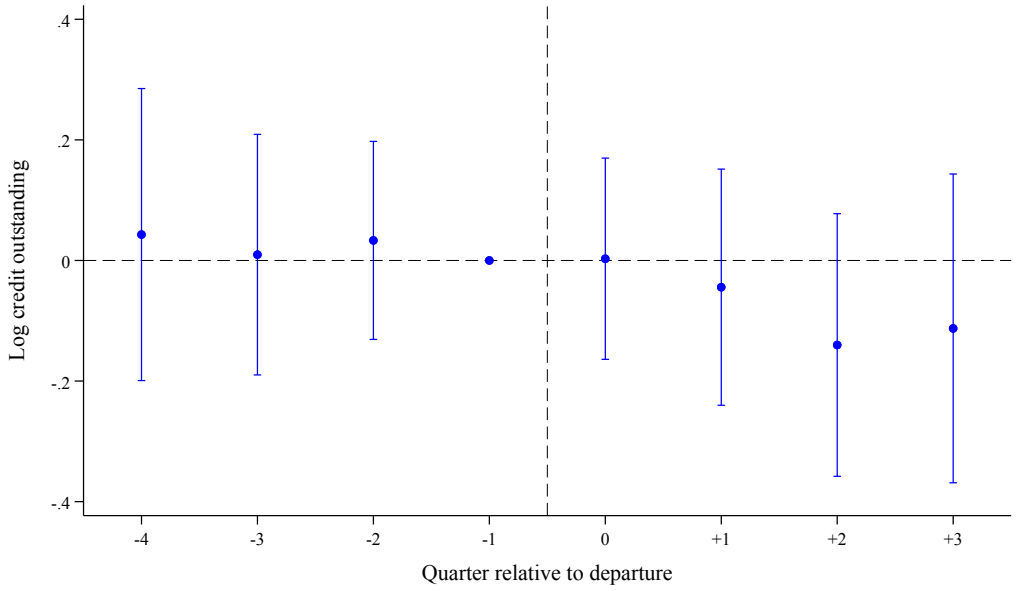
(A) 1(outstanding credit)



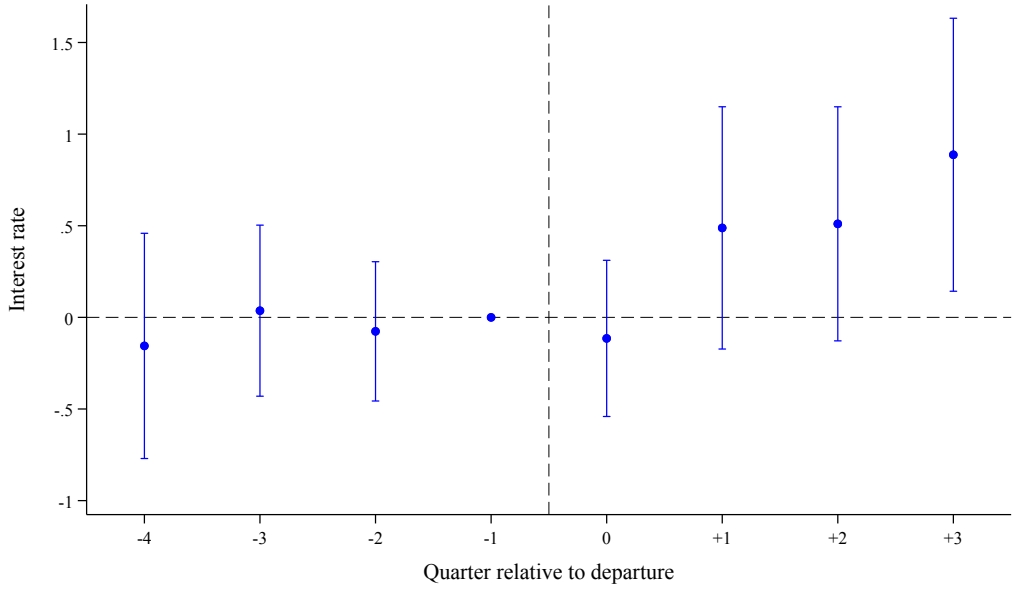
(B) IHS(outstanding credit)

Figure 5: Loan Outcomes Around the Departure of the Hired Former Banker

This figure illustrates the dynamic effects of the departure of a hired former banker from the firm on loan outcomes. The x-axis shows quarters relative to the departure event, with the quarter preceding the departure quarter serving as the benchmark. In Panel A, the dependent variable is an indicator equal to one for a firm–branch–quarter if the firm has credit outstanding from that branch in that quarter. In Panel B, the dependent variable is the inverse hyperbolic sine of the credit outstanding from that branch held by the firm in a given quarter. Dots represent point estimates and vertical bars denote 95 percent confidence intervals. Standard errors are clustered at the firm level.



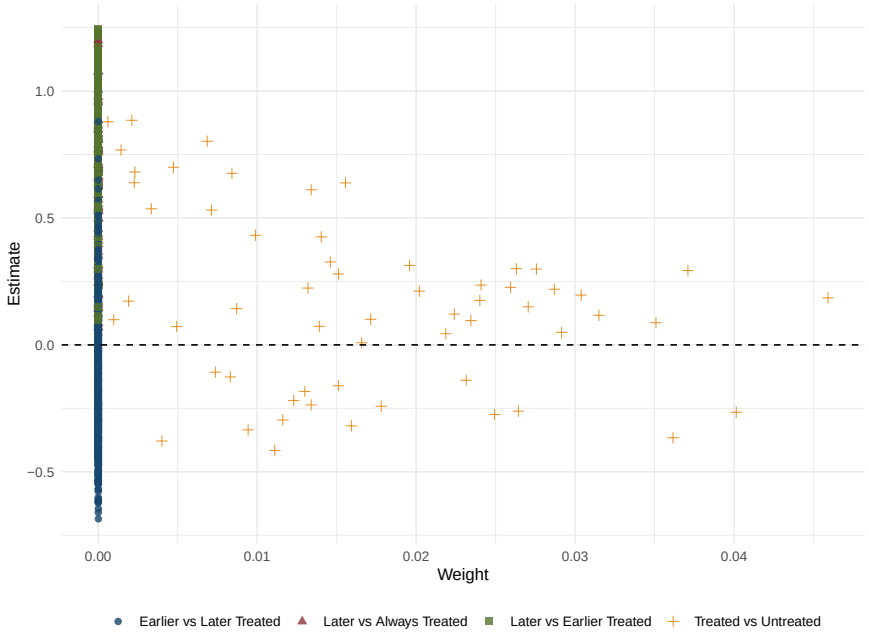
(A) Outstanding credit balance



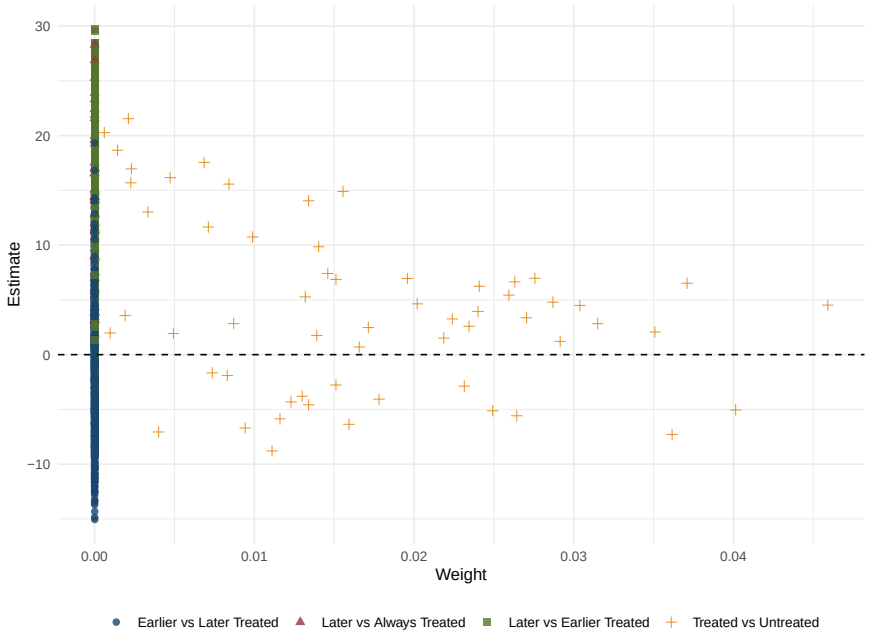
(B) Interest rate

Figure 6: Loan Outcomes Around the Departure of the Hired Former Banker

This figure illustrates the dynamic effects of the departure of a hired former banker from the firm on loan outcomes. The x-axis shows quarters relative to the departure event, with the quarter preceding the departure quarter serving as the benchmark. The dependent variables are measured conditional on the firm having credit outstanding from the branch. In Panel A, the dependent variable is the logarithm of credit outstanding from that branch held by the firm in a given quarter. In Panel B, the dependent variable is the interest rate on that credit outstanding. Dots represent point estimates and vertical bars denote 95 percent confidence intervals. Standard errors are clustered at the firm level.



(A) 1(outstanding credit)



(B) IHS(outstanding credit)

Figure 7: Goodman-Bacon Decomposition of the Estimator

This figure presents the Goodman-Bacon decomposition of the difference-in-differences estimator, illustrating the contribution of the different two-by-two comparisons that arise from variation in the timing of treatment across firms. In Panel A, the dependent variable is an indicator equal to one for a firm–branch–quarter if the firm has credit outstanding from that branch in that quarter. In Panel B, the dependent variable is the inverse hyperbolic sine of the credit outstanding from that branch held by the firm in a given quarter.

10 Tables

Table 1: Descriptive Statistics

The table reports descriptive statistics for loan outcomes and hired bankers. Panel A reports the terms of originated loans. Panel B reports the purposes of disbursement for originated loans. Panel C reports summary statistics for hired bankers.

(A) Terms of loan originations

	Count	Mean	S.D.	P25	Median	P75
Loan size (billions of IRR)	183,689	15.7	347.6	0.4	1.3	5.0
Loan size (thousands of USD)	183,689	148.3	1292.4	8.8	26.5	84.8
Interest rate	183,689	0.2	0.1	0.1	0.2	0.2
Term length (months)	183,689	10.4	7.1	6.0	11.0	12.0

(B) Purpose of disbursement

Purpose	Number	Percent
Working Capital	121,587	66.2
Business Start-up	38,779	21.1
Business Expansion	22,819	12.4
Miscellaneous	504	0.3
Total	183,689	100.0

(C) Hired bankers

	Count	Mean	S.D.	P25	Median	P75
Years of Tenure At Bank	2,101	9.5	5.7	5.0	9.0	13.0
Years of Gap Betw. Bank & Firm	2,101	5.2	4.9	2.0	4.0	7.0
Years of Tenure At Firm	2,101	5.0	2.6	3.0	5.0	6.0

Table 2: Determinants of Hiring Former Bankers

This table reports coefficient estimates from Equation 1. The analysis examines the association between hiring a former banker and firm characteristics. In Panel A, the dependent variable is an indicator equal to one if a firm hires a former banker in a given firm–quarter and zero otherwise. Panel B restricts the dependent variable to hirings of former bankers who previously held medium- or high-level positions at the bank. Panel C further restricts the dependent variable to hirings of former bankers who held medium- or high-level positions specifically related to lending activities. Standard errors are clustered at the firm level and reported in parentheses. $*$, $**$, and $***$ denote statistical significance at the 10 percent, 5 percent, and 1 percent levels, respectively.

(A) Hiring a Former Banker

	Former Banker			
	(1)	(2)	(3)	(4)
No borrowing history	-0.0000			
	(0.0001)			
New customer		0.0005***		
		(0.0001)		
Small firm			0.0003***	
			(0.0000)	
Young firm				0.0009***
				(0.0001)
Quarter FE	✓	✓	✓	✓
Industry FE	✓	✓	✓	✓
Province FE	✓	✓	✓	✓
Mean dep. var.	0.0006	0.0006	0.0006	0.0006
R2	0.0002	0.0002	0.0002	0.0003
N	1,533,966	1,533,966	1,533,966	1,533,966

(B) Hiring a Former Mid- or Senior-Level Banker

	Former Mid- or Senior-Level Banker			
	(1)	(2)	(3)	(4)
No borrowing history	0.0001**			
	(0.0001)			
New customer		0.0005***		
		(0.0001)		
Small firm			0.0003***	
			(0.0000)	
Young firm				0.0007***
				(0.0001)
Quarter FE	✓	✓	✓	✓
Industry FE	✓	✓	✓	✓
Province FE	✓	✓	✓	✓
Mean dep. var.	0.0005	0.0005	0.0005	0.0005
R2	0.0001	0.0002	0.0002	0.0002
N	1,533,966	1,533,966	1,533,966	1,533,966

(C) Hiring a Former Mid- or Senior-Level Lending Banker

	Former Mid- or Senior-Level Lending Banker			
	(1)	(2)	(3)	(4)
No borrowing history	0.0002***			
	(0.0001)			
New customer		0.0005***		
		(0.0001)		
Small firm			0.0002***	
			(0.0000)	
Young firm				0.0006***
				(0.0001)
Quarter FE	✓	✓	✓	✓
Industry FE	✓	✓	✓	✓
Province FE	✓	✓	✓	✓
Mean dep. var.	0.0003	0.0003	0.0003	0.0003
R2	0.0001	0.0002	0.0001	0.0002
N	1,533,966	1,533,966	1,533,966	1,533,966

Table 3: The Presence of The Banker & Credit Outcomes

This table reports coefficient estimates from Equation 2. The analysis examines the association between the presence of a former banker at the firm and loan outcomes. In Panel A, the dependent variable in columns 1–3 is an indicator equal to one if a firm has non-zero credit outstanding from a given branch in a given quarter. In columns 4–6, the dependent variable is the inverse hyperbolic sine of credit outstanding. Panel B reports estimates conditional on non-zero credit outstanding. In columns 1–3, the dependent variable is the annualized interest rate on the outstanding credit. In columns 4–6, the dependent variable is an indicator equal to one if the credit is collateralized. In columns 7–9, the dependent variable is the ratio of collateral value to the amount of the originated loan. Standard errors are clustered at the firm level and reported in parentheses. $*$, $**$, and $***$ denote statistical significance at the 10 percent, 5 percent, and 1 percent levels, respectively.

(A) Credit Access and Credit Outstanding

	1(credit)			IHS(credit)		
	(1)	(2)	(3)	(4)	(5)	(6)
Banker present	0.372***	0.365***	0.111***	8.499***	8.357***	2.743***
	(0.013)	(0.013)	(0.013)	(0.311)	(0.313)	(0.277)
Firm×Year FE	✓	✓	✓	✓	✓	✓
Branch×Year FE		✓	✓		✓	✓
Firm×Branch FE			✓			✓
Mean dep. var.	0.22	0.22	0.22	4.67	4.67	4.67
N	1,928,760	1,928,760	1,928,760	1,928,760	1,928,760	1,928,760

(B) Loan Terms

	Interest rate			1(collateral)			Collateral/Loan		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Banker present	-1.104***	-0.752***	-0.327***	0.010	0.015	0.023	-0.713***	-0.524***	-0.275**
	(0.246)	(0.141)	(0.124)	(0.016)	(0.014)	(0.017)	(0.182)	(0.145)	(0.120)
Firm×Year FE	✓	✓	✓	✓	✓	✓	✓	✓	✓
Branch×Year FE		✓	✓		✓	✓		✓	✓
Firm×Branch FE			✓			✓			✓
Mean dep. var.	15.84	15.84	15.84	0.48	0.48	0.48	2.21	2.20	2.20
N	394,865	394,647	394,494	394,865	394,647	394,494	394,865	394,647	394,494

Table 4: Heterogeneity Analysis: Firm Characteristics

This table reports coefficient estimates from a modified version of Equation 2. The analysis examines whether the effects of the presence of a former banker at the firm on loan outcomes differ based on firm characteristics. Specifically, the table studies heterogeneity by prior borrowing history, firm size, and firm age. In all panels, the dependent variable in columns 1–3 is the inverse hyperbolic sine of credit outstanding. In columns 4–6, the dependent variable is the annualized interest rate on the outstanding credit, where the regression is estimated conditional on non-zero credit outstanding. Standard errors are clustered at the firm level and reported in parentheses. $*$, $**$, and $***$ denote statistical significance at the 10 percent, 5 percent, and 1 percent levels, respectively.

(A) Firms without borrowing history

	IHS(credit)			Interest rate		
	(1)	(2)	(3)	(4)	(5)	(6)
Banker present	2.490***	2.523***	1.422***	-0.193	-0.389***	-0.328**
	(0.377)	(0.343)	(0.321)	(0.278)	(0.141)	(0.145)
Banker present×No borrowing history	4.069***	4.826***	5.627***	-2.468***	-1.293**	-0.107
	(0.651)	(0.680)	(0.590)	(0.710)	(0.641)	(0.266)
Firm×Year FE	✓	✓	✓	✓	✓	✓
Branch×Year FE		✓	✓		✓	✓
Firm×Branch FE			✓			✓
Mean dep. var.	3.89	3.89	3.89	15.90	15.89	15.89
R2	0.44	0.58	0.63	0.75	0.95	0.95
N	192,960	192,960	192,960	33,312	32,967	32,931

(B) Small firms (10–49 employees)

	IHS(credit)			Interest rate		
	(1)	(2)	(3)	(4)	(5)	(6)
Banker present	6.754***	6.219***	1.545***	0.089	-0.269	0.084
	(0.540)	(0.528)	(0.434)	(0.365)	(0.243)	(0.236)
Banker present×Small firm	2.553***	3.100***	1.749***	-1.761***	-0.701**	-0.574**
	(0.656)	(0.646)	(0.553)	(0.480)	(0.298)	(0.277)
Firm×Year FE	✓	✓	✓	✓	✓	✓
Branch×Year FE		✓	✓		✓	✓
Firm×Branch FE			✓			✓
Mean dep. var.	4.67	4.67	4.67	15.84	15.84	15.84
R2	0.70	0.73	0.77	0.91	0.95	0.96
N	1,928,760	1,928,760	1,928,760	394,865	394,647	394,494

(C) Young firms (top quintile by incorporation year)

	IHS(credit)			Interest rate		
	(1)	(2)	(3)	(4)	(5)	(6)
Banker present	8.469***	8.242***	2.605***	-1.011***	-0.796***	-0.222*
	(0.333)	(0.332)	(0.298)	(0.267)	(0.158)	(0.134)
Banker present×Young firm	0.206	0.758	0.861	-0.720	0.308	-0.697**
	(0.918)	(0.911)	(0.781)	(0.665)	(0.350)	(0.349)
Firm×Year FE	✓	✓	✓	✓	✓	✓
Branch×Year FE		✓	✓		✓	✓
Firm×Branch FE			✓			✓
Mean dep. var.	4.67	4.67	4.67	15.84	15.84	15.84
R2	0.70	0.73	0.77	0.91	0.95	0.96
N	1,928,760	1,928,760	1,928,760	394,865	394,647	394,494

Table 5: Heterogeneity Analysis: Banker Characteristics

This table reports coefficient estimates from a modified version of Equation 2. The analysis examines whether the effects of the presence of a former banker at the firm on loan outcomes differ based on characteristics of the hired former banker. Specifically, the table studies heterogeneity by whether the hired former banker held a mid- or high-level position during their tenure at the bank and whether their position was related to lending activities. For the list of job titles held by bankers during their tenure at the bank and their classification by rank and lending relevance, see Table A2. In all panels, the dependent variable in columns 1–3 is the inverse hyperbolic sine of credit outstanding. In columns 4–6, the dependent variable is the annualized interest rate on the outstanding credit, where the regression is estimated conditional on non-zero credit outstanding. Standard errors are clustered at the firm level and reported in parentheses. $*$, $**$, and $***$ denote statistical significance at the 10 percent, 5 percent, and 1 percent levels, respectively.

(A) Banker Held a Mid- or High-Level Position

	IHS(credit)			Interest rate		
	(1)	(2)	(3)	(4)	(5)	(6)
Banker present	7.590***	6.935***	1.440**	-0.022	0.041	0.551*
	(0.667)	(0.682)	(0.656)	(0.515)	(0.373)	(0.325)
Banker present×Banker's position was mid-to-high	1.151	1.808**	1.583**	-1.366**	-1.011**	-1.077***
	(0.757)	(0.767)	(0.731)	(0.587)	(0.401)	(0.360)
Firm×Year FE	✓	✓	✓	✓	✓	✓
Branch×Year FE		✓	✓		✓	✓
Firm×Branch FE			✓			✓
Mean dep. var.	4.67	4.67	4.67	15.84	15.84	15.84
R2	0.70	0.73	0.77	0.91	0.95	0.96
N	1,928,760	1,928,760	1,928,760	394,865	394,647	394,494

(B) Banker Held a Lending-Related Role

	IHS(credit)			Interest rate		
	(1)	(2)	(3)	(4)	(5)	(6)
Banker present	8.384***	8.176***	2.479***	-0.611	-0.102	0.241
	(0.444)	(0.454)	(0.407)	(0.372)	(0.184)	(0.153)
Banker present×Banker held a position related to lending	0.149	0.255	0.123	-1.055**	-1.434***	-1.260***
	(0.633)	(0.637)	(0.566)	(0.510)	(0.304)	(0.266)
Firm×Year FE	✓	✓	✓	✓	✓	✓
Branch×Year FE		✓	✓		✓	✓
Firm×Branch FE			✓			✓
Mean dep. var.	4.67	4.67	4.67	15.84	15.84	15.84
R2	0.70	0.73	0.77	0.91	0.95	0.96
N	1,928,760	1,928,760	1,928,760	394,865	394,647	394,494

Table 6: Heterogeneity Analysis: Firm×Banker Characteristics

This table reports coefficient estimates from a modified version of Equation 2. The analysis examines whether the effects of the presence of a former banker at the firm on loan outcomes differ based on banker-firm match characteristics.In all panels, the dependent variable in columns 1–2 is an indicator set to one if there is any credit outstanding. In columns 3–4, the dependent variable is the inverse hyperbolic sine of credit outstanding. In columns 5–6, the dependent variable is the annualized interest rate on the outstanding credit, where the regression is estimated conditional on non-zero credit outstanding. Standard errors are clustered at the firm level and reported in parentheses. $*$, $**$, and $***$ denote statistical significance at the 10 percent, 5 percent, and 1 percent levels, respectively.

(A) Gap Between Bank Employment and Joining the Firm

	1(credit)		IHS(credit)		Interest rate	
	(1)	(2)	(3)	(4)	(5)	(6)
Banker present	0.414***	0.429***	9.519***	9.896***	-1.240***	-1.493***
	(0.017)	(0.017)	(0.417)	(0.409)	(0.421)	(0.349)
Banker present × Years of Gap	-0.008***	-0.006**	-0.195***	-0.147**	-0.003	-0.010
	(0.003)	(0.003)	(0.063)	(0.060)	(0.050)	(0.046)
Firm × Year FE	✓	✓	✓	✓	✓	✓
Branch × Year FE		✓		✓		✓
Mean dep. var.	0.29	0.29	6.28	6.28	15.77	15.77
R2	0.29	0.35	0.30	0.36	0.64	0.82
N	64,950	64,950	64,950	64,950	18,058	18,040

(B) Banker's Tenure at the Branch

	1(credit)		IHS(credit)		Interest rate	
	(1)	(2)	(3)	(4)	(5)	(6)
Banker present	0.328***	0.363***	7.473***	8.277***	-1.994***	-1.322***
	(0.027)	(0.025)	(0.620)	(0.588)	(0.525)	(0.459)
Banker present × Years of Tenure at Branch	0.004*	0.003	0.094*	0.075	0.075	-0.023
	(0.002)	(0.002)	(0.055)	(0.053)	(0.047)	(0.041)
Firm × Year FE	✓	✓	✓	✓	✓	✓
Branch × Year FE		✓		✓		✓
Mean dep. var.	0.29	0.29	6.28	6.28	15.77	15.77
R2	0.29	0.35	0.31	0.36	0.64	0.82
N	64,950	64,950	64,950	64,950	18,058	18,040

Table 7: Loan Repayment Outcomes for Firms Hiring a Former Banker

This table reports coefficient estimates from Equation 3. In Panel A, the analysis examines the effect of the presence of a former banker at the firm at the time of loan issuance on loan performance. In Panel B, the analysis decomposes this effect based on whether the loan was originated by the branch where the former banker previously worked or by another branch of the same bank. In Panel A, the dependent variable in columns 1–3 is an indicator equal to one if a loan is delinquent for 6 to 18 months. In columns 4–6, the dependent variable is an indicator equal to one if a loan is delinquent for more than 18 months. Standard errors are robust and reported in parentheses. $*$, $**$, and $***$ denote statistical significance at the 10 percent, 5 percent, and 1 percent levels, respectively.

(A) Banker Presence

	Delinquent (6-18 months)			Delinquent (18+ months)		
	(1)	(2)	(3)	(4)	(5)	(6)
Banker present	-0.004	-0.004	-0.015***	-0.006***	-0.005**	-0.012***
	(0.003)	(0.003)	(0.005)	(0.002)	(0.002)	(0.004)
Collateral Ratio Bin×Rate Bin FE	✓	✓	✓	✓	✓	✓
Issuance Year FE		✓	✓		✓	✓
Firm FE			✓			✓
Mean dep. var.	0.08	0.08	0.08	0.04	0.04	0.04
R2	0.04	0.04	0.20	0.03	0.03	0.17
N	183,689	183,689	177,141	183,689	183,689	177,141

(B) Decomposition by Loan-Originating Branch

	Delinquent (6-18 months)			Delinquent (18+ months)		
	(1)	(2)	(3)	(4)	(5)	(6)
Same-Branch banker	-0.013***	-0.012***	-0.029***	-0.012***	-0.011***	-0.020***
	(0.004)	(0.004)	(0.006)	(0.002)	(0.002)	(0.004)
Other-Branch banker	0.006	0.007	0.004	0.002	0.002	-0.000
	(0.004)	(0.004)	(0.007)	(0.003)	(0.003)	(0.005)
Collateral Ratio Bin×Rate Bin FE	✓	✓	✓	✓	✓	✓
Issuance Year FE		✓	✓		✓	✓
Firm FE			✓			✓
Mean dep. var.	0.08	0.08	0.08	0.04	0.04	0.04
R2	0.04	0.04	0.20	0.03	0.03	0.17
N	183,689	183,689	177,141	183,689	183,689	177,141

Table 8: The Departure of The Banker & Credit Outcomes: Balanced Panel of Credit Outstanding

This table reports coefficient estimates from Equation 2. The independent variable is an indicator for the departure of a former banker from the firm. The analysis examines the association between banker departure and loan outcomes. In Panel A, the dependent variable in columns 1–3 is an indicator equal to one if a firm has non-zero credit outstanding from a given branch in a given quarter. In columns 4–6, the dependent variable is the inverse hyperbolic sine of credit outstanding. Panel B reports estimates conditional on non-zero credit outstanding. In columns 1–3, the dependent variable is the annualized interest rate on the outstanding credit. In columns 4–6, the dependent variable is an indicator equal to one if the credit is collateralized. In columns 7–9, the dependent variable is the ratio of collateral value to the amount of the originated loan. Standard errors are clustered at the firm level and reported in parentheses. $*$, $**$, and $***$ denote statistical significance at the 10 percent, 5 percent, and 1 percent levels, respectively.

(A) Credit Access and Credit Outstanding

	1(credit)			IHS(credit)		
	(1)	(2)	(3)	(4)	(5)	(6)
Banker departed	0.072***	0.068***	-0.082***	1.687***	1.620***	-1.661***
	(0.006)	(0.006)	(0.006)	(0.148)	(0.150)	(0.140)
Firm×Year FE	✓	✓	✓	✓	✓	✓
Branch×Year FE		✓	✓		✓	✓
Firm×Branch FE			✓			✓
Mean dep. var.	0.06	0.06	0.06	1.42	1.42	1.42
R2	0.30	0.32	0.33	0.31	0.32	0.34
N	1,928,760	1,928,760	1,928,760	1,928,760	1,928,760	1,928,760

(B) Loan Terms

	Interest rate			1(collateral)			Collateral/Loan		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Banker departed	0.004*	0.009**	0.010**	0.010	0.049	0.068*	-0.014	0.062	0.990
	(0.002)	(0.004)	(0.005)	(0.025)	(0.036)	(0.040)	(0.461)	(0.775)	(0.920)
Firm×Year FE	✓	✓	✓	✓	✓	✓	✓	✓	✓
Branch×Year FE		✓	✓		✓	✓		✓	✓
Firm×Branch FE			✓			✓			✓
Mean dep. var.	0.16	0.16	0.16	0.43	0.43	0.42	2.12	2.06	1.96
R2	0.78	0.82	0.81	0.95	0.96	0.95	0.79	0.83	0.80
N	60,201	57,991	52,486	60,201	57,991	52,486	60,201	57,991	52,486

(C) Post-Banker vs Never-Hiring Firms

	1(credit)		IHS(credit)		Interest rate		1(collateral)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Banker departed (vs never hired)	0.031***	0.068***	0.751***	1.570***	0.003*	0.004	0.004	-0.010
	(0.006)	(0.006)	(0.146)	(0.152)	(0.001)	(0.003)	(0.010)	(0.015)
Branch×Year FE	✓	✓	✓	✓	✓	✓	✓	✓
Firm FE		✓		✓		✓		✓
Mean dep. var.	0.06	0.06	1.38	1.38	0.16	0.16	0.44	0.43
R2	0.03	0.09	0.02	0.09	0.29	0.69	0.88	0.92
N	1,896,595	1,896,594	1,896,595	1,896,594	116,527	108,713	116,527	108,713

Table 9: Robustness Analyses: Bankers Previously Employed at Other Banks

This table reports coefficient estimates from Equation 2. The independent variable is an indicator for the presence of a former banker at the firm who was previously employed at another bank. The analysis examines the association between the presence of such bankers and loan outcomes. In columns 1–2, the dependent variable is an indicator equal to one if a firm has non-zero credit outstanding from a given branch in a given quarter. In columns 3–4, the dependent variable is the inverse hyperbolic sine of credit outstanding. In columns 5–6, the dependent variable is the annualized interest rate on the outstanding credit, where the regression is estimated conditional on non-zero credit outstanding. Standard errors are clustered at the firm level and reported in parentheses. $*$, $**$, and $***$ denote statistical significance at the 10 percent, 5 percent, and 1 percent levels, respectively.

	1(credit)		IHS(credit)		Interest rate	
	(1)	(2)	(3)	(4)	(5)	(6)
Banker present	-0.005	0.005	-0.130	0.103	-0.000	0.020
	(0.011)	(0.013)	(0.258)	(0.290)	(0.007)	(0.016)
Branch×Year FE	✓	✓	✓	✓	✓	✓
Firm×Branch FE		✓		✓		✓
Mean dep. var.	0.06	0.06	1.42	1.42	0.16	0.16
R2	0.03	0.10	0.02	0.10	0.29	0.70
N	1,928,760	1,928,760	1,928,760	1,928,760	121,773	108,919

Table 10: Bacon Decomposition

This table reports the results of the Goodman-Bacon decomposition (Goodman-Bacon, 2021), which expresses the two-way fixed effects difference-in-differences (TWFE DID) estimator as a weighted average of all possible 2×2 DID comparisons. Panel A presents the decomposition weights by comparison type along with the implied TWFE coefficient, computed as the sum of the weighted components. Panel B summarizes the dispersion of the weights and the share of total weight placed on negative 2×2 estimates. We use the Goodman-Bacon decomposition to assess whether the TWFE DID estimate is driven by potentially problematic treated-versus-treated comparisons. Although staggered treatment adoption mechanically generates treated-versus-treated 2×2 comparisons, in our setting these comparisons contribute zero aggregate weight to the estimated effect. All identifying variation comes from treated-versus-untreated (not-yet-treated) comparisons: the sum of weighted components for treated versus untreated equals 0.015995, whereas the combined contribution of all treated-versus-treated comparisons is zero. Because our baseline specification includes high-dimensional fixed effects, the Bacon weights are not normalized and sum to 0.293. Accordingly, we interpret the decomposition as a diagnostic of the source of identifying variation rather than as a normalized reweighting of the estimator.

(A) Decomposition of the TWFE DID Estimate

Comparison type	Sum of weights
Earlier vs Later Treated	0.0045
Later vs Always Treated	0.0003
Later vs Earlier Treated	0.0057
Treated vs Untreated	0.9895

(B) Distribution of Decomposition Weights

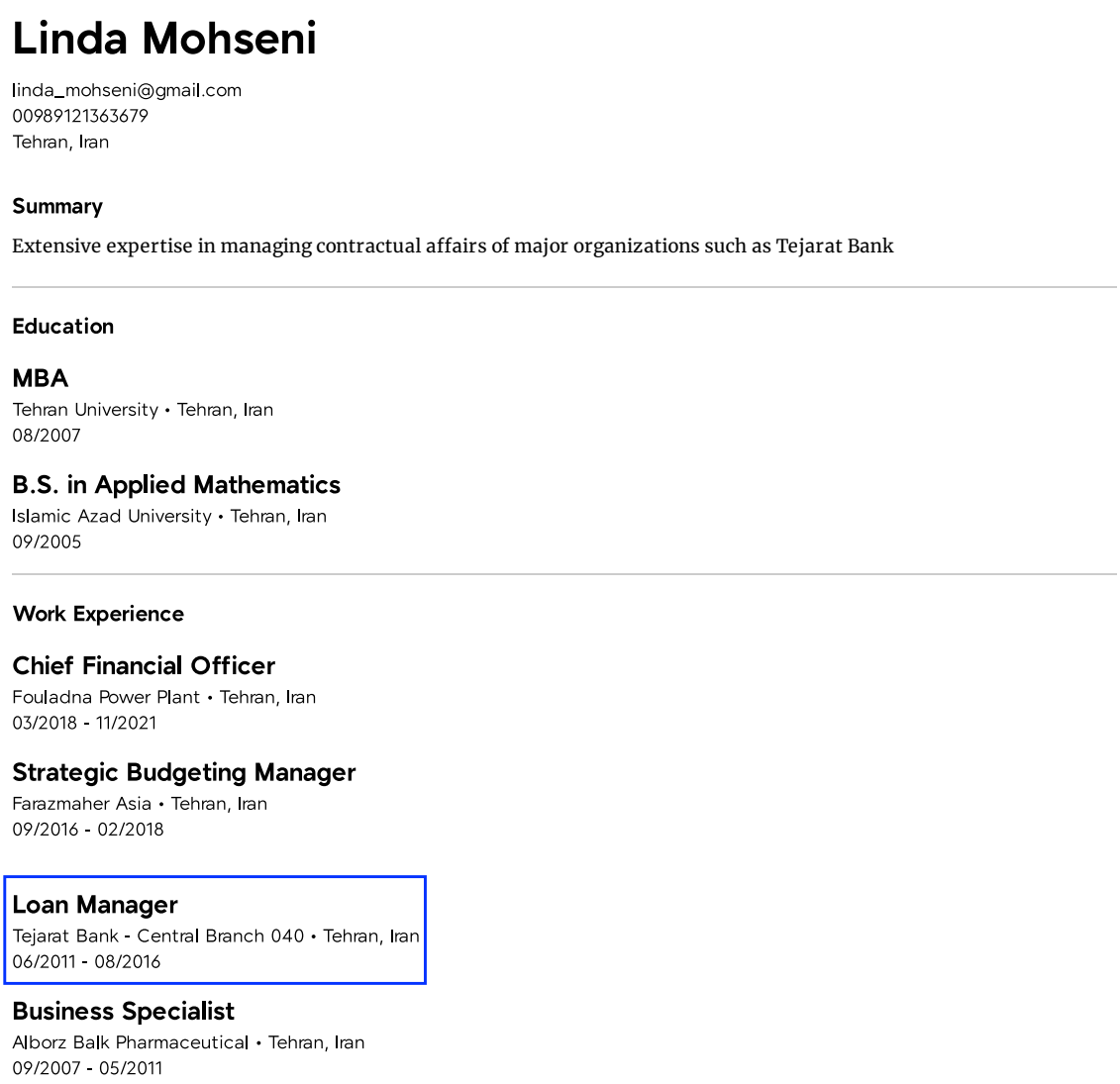
Component	Sum of contributions
All comparisons (total)	0.0913
Treated vs Untreated	0.0884
All Treated vs Treated types	0.0029

(C) Contribution of Comparison Types to the Estimated Effect

Statistic	Value
Minimum weight	0.000000002
Median weight	0.000002303
90th percentile weight	0.000007293
Maximum weight	0.045906426

Appendix

A1 Figures



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Summary

Extensive expertise in managing contractual affairs of major organizations such as Tejarat Bank

Education

MBA
Tehran University • Tehran, Iran
08/2007

B.S. in Applied Mathematics
Islamic Azad University • Tehran, Iran
09/2005

Work Experience

Chief Financial Officer
Fouladna Power Plant • Tehran, Iran
03/2018 - 11/2021

Strategic Budgeting Manager
Farazmaher Asia • Tehran, Iran
09/2016 - 02/2018

Loan Manager
Tejarat Bank - Central Branch 040 • Tehran, Iran
06/2011 - 08/2016

Business Specialist
Alborz Balk Pharmaceutical • Tehran, Iran
09/2007 - 05/2011

Figure A1: This resume describes the employment history of a banker who worked as a loan manager at Tejarat Bank's branch 040 from June 2011 to August 2016. She subsequently joined Farazmaher Asia Company, where she worked from September 2016 to February 2018. Assuming that Farazmaher Asia Company did not hire any other bankers who had previously worked at branch 040, the indicator variable *Banker present* is set equal to one for the Farazmaher Asia Company–branch 040 pair starting in Q4 2016 and remains equal to one until Q4 2017.

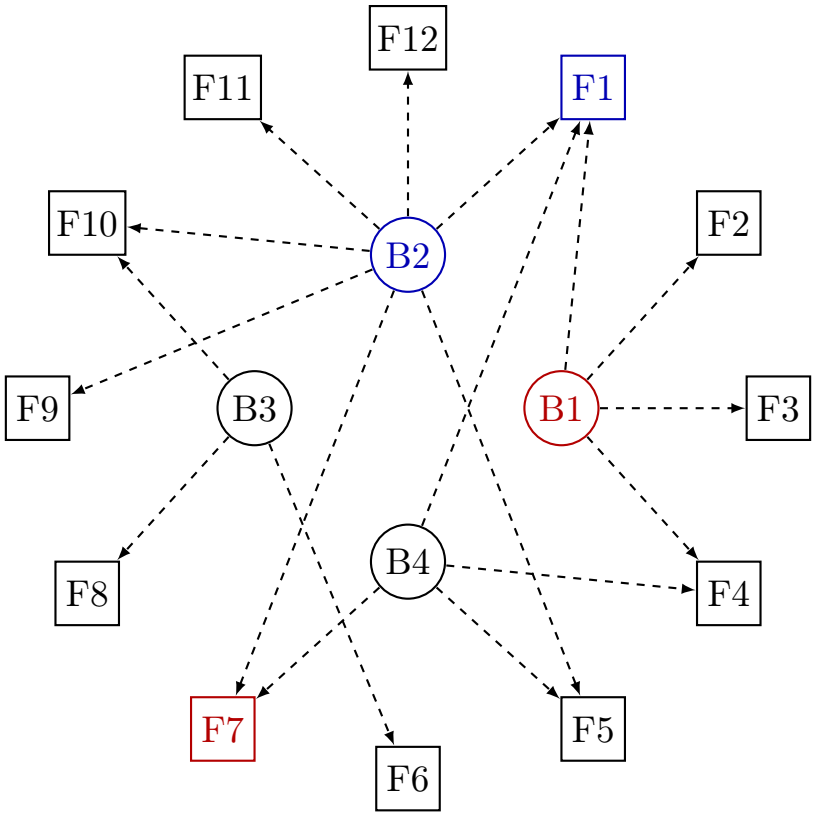

Figure A2: Empirical Design

This figure presents a stylized illustration of loan issuance relationships between firms and branches of the same bank. Rectangles denote firms, and circles denote bank branches. Dashed arrows indicate loans. The figure is used to illustrate the sources of variation exploited in different parts of the empirical analysis.

A2 Tables

Table A1: Descriptive Statistics

This table reports descriptive statistics for firms.

	N	Percent
Panel A: Firm age distribution (as of end of sample)		
Young (<=5 years)	500	1.9
Middle-aged (6-15 years)	17,273	66.2
Old (>15 years)	8,308	31.9
Panel B: Firm size distribution		
Micro (1–9)	8,984	34.4
Small (10–49)	7,304	28.0
Medium (50–99)	5,612	21.5
Large (100–499)	3,419	13.1
Very Large (500+)	762	2.9
Panel C: Industry group distribution		
Agriculture	15,036	57.7
Mining and Quarrying	2,692	10.3
Manufacturing	235	0.9
Construction	5,944	22.8
Services and Trade	2,174	8.3
Panel D: Legal form distribution		
Private Corporation	3,501	13.4
Public Corporation	238	0.9
LLC	10,130	38.8
Partnership	3,948	15.1
Cooperative	2,523	9.7
Sole proprietorship	5,741	22.0
Total	26,081	100.0

Table A2: Titles of Jobs Held At Bank By Hired Bankers

This table reports the job titles held by hired former bankers during their tenure at the bank and their classification by rank and lending relevance. The first column lists the job titles. The second column reports the number of hired bankers who previously held each position during their tenure at the bank. The third column shows the percentage of each title within positions of the same seniority level. The final column indicates whether the job title is classified as related to lending.

Title	Freq.	Percent	Related to Lending
Panel A: Low-ranked positions			
Bank teller	370	78.4	N
Staff (doc/tech/security)	102	21.6	N
Panel B: Medium-ranked positions			
Banker	173	11.6	Y
Loan officer	138	9.2	Y
Accountant	126	8.4	N
Credit analyst	120	8.0	Y
Client services officer	91	6.1	N
Risk officer	90	6.0	Y
FX affairs officer	84	5.6	N
HC officer	75	5.0	N
Legal affairs officer	72	4.8	N
Auditor	63	4.2	Y
IT officer	59	3.9	N
Fraud specialist	57	3.8	Y
Collecting claims officer	53	3.5	Y
Banking affairs officer	49	3.3	Y
Operational affairs officer	49	3.3	N
Relationship officer	47	3.1	Y
Contracts officer	44	2.9	Y
LC officer	44	2.9	Y
Inspector	39	2.6	Y
Bankruptcy specialist	13	0.9	Y
Planning officer	10	0.7	N
Panel C: High-ranked positions			
Deputy Head of branch	60	45.1	Y
Head of branch	46	34.6	Y
Treasurer	27	20.3	Y

Table A3: The Presence of The Banker & Credit Outcomes: Balanced Panel of Loan Originations

This table reports coefficient estimates from Equation 2. The regression model is estimated using a balanced panel of loan originations, as opposed to the balanced panel of credit outstanding used in Table 3. In Panel A, the dependent variable in columns 1–3 is an indicator equal to one if a firm has non-zero credit outstanding from a given branch in a given quarter. In columns 4–6, the dependent variable is the inverse hyperbolic sine of credit outstanding. Panel B reports estimates conditional on non-zero credit outstanding. In columns 1–3, the dependent variable is the annualized interest rate on the outstanding credit. In columns 4–6, the dependent variable is an indicator equal to one if the credit is collateralized. In columns 7–9, the dependent variable is the ratio of collateral value to the amount of the originated loan. Standard errors are clustered at the firm level and reported in parentheses. $*$, $**$, and $***$ denote statistical significance at the 10 percent, 5 percent, and 1 percent levels, respectively.

(A) Credit Access and Credit Outstanding

	1(credit)			IHS(credit)		
	(1)	(2)	(3)	(4)	(5)	(6)
Banker present	0.153***	0.157***	0.066***	3.493***	3.590***	1.562***
	(0.007)	(0.007)	(0.006)	(0.166)	(0.167)	(0.126)
Firm×Year FE	✓	✓	✓	✓	✓	✓
Branch×Year FE		✓	✓		✓	✓
Firm×Branch FE			✓			✓
Mean dep. var.	0.06	0.06	0.06	1.42	1.42	1.42
R2	0.30	0.32	0.33	0.31	0.32	0.34
N	1,928,760	1,928,760	1,928,760	1,928,760	1,928,760	1,928,760

(B) Loan Terms

	Interest rate			1(collateral)			Collateral/Loan		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Banker present	-0.009***	-0.010***	-0.008**	-0.022**	-0.022***	-0.022**	-0.401**	-0.248	-0.049
	(0.002)	(0.002)	(0.003)	(0.010)	(0.009)	(0.010)	(0.180)	(0.223)	(0.260)
Firm×Year FE	✓	✓	✓	✓	✓	✓	✓	✓	✓
Branch×Year FE		✓	✓		✓	✓		✓	✓
Firm×Branch FE			✓			✓			✓
Mean dep. var.	0.16	0.16	0.16	0.43	0.43	0.42	2.12	2.06	1.96
R2	0.78	0.82	0.81	0.95	0.96	0.95	0.79	0.83	0.80
N	60,201	57,991	52,486	60,201	57,991	52,486	60,201	57,991	52,486