



# Sweetening the Deal? Political Connections and Sugar Mills in India

Sandip Sukhtankar

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## Abstract

Political control of firms is prevalent across the world. Evidence suggests that firms profit from political connections, and politicians derive benefit from control over firms. This paper investigates an alternative mechanism through which politicians may benefit electorally from connected firms, examining sugar mills in India. I find evidence of embezzlement in politically controlled mills during election years, reflected in lower prices paid to farmers for cane. This result complements the literature on political cycles by demonstrating how campaign funds are raised rather than used. Politicians may recompense farmers upon getting elected, possibly explaining how they can get away with pilferage. (JEL D72, G34, L66, O13, O17, Q12, Q13)

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## Additional Materials

Replication Package (384.62 KB)

Online Appendix (258.40 KB)

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## JEL Classification

**D72** Political Processes: Rent-seeking, Lobbying, Elections, Legislatures, and Voting Behavior

**G34** Mergers; Acquisitions; Restructuring; Voting; Proxy Contests; Corporate Governance

**L66** Food; Beverages; Cosmetics; Tobacco; Wine and Spirits

**O13** Economic Development: Agriculture; Natural Resources; Energy; Environment; Other Primary Products

**O17** Formal and Informal Sectors; Shadow Economy; Institutional Arrangements

**Q12** Micro Analysis of Farm Firms, Farm Households, and Farm Input Markets

**Q13** Agricultural Markets and Marketing; Cooperatives; Agribusiness

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