Political Connections: A Meta-Analyses Approach (Supplementary Material)

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| ARTICLE INFO  Article history:  Received  Revised  Accepted  JEL Classification: K380  Key words:  Political connection,  Meta-Analyses  DOI:  10.14414/jebav. |  | ABSTRACT  The aim of this study is to highlight the key findings of corporate political connections research. This study using 61 prior studies related to corporate political connections to develop a structured literature review. We found that most studies conducted in developing countries as its provide unique institutional setting for conduct political connections research. In addition, political connections is used as independent variables and prior studies focuses on three related topics which are corporate performance, corporate action, and loan and special rights. Meta-analyses study become more important nowadays as the number of empirical quantitative research amount has been increased lately. This analyses also has research and practical implementation for researcher, practitioners, and regulators. |
|  | ABSTRAK  Tujuan dari penelitian ini adalah untuk menyoroti temuan utama dari penelitian koneksi politik perusahaan. Penelitian ini menggunakan 61 studi sebelumnya yang berkaitan dengan koneksi politik perusahaan untuk menyusun tinjauan pustaka terstruktur. Kami menemukan bahwa sebagian besar studi dilakukan di negara berkembang karena menyediakan pengaturan kelembagaan yang unik untuk melakukan penelitian koneksi politik. Selain itu, koneksi politik digunakan sebagai variabel independen dan studi sebelumnya berfokus pada tiga topik terkait yaitu kinerja perusahaan, aksi korporasi, serta pinjaman dan hak khusus. Studi meta-analisis menjadi semakin penting saat ini karena jumlah penelitian kuantitatif empiris yang semakin meningkat akhir-akhir ini. Analisis ini juga memiliki penelitian dan implementasi praktis untuk penelusur ulang, praktisi, dan regulator. |

**Table 4**

**Detailed Overview of Literature Review**

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| **Panel A: Literature review grouped by GCG and Auditor topics** | | | | | |
| **Journal Name** | **Title** | **Author(s)** | **Year** | **Dependent** | **Independent** |
| [Journal of Accounting Research](https://www.scopus.com/sourceid/29857?origin=resultslist) | [Auditors' response to political connections and cronyism in Malaysia](https://www.scopus.com/record/display.uri?eid=2-s2.0-33750381014&origin=resultslist&sort=plf-f&src=s&st1=political+connection&nlo=&nlr=&nls=&sid=9ba22188d57c23e2c9a52f651e6882e7&sot=b&sdt=cl&cluster=scosubjabbr%2c%22ECON%22%2ct%2c%22BUSI%22%2ct%2bscolang%2c%22English%22%2ct%2bscoexactsrctitle%2c%22Journal+Of+Accounting+Research%22%2ct&sl=27&s=TITLE%28political+connection%29&relpos=1&citeCnt=124&searchTerm=) | [Gul, F.A.](https://www.scopus.com/authid/detail.uri?origin=resultslist&authorId=6701474155&zone=) | 2006 | 1.Audit fees | 1. Political connection |
| Auditing | Political Connections, Audit Opinions and Auditor Choice: Evidence from the ouster of government officers | Ku He, Xiaofei Pan, Gary Tian | 2017 | 1. Audit opinion 2. Audit firms 3. Audit fees | 1. Political connected 2. Year of Anti-corruption event 3. Three years before.after the corruption event 4. First year after/ three years before the anti-corruption case 5. The year ahead of the corruption case  6. Two years ahead of the corruption case |
| Journal of Contemporary Accounting and Economics | Political connections, related party transactions, and auditor choice: Evidence from Indonesia | Habib, A., Muhammadi, A.H., Jiang, H. | 2017 | 1. RPT\_RATIO  2. OPRPT\_RATIO  3. LOAN\_RATIO  4. OWNCON  5. FOWN | 1. AUDITOR Dummy variable  2. PCON Dummy variable  3. GCON Dummy variable 4. MCON Dummy variable  5. SCON Dummy variable |
| Journal of Contemporary Accounting and Economics | Do political connections affect the role of independent audit committees and CEO Duality? Some evidence from Malaysian audit pricing | Bliss, M.A., Gul, F.A., Majid, A. | 2011 | 1. Audit fees | 1. INDAC 2. CEO 3. PCON |
| Journal of Corporate Finance | Rent-seeking incentives, corporate political connections, and the control structure of private firms: Chinese evidence | Chen, C.J.P., Li, Z., Su, X., Sun, Z. | 2011 | 1. Political connection (%) 2. Control structure (SHARE, CTRL, CASH, FAMILY) | 1. Rent-seeking incentives 1a. the level of market development (MKT, MKT\_1, MKT\_2, MKT\_3) 1b. Local government fiscal measures (FISC, PSUB, PADM) 2. Political connection (%) |
| International Journal of Accounting | Accrual-based and real earnings management and political connections | Braam, G., Nandy, M., Weitzel, U., Lodh, S. | 2015 | 1. accrual-based earnings management  1a. cross-sectional Jones model (DA)  1b. the performance-adjusted measure of discretionary current accruals (REDCA)  2. political connectedness  3. PRESS\_FREEDOM  4. real earnings management with using three proxies:  4a. abnormal levels of cash flow from operations (RM\_CFO)  4b. abnormal levels of production costs (RM\_PROD)  4c. abnormal levels of discretionary expenses (RM\_DISX) | 1. Political connected firms |
| Journal of Business Ethics | Religious Belief, Corporate Philanthropy, and Political Involvement of Entrepreneurs in Chinese Family Firms | Du, X. | 2017 | 1. political involvement 2. rank of political involvement | 1. religious belief 2. Chinese religions  3. foreign religions |
| **Panel B: Literature review grouped by Corporate Action topics** | | | | | |
| **Journal Name** | **Title** | **Author(s)** | **Year** | **Dependent** | **Independent** |
| Review of Finance | The Cost of Political Connections | Bertrand, M., Kramarz, F., Schoar, A., Thesmar, D. | 2018 | 1a. Employment change 1b. Plants created 1c. Plants destroyed 2a. Employment 2b. Sales 2c. Input/sales 2d. Taxes 2e. Subdidies | 1. Connected CEO |
| Journal of Corporate Finance | Cross-border acquisitions by Chinese enterprises: The benefits and disadvantages of political connections | Schweizer, D., Walker, T., Zhang, A. | 2018 | 1. Cross-border Merger&Acquisition, CBMA (Dummy) 2. Cummulative Abnormal Return (CAR) 3. ROE | 1a. Connection (dummy if the chairman or CEO is politically connected) 1b. PC Index (3-1) 1c. LBH Connection (% of ownership for the largest politically-connected blockholder) 1d. Multi BH Connection (dummy if more 1 one blockholder is politically connected) 2a. Chairman age 2b. Chairman tenure 2c. Board size 2d. Board independence 2e. Board meeting 2f. Supervisory board size 2g. Ownership meeting 2h. Foreign auditor 2i. State shares |
| Journal of Banking and Finance | Political connections and corporate investments: Evidence from the recent anti-corruption campaign in China | Pan, X., Tian, G.G. | 2017 | 1. Investment (Capital expenditure/Total assets in the current quarter) | 1. Corrupt (dummy if firms bribing government or connected with corrupt officer government) |
| Journal of Corporate Finance | Friends in the right places: The effect of political connections on corporate merger activity | Ferris, S.P., Houston, R., Javakhadze, D. | 2016 | 1a. Y1 (Incomplete merger) 1b. Y2 (dummy if either the FTC or the DOJ file merger litigation) 2a. PREMMOEL (takeover premiums Moeller model) 2b. PREMIMS (takeover premiums Ismail model) 2c. PREMBET (takeover premiums Betton and Eckbo model) 3. CAR 4a. Ln number of bids 4b. Ln number of acquisitions 5a. ln market capitalization 5b. ln total asset 5c. ln total sales 6. Buy and hold abnormal return | 1a. POL1 (dummy if any politician) 1b. POL2 (dummy if any politician or military) 1c. POL3 (dummy if any politician, military, or lawyer) |
| Journal of Corporate Finance | Government connections and financial constraints: Evidence from a large representative sample of Chinese firms | Cull, R., Li, W., Sun, B., Xu, L.C. | 2015 | 1. Investment 2. Financial constraints (Investment cash flow) | 1. Non-state |
| Journal of Corporate Finance | In the name of charity: Political connections and strategic corporate social responsibility in a transition economy | Lin, K.J., Tan, J., Zhao, L., Karim, K. | 2015 | 1. ln (CSR + 1) 2. Prob (CSR > 0) (dummy if makes charitable donations) 3. Subsidy (ln of future subsidies plus 1) 3a. Prob (Subsidy > 0) (probability that a firm is granted government subsidies in the future Prob) 4. Performance (ROA, ROE, ROS) | 1. Turnover (dummy if mayor replaced) 2. PositiveCSR\_change (dummy if a firm increases its CSR after a mayor transition) |
| Organization Science | Do Political Connections Buffer Firms from or Bind Firms to the Government? A Study of Corporate Charitable Donations of Chinese Firms | Jianjun Zhang, Christopher Marquis, Kunyuan Qiao | 2016 | 1. The likelihood of donation 2. Amount of donation | 1. Ascribed bureaucratic connection 2. Achieved political connection |
| Journal of International Business Studies | Political connections and voluntary disclosure: Evidence from around the world | Mingyi Hung, Yongtae Kim and Siqi Li | 2018 | 1. Voluntary disclosure variable | 1. Political connected |
| Strategic Management Journal | Politically Conencted Boards and Top Executive Pay in Chinese Listed Firms | Amon Chizema, Xiaohui Liu, Jiangyong Lu, Lan Gao | 2014 | 1. Top executive cash pay 2. Pay compression | 1. Political connection 2. Firm performance |
| Administrative Science Quarterly | Portfolios of Political Ties and Business Group Strategy in Emerging Economies: Evidence from Taiwan | Hongjin Zhu and Chi-Nien Chung | 2014 | 1. Entry into New Industries | 1. Ties between a group and political parties 2. Diversity of portfolios |
| Journal of Financial Economics | The Role Of Stock Ownership By Us Members Of Congress On The Market For Political Favors | Tahoun, A. | 2014 | 1. Firm contributions | 1. stock ownership by politicians |
| Journal Of Financial Economics | Political Capital And Moral Hazard | Kostovetsky, L. | 2015 | 1. risk exposure offinancial institutions 2. committee senator 3. political director 4. lobbying fees 5. leverage 6. bankruptcy 7. volatility | 1. politically connected firms |
| International Journal of Accounting | Ruling Family Political Connections and Risk Reporting: Evidence from the GCC | Al-Hadi, A., Taylor, G., Al-Yahyaee, K.H. | 2016 | 1. MRDFACTOR Mandatory market risk disclosures  2. EMRD extent of mandatory market risk disclosures. 3. QMRD quality of market risk disclosures. | 1. RoyalF\_Dir  2. RoyalNumDir  3. RoyalRank |
| **Panel C: Literature review grouped by Loan and Special Rights topics** | | | | | |
| **Journal Name** | **Title** | **Author(s)** | **Year** | **Dependent** | **Independent** |
| [Journal of Accounting Research](https://www.scopus.com/sourceid/29857?origin=resultslist) | [Political connections and the cost of bank loans](https://www.scopus.com/record/display.uri?eid=2-s2.0-84892729859&origin=resultslist&sort=plf-f&src=s&st1=political+connection&nlo=&nlr=&nls=&sid=9ba22188d57c23e2c9a52f651e6882e7&sot=b&sdt=cl&cluster=scosubjabbr%2c%22ECON%22%2ct%2c%22BUSI%22%2ct%2bscolang%2c%22English%22%2ct%2bscoexactsrctitle%2c%22Journal+Of+Accounting+Research%22%2ct&sl=27&s=TITLE%28political+connection%29&relpos=0&citeCnt=63&searchTerm=) | Houston, J.F., Jiang, L., Lin, C., Ma, Y. | 2014 | 1. Ln loan spread | 1. Political connection |
| Journal of Corporate Finance | Managerial professional connections versus political connections: Evidence from firms– access to informal financing resources | Liu, Q., Luo, J., Tian, G.G. | 2016 | 1. Access to trade credit 1a. CREDIT (AP/asset) 1b. S\_CREDIT (AR/asset) 1c. NET\_CREDIT (AP - AR) | 1. PROCON  2. DIR\_PROCON (dummy if at least one of the directors has working experience or is currently an executive member) 3. PC (dummy if the chairman or general manager/CEO currently serves or formerly served in the government or military) |
| Journal of Corporate Finance | Political connections and preferential lending at local level: Some evidence from the Italian credit market | Infante, L., Piazza, M. | 2014 | 1. Access to credit | 1. Connected firm (dummy if top excecutives become politican 1a. Town 1b. Prov 1c. Reg 1d. Parliament |
| Journal of Banking and Finance | Corporate lobbying, political connections, and the bailout of banks | Blau, B.M., Brough, T.J., Thomas, D.W. | 2013 | 1. TARPDUM (Dummy if received TARP support) 2. TimeToTarp (days between signing TARP and receive it) 3. TARP (amount of dollar received) | 1a. LobDUM (dummy if has spent positive lobbying) 1b. Connect (dummy if has political connection) |
| Journal of Corporate Finance | Political connections and the cost of equity capital | Boubakri, N., Guedhami, O., Mishra, D., Saffar, W. | 2012 | Cost of equity capital | 1. POLITICAL (dummy if the firm is politically connected) 1a. GOVERNMENT (dummy if through a member of the government) 1b. MP (dummy if through a member of parliament) 1c. CLOSERELATION (dummy if through a close relationship) 1d. DIRECTORSHIP (dummy if through directorship) 1e. OWNERSHIP (dummy if through ownership) |
| Journal of Financial Economics | Political connections and preferential access to finance: The role of campaign contributions | Claessens, S., Feijen, E., Laeven, L. | 2008 | 1. CAR (Cumulative abnormal return) 2a. Growth in bank leverage 2b. Growth in short-term bank leverage 2c. Growth in long-term bank leverage 2d. Growth in other liabilities to total assets 2e. Growth in debentures to total assets 2f. Growth in liabilities to total assets 2g. Growth in interest expense to sales 2h. Growth in fixed assets to total assets 2i. Growth in collateral to total assets 3a. CAPEX to total assets 3b. Return on assets 3c. Initial Tobin’s Q | 1. Contributions to deputies 2. Contributions to winning deputies 3. Contributions to losing deputies 4. Cumulative share in contributions to winning deputies 5. Cumulative share in contributions to losing deputies 6. Cumulative share in contributions to winning deputies in the state 7. Cumulative share in contributions to losing deputies in the state 8. Contributions to (non)incumbent deputies 9. Contributions to deputies (non)affiliated to president coalition 10. Contributions to candidates at other levels |
| Journal Of Financial Economics | The Politics of Government Investment | Duchin, R., Sosyura, D. | 2012 | 1. government investment | 1. corporate political connections |
| Journal Of Financial Economics | Politicians And Banks: Political Influences On Government-Owned Banks In Emerging Markets | Dinc, I. S. | 2005 | 1.government-owned banks in emerging markets 2. increase in the total loans that year normalized by total assets from the previous year 3. change in loans normalized by the previous year’s total assets | 1. political influences |
| The Journal Of Finance | Political Connections And Corporate Bailouts | Faccio, M., Masulis R. W., Mc Connell, J.J. | 2006 | 1. corporate bailout | 1. Firms size ( log (mkcapUS$) )  2. log(employees) to control for the number of a company’s employees 3. GovStake  4. Privatized 5. Corruption |
| The Quarterly Journal of Economics | Do Lenders Favor Politically Connected Firms? Rent Provision In An Emerging Financial Market | Khwaja, A. I., Mian, A. | 2005 | 1.loan size 2. default rate 3. rate of return 4. recovery rate 5. interest rate | 1. politically connected |
| Journal of Contemporary Accounting and Economics | The association between cost of debt and Hong Kong politically connected firms | Bliss, M.A., Goodwin, J.A., Gul, F.A., Wong, A. | 2018 | 1. Interest Expense (IR) | 1. PCON  2. NPC indicator variable  3. LEGCO indicator variable  4. CPPCC indicator variable 5. HYK indicator variable  6. H-shares (HSHARE)  7. Red Chip shares (REDCHIP)  8. otherPCON indicator variable |
| International Journal of Accounting | Benefits of Downward Earnings Management and Political Connection: Evidence from Government Subsidy and Market Pricing | Jiang, H., Hu, Y., Zhang, H., Zhou, D. | 2018 | 1. GS Government subsidy  2. DEM Downward earnings management, measured as a dummy variable | 1. PCON Political connection  2. SOE State-owned enterprises |
| **Panel D: Literature review grouped by Corporate Performance topics** | | | | | |
| **Journal Name** | **Title** | **Author(s)** | **Year** | **Dependent** | **Independent** |
| Journal of Banking and Finance | Helping hands or grabbing hands? An analysis of political connections and firm value | Chen, C.R., Li, Y., Luo, D., Zhang, T. | 2017 | 1. Simple PC Index (compilation of current and former position and political rank of firms excecutives) 1a. LN(PC Index) (ln (1+simple PC index)) 2. Headcount (politically connected officers/board size) | 1. Firm Value (Tobins'q) 2. Adjusted Tobins'q (Tobins'q minus industry median) |
| Accounting, Organization, and Society | [Corporate political connections and the 2008 Malaysian election](https://www.scopus.com/record/display.uri?eid=2-s2.0-84929118560&origin=resultslist&sort=plf-f&src=s&st1=political+connection&nlo=&nlr=&nls=&sid=ee6d220f4c3b8b14629de044e617f9f7&sot=b&sdt=cl&cluster=scosubjabbr%2c%22ECON%22%2ct%2c%22BUSI%22%2ct%2bscolang%2c%22English%22%2ct&sl=27&s=TITLE%28political+connection%29&relpos=165&citeCnt=14&searchTerm=) | Fung, S.Y.K., Gul, F.A., Radhakrishnan, S. | 2015 | 1. Firm Value (stock return - treasury bill return) | 1. Political Connection (dummy) 2. New-PCON (dummy, PCON since 2017 but not 1998-1998) |
| [Contemporary Accounting Research](https://www.scopus.com/sourceid/29113?origin=resultslist) | [Family firms, firm performance and political connections: Evidence from Bangladesh](https://www.scopus.com/record/display.uri?eid=2-s2.0-84942311571&origin=resultslist&sort=plf-f&src=s&st1=political+connection&nlo=&nlr=&nls=&sid=ee6d220f4c3b8b14629de044e617f9f7&sot=b&sdt=cl&cluster=scosubjabbr%2c%22ECON%22%2ct%2c%22BUSI%22%2ct%2bscolang%2c%22English%22%2ct&sl=27&s=TITLE%28political+connection%29&relpos=155&citeCnt=9&searchTerm=) | Muttakin, M.B., Monem, R.M., Khan, A., Subramaniam, N. | 2015 | 1. Firm Peformance (Tobin's Q and ROA) | 1. Family Firm (share owned family member and dummy) |
| [European Accounting Review](https://www.scopus.com/sourceid/28096?origin=resultslist) | [Political Connections and Accounting Quality under High Expropriation Risk](https://www.scopus.com/record/display.uri?eid=2-s2.0-84920148991&origin=resultslist&sort=plf-f&src=s&st1=political+connection&nlo=&nlr=&nls=&sid=7803e6131ff983e12abd6238456c041a&sot=b&sdt=cl&cluster=scosubjabbr%2c%22ECON%22%2ct%2c%22BUSI%22%2ct%2bscolang%2c%22English%22%2ct%2bscoexactsrctitle%2c%22Accounting+Review%22%2ct%2c%22European+Accounting+Review%22%2ct&sl=27&s=TITLE%28political+connection%29&relpos=1&citeCnt=4&searchTerm=) | Batta, G., Sucre Heredia, R., Weidenmier, M. | 2014 | 1. Smallpos (dummy, if net income / total asset between 0 and 0,005) 2. smalldiff (dummy, if delta net income / total asset between 0 and 0,005) 3. ROALOW (dummy if delta net income / lagged total asset less than -0,2) 4. Abnormal accruals (modified Jones) | 1. Political connection (interviews) |
| Journal of Corporate Finance | Founder's political connections, second generation involvement, and family firm performance: Evidence from China | Xu, N., Yuan, Q., Jiang, X., Chan, K.C. | 2015 | 1a. CEOChair\_G2 (dummy if the second generation became the CEO or chairman) 1b. Board\_G2 (dummy if thesecond generation became the board of directors) 2a. OROA (Operating return on asset) 2b. OROS (Operating return on sales) 3 OREC (Other receivable to total asset) | 1. Political connection (dummy) 2a. CEOChair\_G2 (dummy if the second generation became the CEO or chairman) 2b. Board\_G2 (dummy if thesecond generation became the board of directors) |
| Journal of Financial Economics | The value of local political connections in a low-corruption environment | Amore, M.D., Bennedsen, M. | 2013 | 1. OROA 2. Industry-adjusted OROA 3. ln(sales) | 1. Polcon (treatment) (dummy) |
| Journal of Corporate Finance | Political connections of newly privatized firms | Boubakri, N., Cosset, J.-C., Saffar, W. | 2008 | 1. PC (dummy) 2a. DROS (Change in return on sales during the privatization window (-3,-1 versus +1, +3)) 2b. Sales growth  2c. Earnings growth | 1a. JudI (Index of judical independence) 1b. GovF (The government fractionalization) 1c. Yoff (The years that the chief excecutive has been in office) 2a. LGDP (ln GDP per capita) 2b. Buzz (number of bureaucratic procedures for a start-up) 2c. Corr (ICRG assessment of a country’s corruption) 3a. Size (ln total sales) 3b. Ind (dummy if firm from regulated) 3c. Loc (dummy if firm located in major cities) 3d. Lev (debt to asset) 4a. %Gvt (The average fraction held by the government during the window (+1,+3)) 4b. %For (The average fraction held by foreign investors during the window (+1,+3)) 4c. GS (dummy if the firm has an outstanding golden share) 4d. SIP (dummy if the privatization occurs through SIP) 5a. Delta GDP 5b. Delta trade  6a. PC (if the firm is politically-connected) 6b. Control (if the government relinquishes control of the privatized firm) |