

Political Connections and Firm Performance on Global Fortune 500 Oil and Gas Companies

Nur Farrahania Ahmad Tarmizi^{1*}, Rayenda Khresna Brahmana²

¹Universiti Malaysia Sarawak (UNIMAS), Jln Datuk Mohammad Musa, 94300 Kota Samarahan, Sarawak, Malaysia.

Email: nur.farrahania@yahoo.com.my

²University of Bahrain, P.O. Box 32038, Sakhir, Kingdom of Bahrain.

Email: rayendabrahmana@gmail.com

ABSTRACT

CORRESPONDING AUTHOR (*):

Nur Farrahania Ahmad Tarmizi
(nur.farrahania@yahoo.com.my)

KEYWORDS:

Political connections
High performing industries
Firm performance
Financial stake

CITATION:

Nur Farrahania Ahmad Tarmizi & Rayenda Khresna Brahmana. (2022). Political Connections and Firm Performance on Global Fortune 500 Oil and Gas Companies. *Malaysian Journal of Social Sciences and Humanities (MJSSH)*, 7(7), e001622. <https://doi.org/10.47405/mjssh.v7i7.1622>

The purpose of this research is to highlight the significance of the paradox of corporate political ties on business performance. Corporate - political affairs are said to provide a resource-based and competitive advantage in a wide range of industries. Effect through corporate boards of directors has been discovered in many high-performing industries, and it is believed to be economically beneficial to the country. Previously, political affiliations were always used as an independent variable to explore their relationship with business indicators such as company performance, corporate actions, and exclusive rights. In this study, we used 152 data from the Fortune Global 500 between 2012 to 2017 to determine the impact of politics on company success in a particular industry; oil and gas. According to the relationship hypothesis, strong political connections are more likely to have a favourable impact on business outgoing.

Contribution/Originality: This study's main contribution is to investigate the impact of corporate political connections on firm performance, particularly in oil and gas corporations. Knowing that the activities of oil and gas corporations pose significant risk but can add value to the country's economy, the goal of this article is to demonstrate how these connections can contribute to firm success.

1. Introduction

Political influence on corporate boards of directors has been studied extensively in recent decades and has become a ubiquitous issue with no apparent end in sight, with many research yielding inconclusive results. This relevant issue has been increasing in recent years as well as their importance in corporate development and contribution. Thus, this phenomenon is deemed acceptable practically everywhere in the world (Ahmad Tarmizi & Brahmana, 2022; Ang et al., 2013; Li et al., 2008; Mitchell & Joseph, 2010; Saeed et al., 2019). Take United Kingdom for instance, many of their corporate sector is characterised by the existence of politically firms (Faccio, 2010). In many studies, the indicator for corporate political connections (CPCs) is performance, as in how CPCs can influence

corporation's directions and actions, and whether the presence of politicians can place the company in better position. The positive evidence from past research is related to high-performing company with a competitive return financially. Further, the value of having politicians is because company are backed by the resource-based view (RBV) (Barney, 1991). As we shed light on performance issue using evidence from oil and gas industry via Fortune Global 500 website¹, it seems like the involvement of CPCs capture a tremendous result especially on any high performing firms that are economically important for country development.

A director is the most powerful position in a company who makes decision for the sake of company objective. Appointing someone with power and influence allows the company to benefit from the alliance. Parallel with the RBV theory, firm prefer to have a connection with someone who has a strong community connection and profile to compete over competitors. Thus, having a connection with politicians or even government because they reinforce efficacy. Prior research also has revealed the strong involvement from CPCs would give advantage on private benefits such as financing and resources coverage, subsidies and cheaper bank loans, use of contacts and knowledge to obtain favours especially on latest regulations and securing government contract (Azmi et al., 2020; Houston et al., 2014; Sapienza, 2004; Tsai et al., 2019). Further, with these useful forays, CPCs able to achieve competitive advantage and high performance compared to other non-CPCs. On the other hand, there are studies that disapprove the involvement of politicians to the fact that firm financial performance was disrupted (Amara, 2020; Cheney et al., 2011; Hashmi et al., 2018).

To analyse the role of CPCs in oil and gas industry listed in Fortune Global 500, we begin by assembling data on oil and gas companies who actively reported their sales and profit from 2012 to 2018. We find that among our sample of 500 oil and gas companies, only 152 companies actively reporting their sales and profit and meet our study criteria. The remaining companies exhibit no records on their sales performance and offers insufficient information on company's annual report. We further find that 75% of our oil and gas companies' sample are owned by government or state which directly indicate that oil and gas companies are politically connected firms, that is, have a chairman or chief executive officer (CEO) or other directors' position that is a current or a former government bureaucrat, and that politically connected firms have any relation with a politician than non-politically connected firms.

In this paper, our CPCs denotation is aligned with the definition from Faccio (2006); political connections is viewed as a bond between two parties in exchange (a firm and a right person) for a special treatment. This connection refers to either the parties are linked by a common network, such as shared same school, university, alumni or workplace and it could also be in the context of family ties, friendship or a friendship alliance with either former or current government (Fan et al., 2008).

We next explore why the performance level of many politically connected firms are more likely to have better performance than other non-CPCs especially in the context of oil and gas companies. In this paper we propose an exclusive hypothesis for this relation. The hypothesis of company performance posits that CPCs exhibit good performance in terms of financially subsequent to government subsidies and state loans or even regarding

¹ See <https://fortune.com/global500/>. The Fortune Global 500 is an annual ranking of the top 500 corporations worldwide as measured by revenue. The list is compiled and published annually by Fortune magazine

government regulations. Due to strong intervention from the politicians and government, CPCs are more likely to avoid from financial issues even though some research explicitly come out with a contrary finding that CPCs sometimes resulted in a serious financial status and different corporate outcomes ([Chen et al., 2018](#); [Fisman et al., 2012](#); [Khwaja & Mian, 2005](#)) due to various indicators on level of political intervention.

Our paper reconciles positive findings suggest that the interventions bring fortunate steps for company in order to survive in the volatility of oil prices that were inherently tied to the low responsiveness of both demand and supply in the short run compared with other commodities. Align with the resource-based value (RBV) theories, CPCs able to capture good return and able to balance the lag between investment and production ([Najaf, 2021](#)). For instance, the process of oil and gas includes a wide range of operation and equipment that generating pollution, disrupting wildlife and damaging public lands. Government becoming as a shield to company and able to remove market frictions or block competitiveness compared to other non-connected firms.

The remainder of the paper is structured as follows. Section 2 describes the institutional setting and hypothesis. Section 3 presents the data and descriptive evidence on the positive relations between political connection and firm performance. Section 4 reports the empirical results. Section 5 is the discussions and conclusion.

2. Institutional Background and hypothesis

2.1. Institutional Background

Oil and gas firms attempt a complex process from raw materials to finished products. This industry has two key working phases: upstream and downstream operations, both of which contribute to a country's economy. Countries possessing these natural resources are considered as oil blessings since they have contributed expand exports and money production for development purposes. However, the wrong move may result in an oil curse that jeopardises the country's economy, commonly referred to as "Dutch disease". The definition for Dutch Disease is borrowed from [Ross \(2003\)](#) which refers the term with a situation in which a country has ample resources, but its industrial sector begins to collapse and harms its broader economy.

For instance, Nigeria has had a dramatic financial turnaround as a result of the oil boom, propelling the country into the international spotlight as a major oil producing country. In 1971, they joined the Organization of Petroleum Exporting Countries (OPEC), and in 1977, they founded the National Petroleum Corporation (NNPC), which became a key player in the upstream and downstream sectors under the sole authority of a state-owned enterprise. According to [Osazuwa \(2016\)](#), the activities of CPCs in Nigeria have a great impact on company performance, particularly in terms of national economic development and other benefits, which indirectly serve as a wake-up call to other non-politically connected firms. Many research has now found the participation of CPCs, and it has become an in-thing practise for industry that desire to benefit from the connections.

Several research have also shown that this enigmatic relationship leads to improved business financial and stock performance when compared to other non-CPCs. Furthermore, CPCs players will exercise their political influence as board members with the most recent rules and regulations, as well as their efficacy in power and influence in assuring strategic decision making ([Bunkanwanicha & Wiwattanakantang, 2009](#); [Johnson](#)

& Mitton, 2003). Other literature also finds support that the connections lead to competitive advantage (Boubakri et al., 2012), tax and subsidies (Kim & Zhang, 2016), improve sales and return (Agrawal & Knoeber, 2001), innovation (Tsai et al., 2019) and policy flexibility (Bunkanwanicha & Wiwattanakantang, 2009).

The primary purpose of this study is to investigate how CPCs can assist oil and gas firms in improving their production, sales, returns, and regulations, as well as the level of political support for the company's economic security. We include all oil and gas companies on the Fortune Global 500 list as our sample for three reasons. To begin, the Fortune Global list is updated annually and only includes significant firms based on total revenue, which includes both public and private organisations in relevant areas, with data collected constantly between 2012 and 2018. Second, many oil and gas businesses are government-controlled or state-owned enterprises. Based on oil and gas companies, we assume that the privately owned oil and gas businesses are to have at least 20% of their board are connected with the authority in order to retain autonomy (Boubakri et al., 2008). Third, the nature of the oil and gas process, which is strongly reliant on country norms, is consistent with prior research, which suggests that the involvement of CPCs is obvious to any corporation that enhances the well-being of a country (Hillman et al., 2004).

2.2. Hypothesis

We observe why strong CPCs, particularly in oil and gas companies, are more likely to have a good financial return than non-CPCs companies, with the congenial hypothesis positing that CPCs companies outperform non-CPCs companies as a result of stimulating high revenue, lowering poverty rates, raising living standards, and increasing job opportunities. Companies might profit financially from their political influence in the form of direct and indirect government assistance, such as revived financial assistance and regulatory shielding.

Performance Hypothesis:

CPCs firms exhibit better firm financial performance than non-CPCs firms especially in oil and gas companies.

3. Data and descriptive evidence

3.1. Data

Our sample includes oil and gas companies listed in Fortune Global 500 companies worldwide, according to their annual sales reported yearly. We begin our investigation period in 2012, 5 years after the financial crisis and recession hit in 2008. The reason to choose 2012 is because we believed that the price and demand for oil and gas are slowly rising and continuously producing massive amount of oil. Further, stagnant market price since 2011 makes us determined to forecast for the next 6 years until 2018 on the growing of oil price, demand and supply. To identify the CPCs with Fortune Global 500 companies, we use companies' website to rectify political connections via company's annual report. We collect all information on board of directors through the company's annual report whether they are connected or not based on the definition heeded by Faccio (2006) and

supplement it with Relationship Science (RelSci)² website to observe and describe individual relationship.

We generate two major data sets on firm characteristics and firm performance for each company. We manually collect data on the background information on executives and directors' ownership (whether the CEO, Chairman, or owner is a government or a privately owned company) for firm characteristics, and we measure firm performance using company financial information (e.g., return on assets and return and equity) from the Thomson Reuters ASSET4 ESG DataStream. The Global Fortune 500 list includes all oil and gas companies. We chose Global Fortune 500 because the website claims to contain only top performers (largest companies) listed by total revenues for their respective fiscal years, and because of its high quality and prestigious status, making it more suitable for capturing active oil and gas corporations globally.

Our sample consists of 152 oil and gas companies that meet the data requirements of our hypothesis test. To minimise the impact of outliers, we start all scaled variables at the top and bottom 1% of each distribution. Table 1 shows the number and percentage of oil and gas companies by continent. North America discovered 60 firms and the largest oil plants among the 152 countries mentioned on Global Fortune, 40 oil plants in Asia, 34 oil plants in Europe, 8 oil plants in South America, 7 oil plants in Australia, and 3 oil plants in Africa. We arrange the companies on the same table with another column - political connections and non-political connections - to see which companies have the most political interventions. Surprisingly, we are able to classify the government or a state-owned company as controlling and owning at least 75% of the total oil plants revealed by continents. Asia leads all continents in terms of the percentage of companies with political ties, followed by Europe and North America. Furthermore, several privately held corporations have revealed political involvement on their boards of directors.

Table 1: The number of CPCs and non-CPCs for Oil and Gas companies by continent

Continent	Oil and gas companies		CPCs companies		Non-CPCs Companies	
	N	%	N	%	N	%
Asia	40	26	40	35	-	-
Africa	3	2	2	2	1	3
North America	60	39	29	25	31	81
South America	8	6	8	7	-	-
Europe	34	22	34	30	-	-
Australia	7	5	1	1	6	16
TOTAL	152	100	114	100	38	100

3.2. Measurement Procedures

In this paper, we include three variables: the dependent variable, the experimental variable, and the control variable. Table 2 contains a summary of the measurement procedures and their sources. All variables are described as follows:

² See <https://www.relsoci.com/>. The study of relationships which combines quantifiable data with scientific tools to observe, analyze, describe, and even predict outcomes of individual relationships enabled by modern data gathering and computing technology.

Dependent Variable: Consistent with prior studies that use firm's performance indicator, this study also tests firm performance by using financial performance indicator ROA and ROE to determine how efficient company able to generate profit.

Independent Variable: The corporate political connections (CPCs) with the definition follows Faccio (2006), Fan et al. (2008), Hashmi et al. (2018) and Farrahanie et al. (2022) that defined political connections as an attachment between two party in exchange for preferential treatment in the context of company top position (chairman, CEO, executive director), president, prime minister, minister with portfolio, family ties, friendship, or a friendship alliance with either a former or current government. we use dummy variable 1 for CPCs and 0 for non-CPCs.

Control Variables: this study use Leverage (LEV) measured by total equity, Firm Size (SIZE) measured by Natural log of total assets, and Capital Intensity (CAPINT) measured by Total assets by sales (by percentage).

Table 2: Summary of measurement procedures

Variables	Definition	Sources
<i>Dependent Variables</i>		
ROA	Net profit before tax over total assets	DataStream
ROE	Net profit before tax over total equity	DataStream
<i>Experimental Variable</i>		
CPCs	An indicator variable, 1 for political connected firm and 0 otherwise	Annual Report/ RelSci
<i>Control variable</i>		
Firm Size	Natural log of total assets	DataStream
Leverage	Total debt to total equity	DataStream
Capital Intensity	Total assets by total revenue	DataStream

3.3. Descriptive evidence on the relations between political connections on firm performance

We begin our investigation by observing the effect of political connections on company performance. We target organisations with a high level of political presence in positions such as Chairman, CEO, and other directors. Following Fan et al. (2008), we use a binary variable to indicate whether corporations have strong political connections or not. If the firm's Chairman, CEO, or Directors are current or former government bureaucrats, this variable has a value of one; otherwise, it has a value of zero.

3.4. Baseline regression models

The performance hypothesis predicts that CPCs outperform non-CPCs especially in oil and gas companies. To test this prediction, we measure performance using profitability measures (return in assets and return in equity) based on available figures apprehended from Thomson Reuters database on company prospectuses (Annual Report), which generally cover seven years (2012-2018). To regress the performance measure, we use CPCs as dummy variable with the interaction for other controlled variables such as leverage, firm size and capital intensity. The description and measurement of all control variables are presented below:

$$FP_{i,t} = \beta_0 + \beta_1 CPCs_{i,t} + \beta_2 FP * CPCs_{i,t} + \beta_3 LEVERAGE_{i,t} + \beta_4 SIZE_{i,t} + \beta_5 CAPINTENS_{i,t} + \sum_{j=0}^{j-1} \gamma_{109j} COUNTRY_{i,t} + \sum_{j=0}^{T-1} \gamma_{6t} YEAR_{i,t} + \varepsilon_{i,t}$$

$FP_{i,t}$ refers to the financial performance of firm i at year t with financial performance is measured two variables; the ROA and ROE towards $CPCs_{i,t}$. We are interested to test the coefficient on Firm performance x CPCs (β_2) captures the effect among CPCs compared to other non-CPCs β_1 especially in oil and gas industry. Specifically, β_2 equals the relationship effect on firm performance which use ROA and ROE among CPCs ($\beta_1 + \beta_2$). Thus, our hypothesis predicts β_2 to be positive.

3.5. Estimation Model

We find several instruments that are correlated with endogenous variable. We identify three variables that are likely to satisfy these criteria: (1) leverage, (2) firm size, (3) capital intensity. The following regression model was developed using all of the sample firms in this study:

$$ROA = \beta_0 + \beta_1 LEV + \beta_2 SIZE + \beta_3 CAPINT + \varepsilon \quad (1)$$

$$ROE = \beta_0 + \beta_1 LEV + \beta_2 SIZE + \beta_3 CAPINT + \varepsilon \quad (2)$$

Where:

ROA = Return on Assets

ROE = Return on Equity

LEV = Leverage

SIZE = Firm Size

CAPINT = Capital Intensity

β_0 = Constant

$\beta_1, \beta_2, \beta_3$ = Parameters to be estimated

ε = Error or disturbance term

4. Empirical results

4.1. Test of performance hypothesis

4.1.1. Descriptive Statistics

This section summarizes the descriptive statistics of mean, standard deviation, minimum and maximum summary suggested for this study. [Table 3](#) presents the descriptive statistics for this study. The results testing the performance hypothesis provides the average ROA is 3.07 with a range between -114.9 to 82.82. While, the average ROE is 0.53 with a range between -45.52 to 33.32. These results indicated that the oil and gas companies recorded moderate performance during the seven years from the year 2012 to 2018 concerning ROE. The result shows that there is no considerable difference between the two financial measurements and that there is no event of crisis occurred between 2012 to 2018. A prior study by [Foo et al. \(2015\)](#) and [Prado-Lorenzo et al. \(2009\)](#) have made concrete the justification that the mean range is moderate in oil and gas scope of the study. The control variables on firm characteristics such as leverage (LEV) show

minimum number of 10.2 and maximum is 99. Then, the minimum number of Firm Size (Size) is 3.69 and maximum is 11.15. The CPCs (Dummy) indicates a positive mean of around 25% of firms that is appeared to be politically connected. Finally, the mean value of CPCs is 3.41%, inferring those three out of 100 board members are politicians on average. This value is lower than the reported value from [Kogan and Salganik \(2015\)](#) research, who reported a mean value of 11.4% in the oil and gas industry.

Table 3: Descriptive statistics

Variable	Mean	Std. Deviation	Min	Median	Max
Return on Assets (%)	3.17	11.56	-114.9	4.39	82.82
Return on Equity (%)	0.53	2.38	-45.52	0.56	33.32
Leverage (%)	46.75658	24.12436	10.2	44	99
Firm Size (LN)	7.56	1.24	3.69	7.43	11.15
Capital Intensity ratio (%)	18.29453	19.59345	0	11.3478	154.01
CPCs (%)	3.46	10.71	0.00	0.00	100.00
CPCs (DUMMY)	0.25	0.25	0	0.15	1

4.1.2. Cross Tabulation

A cross-tabulation of the main independent variables (the CPCs) and firm profitability is shown in [Table 4](#). The values reported are the firm and period averages. In terms of profitability, CPCs outperformed Oil & Gas Companies, with 73.8 (ROA) percent and 78.8 (ROE) percent, respectively. Because of certain connections, only a small percentage of CPCs were profitable. Companies with relational connections have low profitability, whereas firms with transactional connections have high profitability, according to our findings ([Arifin et al., 2020](#); [Wong & Hooy, 2018](#)). Unfortunately, our current data set is limited in distinguishing between a relational and a transactional relationship because several countries do not disclose this relationship.

Meanwhile, it is postulated that the non-CPC performance of oil and gas companies is nearly equal if no connections to politicians or the government appear. 56.2 percent of this group, for example, had a low ROA, while 43.8 percent had a high ROA. In other words, firms with no political affiliations were only half as financially viable. It implies that businesses can use political connections as a strategic resource to improve their performance.

Table 4: Cross Tabulation

	LOW ROA	HIGH ROA	LOW ROE	HIGH ROE
CPCs	26.3%	73.8%	21.3%	78.8%
Non-CPCs	56.2%	43.8%	57.4%	42.6%

4.1.3. Correlation

[Table 5](#) presents the correlation matrix for the variables in the estimation model. The correlations between the explanatory variables and performance provide a preliminary view of their univariate relationship. All the control variables have the expected signs. Leverage and capital intensity negatively affect performance. Meanwhile, Size is positively correlated. Additionally, the reported VIF scores are lower than five, implying no multicollinearity issue.

Table 5: Correlation Matrix

	ROA	ROE	POLCON2	LEV.	SIZE	CAPINT
ROA	1					
ROE	0.84	1				
POLCON2	0.10	0.09	1			
LEV.	-0.04	-0.10	-0.13	1		
SIZE	0.22	0.21	0.24	-0.05	1	
CAP. INTENS	-0.16	-0.20	-0.15	0.00	0.00	1

4.1.4. Panel regression result

Table 6 exhibits the panel regression results. Following Petersen (2011) suggestions, we account for the possibility of within-cluster correlation and heteroscedasticity by estimating all regression using White heteroscedastic-robust firm-clustered and double-clustered standards errors. Finally, we reported and interpreted the statistical inferences based on White-cluster correlation.

Table 6: Regression result

	ROA	ROE	ROA	ROE	ROA	ROE
CPCs	0.054** (0.024)	0.108* (0.062)	0.09** (0.040)	0.167* (0.093)	0.079** (0.040)	0.176* (0.097)
leverage	-0.022 (0.032)	0.125 (0.083)	-0.029 (0.026)	0.114 (0.086)	-0.02 (0.031)	0.135 (0.082)
size	1.764** (0.818)	3.888* (1.982)	1.591** (0.762)	3.335* (1.827)	1.669** (0.825)	3.521* (1.925)
Capint.	-0.297 (0.186)	1.215*** (0.406)	-0.226 (0.175)	1.026*** (0.382)	-0.286 (0.189)	1.173*** (0.427)
Constant	-8.913 (9.744)	-26.068 (16.995)	-7.183 (8.052)	-22.538 (14.178)	-9.275 (9.571)	-27.536 (16.901)
N	152	152	152	152	152	152
F	11.172	18.226	13.161	19.313	10.543	14.434
r2	0.100	0.095	0.138	0.138	0.075	0.087

We report a positive relationship between CPCs and firm performance for the performance hypothesis. In all estimation models, our findings show that CPCs have a positive relationship with firm performance. The performance of CPCs and non-CPCs differs statistically and significantly. Furthermore, it shows that CPCs outperform those with no political ties, lending credence to the RBV theory. The result is consistent with the findings from Yu et al. (2020), Wong and Hooy (2018).

It implies that most oil and gas companies have a connection with politicians, and the findings show that this relationship has a positive impact on firm performance, particularly profitability. In other words, if a company is having economic troubles, the politicians on board may lend a helping hand to get the company out of difficulty by whatever opportunities or power they have. In order to avoid financial disaster, these firms seek the assistance of politicians, resulting in relatively better performance than other non-politically connected firms.

5. Discussion and conclusion

The inconclusive results from past research that examine the relationship between CPCs and firms' performance have invented this paper to make its move in justifying the relationship focusing on oil and gas companies between 2012 to 2018 whether it has significant effect to the firm performance. Our findings based on 152 companies between the 6 years' time frame, suggest that CPCs is positively associate to firm performance using ROA and ROE as indicators. Uniquely, most oil and gas companies are under the government administration and some companies are state-owned companies. Even so, we realize that some privately held oil and gas companies also appointed politicians as part of their board members in order to strategize business operation. This result is also found the increase of ROA on firms when non-politically experience personnel is to replace with someone with political ties (Bertrand et al., 2007; Ding et al., 2014). To add, this result is consistent with prior study that also found the firm performance using the ROE as indicators shows a tremendous result with strong government participation (Guerra Pérez et al., 2015; Hashmi et al., 2018; Hong, 2010; Najaf, 2021). Politicians may be able to assist terms of policy and law implementation, allowing for faster decision-making and are capable of strategic action to adapt for economic conditions.

The findings of this paper are also consistent with the RBV theory, revealing that politicians can bring valuable resources and execute power to direct and guide the companies' direction while maintaining their reputation. Concomitantly, it is acknowledged that a company may struggle without political assistance or changes (Fisman, 2001; Li et al., 2008). This validates our conviction that CPCs can effectively influence the performance specifically in oil and gas companies.

While our study provides a new perspective on the effect of CPCs on firm performance in oil and gas companies, it does have limitations. Due to data availability, we do not measure all indicators such as political experience, networking, qualification, or even transactional or relational connection variables. Instead, we only select politicians who have served the government or have an informal relationship with the government. While this may be due to a general variable, we argue that it is difficult to find other variables to enrich this literature.

We attempted the content analysis by selecting the other possible variables from the annual report at random. However, a company's annual report does not always provide the same variable we require. Furthermore, our findings do not imply that the corporate board should be made up entirely of politicians due to the positive impact. While we examine how these connections would benefit firms, future research can look at the combination or quadratic relationship of politicians on board.

Acknowledgement

Part of this article was extracted from a doctoral thesis submitted to Universiti Malaysia Sarawak (UNIMAS), Sarawak

Funding

This study received no funding.

Conflict of Interests

The authors declare no conflict of interest in this study.

References

- Agrawal, A., & Knoeber, C. R. (2001). Do some outside directors play a political role? *Journal of Law & Economics*, 44(1), 179–198. <https://doi.org/10.1086/320271>
- Ahmad Tarmizi, N. F., & Brahmana, R. K. (2022). Cozy Politics on Environmental and Financial Performance : Evidence from Oil and Gas companies. *Malaysian Journal of Social Sciences and Humanities*, 7(6), 17. <https://doi.org/https://doi.org/10.47405/mjssh.v7i6.1580>
- Amara, I. (2020). A review of the influence of political connections on management's decision in non-US settings. *Journal of Financial Reporting and Accounting*, 18(4), 687-705 <https://doi.org/10.1108/JFRA-03-2020-0075>
- Ang, J. S., Ding, D. K., & Thong, T. Y. (2013). Political connection and firm value. *Asian Development Review*, 30(2), 131–166. https://doi.org/10.1162/ADEV_a_00018
- Arifin, T., Hasan, I., & Kabir, R. (2020). Transactional and relational approaches to political connections and the cost of debt. *Journal of Corporate Finance*, 65, 101768. <https://doi.org/10.1016/j.jcorpfin.2020.101768>
- Azmi, N. A., Zakaria, N. B., Hanim, F., Sata, A., & Sanusi, Z. M. (2020). *Political Connection and Firm 's Performance Among Malaysian Firms*, 11(3), 146–154. <https://doi.org/10.5430/ijfr.v11n3p146>
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99–120. <https://doi.org/10.1177/014920639101700108>
- Bertrand, M., Kramarz, F., Schoar, A., & Thesmar, D. (2007). Politicians, firms and the political business cycle: Evidence from France. In *working paper*. http://130.154.3.14/content/dam/rand/www/external/labor/seminars/adp/pdfs/2006_bertrand.pdf
- Boubakri, N., Cosset, J.-C., & Saffar, W. (2012). The impact of political connections on firms' operating performance and financing decisions. *The Journal of Financial Research*, 35(3), 397–423. <https://doi.org/10.1111/j.1475-6803.2012.01322.x>
- Boubakri, N., Cosset, J. C., & Saffar, W. (2008). Political connections of newly privatized firms. *Journal of Corporate Finance*, 14(5), 654–673. <https://doi.org/10.1016/j.jcorpfin.2008.08.003>
- Bunkanwanicha, P., & Wiwattanakantang, Y. (2009). Big business owners in politics. *Review of Financial Studies*, 22(6), 2133–2168. <https://doi.org/10.1093/rfs/hhn083>
- Chen, Y. C. Hung, M., & Wang, Y. (2018). The effect of mandatory CSR disclosure on firm profitability and social externalities: Evidence from China. *Journal of Accounting and Economics*, 65(1), 169–190. <https://doi.org/10.1016/j.jacceco.2017.11.009>
- Cheney, P. K., Faccio, M., & Parsley, D. (2011). The quality of accounting information in politically connected firms. *Journal of Accounting and Economics*, 51(1–2), 58–76. <https://doi.org/10.1016/j.jacceco.2010.07.003>
- Ding, S., Jia, C., Wu, Z., & Zhang, X. (2014). Executive political connections and firm performance: Comparative evidence from privately-controlled and state-owned enterprises. *International Review of Financial Analysis*, 36, 153–167. <https://doi.org/10.1016/j.irfa.2013.12.006>
- Faccio, M. (2006). Politically Connected Firms. *American Economic Review*, 96(1), 369–386. <https://doi.org/10.1257/000282806776157704>

- Faccio, M. (2010). Differences between Politically Connected and Non-Connected Firms : A Cross Country Analysis Differences between Politically Connected and Non-Connected Firms : A Cross Country Analysis. *Financial Management*, 39(3), 905–927.
- Fan, J. P. H., Rui, O. M., & Zhao, M. (2008). Public governance and corporate finance: Evidence from corruption cases. *Journal of Comparative Economics*, 36(3), 343–364. <https://doi.org/10.1016/j.jce.2008.05.001>
- Fisman, R. (2001). Estimating the Value of Political Connections. *American Economic Review*, 91(4), 1095–1102. <https://doi.org/10.1126/science.151.3712.867-a>
- Fisman, R., Galef, J., Khurana, R., & Wang, Y. (2012). Estimating the Value of Connections to Vice-President Cheney. *The B.E. Journal of Economic Analysis & Policy*, 12(3). <https://doi.org/10.1515/1935-1682.3272>
- Foo, V., Rahimie, M., & Karim, A. (2015). *Capital Structure and Corporate Performance : Panel Evidence from Oil and Gas Companies in Malaysia*, 6(6), 371–379.
- Guerra Pérez, S., Bona Sánchez, C., & Santana Martín, D. J. (2015). Politically connected firms in Spain. *BRQ Business Research Quarterly*, 18(4), 230–245. <https://doi.org/10.1016/j.brq.2014.10.002>
- Hashmi, M. A., Brahmana, R. K., & Lau, E. (2018). Political connections, family firms and earnings quality. *Management Research Review*, 41(4), 414–432. <https://doi.org/10.1108/MRR-05-2017-0136>
- Hillman, A. J., Keim, G. D., & Schuler, D. (2004). Corporate political activity: A review and research agenda. *Journal of Management*, 30(6), 837–857. <https://doi.org/10.1016/j.jm.2004.06.003>
- Hong, S. H.-W. (2010). Political Connections and Firm Performance : The Case of Hong Kong. *Journal of East Asian Studies*, 10(2), 275–313.
- Houston, J. F., Jiang, L., Lin, C., & Ma, Y. (2014). Political connections and the cost of bank loans. *Journal of Accounting Research*, 52(1), 193–243. <https://doi.org/10.1111/1475-679X.12038>
- Johnson, S., & Mitton, T. (2003). Cronyism and capital controls: Evidence from Malaysia. *Journal of Financial Economics*, 67(2), 351–382. [https://doi.org/10.1016/S0304-405X\(02\)00255-6](https://doi.org/10.1016/S0304-405X(02)00255-6)
- Khwaja, A. I., & Mian, A. (2005). Do Lenders Favor Politically Connected Firms ? Rent Provision in an Emerging Financial Market. *The Quarterly Journal of Economics*, 120(4), 1371–1411. <https://doi.org/10.1162/003355305775097524>
- Kim, C. F., & Zhang, L. (2016). Corporate Political Connections and Tax Aggressiveness. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2303836>
- Kogan, T. B., & Salganik, S. G. (2015). Corporate governments: Government connections of public oil and gas companies. In *Corporate Ownership and Control* (Vol. 12). <http://www.scopus.com/inward/record.url?eid=2-s2.0-84938072959&partnerID=tZOtx3y1>
- Li, H., Meng, L., Wang, Q., & Zhou, L. A. (2008). Political connections, financing and firm performance: Evidence from Chinese private firms. *Journal of Development Economics*, 87(2), 283–299. <https://doi.org/10.1016/j.jdeveco.2007.03.001>
- Mitchell, H., & Joseph, S. (2010). Changes in Malaysia: Capital controls, prime ministers and political connections. *Pacific Basin Finance Journal*, 18(5), 460–476. <https://doi.org/10.1016/j.pacfin.2010.05.002>
- Najaf, R. (2021). Political ties and corporate performance : why efficiency matters ? *Journal of Business and Socio-Economic Development*, 1(2), 182–196. <https://doi.org/10.1108/JBSED-03-2021-0023>
- Osazuwa, N. P. (2016). Political Connection, Board Characteristics and Firm Performance in Nigeria. *International Soft Science Conference*, 769–774. <https://doi.org/10.15405/epsbs.2016.08.108>

- Petersen, M. A. (2011). Estimating Standard Errors in Finance Panel Data Sets: Comparing Approaches. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.661481>
- Prado-Lorenzo, J. M., Rodriguez-Dominguez, L. G.-A., Isabel, & Garcia-Sanchez, I.-M. (2009). *Factors influencing the disclosure of greenhouse gas emissions in companies world-wide*. *47(7)*, 1133–1157. <https://doi.org/10.1108/00251740910978340>
- Ross, M. L. (2003). *A paper prepared for the UK Department for International Development "Nigeria: Drivers of Change program. Nigeria'S Oil Sector and the Poor*, 1–27.
- Saeed, A., Belghitar, Y., & Clark, E. (2019). Political connections and corporate performance: Evidence from Pakistan. *Economics of Transition and Institutional Change*, *27(4)*, 863–889. <https://doi.org/10.1111/ecot.12213>
- Sapienza, P. (2004). The effects of government ownership on bank lending. *Journal of Financial Economics*, *72(2)*, 357–384. <https://doi.org/10.1016/j.jfineco.2002.10.002>
- Tsai, L. C., Zhang, R., & Zhao, C. (2019). Political connections, network centrality and firm innovation. *Finance Research Letters*, *28*, 180–184. <https://doi.org/10.1016/j.frl.2018.04.016>
- Wong, W.-Y., & Hooy, C.-W. (2018). Do types of political connection affect firm performance differently? *Pacific-Basin Finance Journal*, *51*, 297–317. <https://doi.org/10.1016/j.pacfin.2018.08.009>
- Yu, X., Yao, Y., Zheng, H., & Zhang, L. (2020). The role of political connection on overinvestment of Chinese energy firms. *Energy Economics*, *85*, 104516. <https://doi.org/10.1016/j.eneco.2019.104516>