THE IMPACT OF CORPORATE POLITICAL CONNECTIONS ON CORPORATE FINANCIAL DECISIONS: EVIDENCE FROM AN EMERGING MARKET

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ABSTRACT

There are several key elements of financial decisions sitting by a board including firm leverage, debt maturity, cash holdings and earnings management. These elements could be influenced by the political connections because it is related to firm's financial strategy and corporate risk taking. So, the purpose of this study is to investigate whether political a connection plays a significant role in financial decisions of firms in China. To emphasize our results, we use panel data for Chinese listed firms for the period (2011-2016). The study reveals that Politically Connected Firms (PCF) have highly level of leverage, more long-term debt, and hold large amount of cash. Additionally, compared to Non-Politically Connected Firms (Non-PCF), Politically Connected Firms (PCF) are associated with low quality financial reporting. Accordingly, thus, this study suggests useful policy implication to the corporate stakeholders to understand the role of politically connected directors.

Keywords: Political Connections, Politically Connected Directors, Financial Decisions.

INTRODUCTION

In emerging markets, firms are facing a challenge for providing sources because of the weakened legal institutions and strong control holder (government) for resources allocation (Adhikari et al., 2006; Faccio, 2006). Thus, political connections taking place in firms to be sustained for obtaining an advantage (Allen et al., 2005). Therefore, firms chosen a director who is politically connected. However, several studied argued that firms with politically connected directors have higher risk than non-politically connected firms. There are several reasons behind this argument: highly political connected firms became more inefficient; and associated with higher leverage (Bliss & Gul, 2012). To the end, this study explore the association between politically connected directors, in China, on a board set of financial decisions including firm leverage, debt maturity, cash holdings and earnings management.

This study aims to answer the questions:

1. What is the impact of political connections on financial decisions?
2. Do PCF have different effects on financial decisions compered to Non-PCF?

To answer these questions, we study Chinese listed firms in Shenzhen and Shanghai Stock Exchanges the period from (2011-2016)[1].

Faccio (2006) suggest that the effect of political connections depends mostly on the level of the institutional and economic development of a country. This study shows that, in China, the benefit of Politically connected directors also help firms to have high level of access to financial resources, including bank loans; equity finance; and government procurement contracts. In addition, following by Chava & Purnanandam (2010), argument that compared to long-term, debt short-term debt is reflected as a riskier financing decision due to exposes firms to refinancing and interest rate risks. Therefore, this study explore the debt maturity to gain a better understanding of the effect of political connections on firm leverage. The other two aspects of firms decisions: the excess cash holdings and the earnings management decisions are also investigated by our study by following the argument of Chaney et al. (2011) that compared to non-connected firms, politically connected firms face less market pressures to enhance the quality of their financial and accounting information and decisions.

The study's results are including the political connection is significantly positive associated with the leverage of the connected firms compare to those not connected. It consistent with the thoughts of politically connected directors are playing the resourcing role in firms by easily access the resources. In addition, the results report that politically connected firms has high percentage of long-term debt compared to non-connected firm turning to debt maturity. As the thought of the weakness of short-term debt that it is a riskier financing vehicle compared to long term debt because the firms need to refinance and involve in interest rate risks. Thirdly, the study find the corporates with political connections have excess of cash holdings compared to their non-connected counterparts. According to Belghitar & Clark (2014) that the firms with high cash holdings lead to high agency conflict, that mean out result, in China, the political connected firms impact on the cash holdings because others could avoid this argument. Finally, this paper indicates that political connected directors play a significant role in the choice between accrual-based and real earnings management strategies.

These results contribute to the large corporate finance and accounting literature by several ways. Firstly, the study highlight an earlier under-appreciated determinant of corporate financial decisions (Frank & Goyal, 2009; Walsh & Ryan, 1997). Secondly, Prior studies focus mostly on standard corporate finance theories that have a little considerations about the role of political connections in these decisions. Additionally, in China, our findings show that political connections play a significant role in the financial policies of firms. Therefore, the political aspect needs to be included in theoretical models to study corporate financial strategies. Further, most of the previous studies look at corporate strategies individually and use highly unlike types of connections, making it difficult to hold the overall impact of political connections on corporate strategies. Finally, our study gives more comprehensive image of the political connections by integrating four critical financial policies in a particular study and documents that the impact of political ties on financial policies in listed Chinese firms.

The layout of this paper is organized as follow. The second section discuss the relevant Section 2 discusses the relevant literature and develops the hypothesis. The third section presents the study sample, variables and methodology. The forth section discusses the empirical results. Finally, section 5 concludes this paper.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Rent-seeking theory (Tullock, 1967) views that rent-seeking helps firms to obtain the rare resources such lower tax rate and other subsidies from government. Rent seeking appears to gain substantial profits due to the change in the economic structure in transition period, (Chaney et al., 2011). According to Bertrand et al. (2004) political connection is a rent-seeking behavior for firms. In addition, by following the view of the resource-based view (Wernerfelt, 1984), that independent directors are instruments providing facilities to firms to access critical resources. Based on these theories and perspectives, the political connection is a competitive advantage for the firms whom politically connected.

Political Connections and Leverage

Fisman (2001) argues that firms connected to the government are easily obtain the lower cost of banks loan. On the other aspect, Johnson & Mitton (2003) show that political ties impact on the loan amounts. So, that means the political connections are useful for firms to preferential access to debt. So, the previous studies report that political connected firms enjoy special access to government loans and are likely to use excessive leverage in financing decisions (Desai & Olofsgard, 2011; Ebrahim et al., 2014; Saeed et al., 2015). This perspective suggests there is a positive relationship between the political connected firms and the level of leverage. On the other hand, some studies suggested there is a negative or np association between them (Bunkanwanicha & Wiwattanakantang, 2009). According to widely held empirical results and given the China context, we hypothesize that:

H1:   Politically connected directors positively impact on the level of leverage.

Political Connections and Debt Maturity

According to the argument of Chava & Purnanandam (2010), that the short-term debt is a riskier financing vehicle compared to long term debt because the firms need to refinance and involve in interest rate risks. So, the politically connected firms are encouraged to have more debt and for long-term debt to avoid the refinance or the risk of interest rate for short-term financing. Therefore, we hypothesize that:

H2:   Politically connected directors positively impact on the debt maturity.

Political Connections and Cash Holdings

The agency theory shows that for averse risk managers, increased cash balances make it possible to reduce their exposure to corporate-based risk at the expense of more productive investments preferred by shareholders (Belghitar & Clark, 2014). The comparatively easy access

to credit of politically connected firms could encourage managers in PCF to increase their cash balances. We thus, hypothesize that:

> *H3:   Politically connected directors positively impact on the level of cash holdings.*

Political Connections and Earnings Management

According to argument of Chaney et al. (2011), firms with political connections face less market pressures to improve the quality of their financial and accounting reports compared to non-PCF. Chaney et al. (2011) show that having politically connected firms have a higher level of abnormal earnings management. In addition, a higher cost of debt as an antecedent of abnormal earnings management is only relevant to Non-PCF. Similarly, Ben-Nasr et al. (2012) note that a negative association between political connections and the quality of reported earnings and irregular accruals. Earnings management are used to cover these costs from the other stakeholders of the firms. Therefore, political connections firms has lower quality financial reporting.

> *H4:   Politically connected directors negatively impact on the earnings management.*

METHODOLOGICAL APPROACH

Sample

Initially, the sample consists of all Chinese listed firms in both the Shanghai and Shenzhen Stock Exchanges at period from 2011-2016. Using China Stock Market and Accounting Research (CSMAR) to collect data on cash amount, other financial information, and corporate structure of firms. We excluded the firms those have unavailable data and financial firms because financial institutions do not have cash and funding issues. So, the observations left with 10,632 observations. In statistical summary, we measure our sample for politically connected firm with 3406 observations.

Dependent Variables

By following the literature to measure our study's variables. Firstly, we measure the leverage by (sum of total short-term and long-term debt divided by total assets) (Meles et al., 2016; Mondal & Ghosh, 2012; Yalama, 2013). Secondly, to measure the debt maturity variable, we divide debt into long-term and short-term debt (Scherr & Hulburt, 2001). Further, cash holdings measured by the logarithm of the amount of cash held by $firm_i$ at the end of $year_t$. The level of cash holdings is calculated (the sum of cash and cash equivalents divided by net assets (total assets minus the sum of cash and cash equivalents). Finally, by following Kothari et al. (2005), and Hazarika et al. (2012), we calculate accrual-based earning management as the absolute value of abnormal accruals. This is because the discretionary accruals can be applied to increase or decrease reported earnings.

Experimental Variables

To obtain the information about firm and directors' characteristics, we use CSMAR. In this study, we identify the politically connected firm whether this firms has at least one director who is politically connected by following prior studies as (Shi et al., 2018; Wang, 2015). Particularly, directors are a current or former in: government or Party official; or members of the National People's Congress (NPC); or member of the Chinese People's Political Consultative Conference (CPPCC). We use dummy variable of PCFs taking the value one if at least one is politically connected director in a firm otherwise zero and we (Qiu & Yu, 2009) also use the total politically connected directors.

Control Variables

Following the literature of our study's variables (Bliss & Gul, 2012; Francis et al., 2005). There are numerous variables considering as control variables in our regression model: the total assets (Size); cash-flow (CASHFLOW), sales growths (SALESGROWTH); current ratio (Current Rat.) and executive directors' duality (CEO-Duality).

In large firms, debt negatively associated with firm size (Size) because they have more assets (Bliss & Gul, 2012). Chaney et al. (2011), state that lenders can assess the firms by cash flow (CASHFLOW) to recognize the level of firms risk to service their loan Higher sales growth (SALESGROWTH) of firms leads to facility of payments of loans that gives lenders to give lower interest rates to firms whom have higher sales growth (SALESGROWTH) Chaney et al. (2011). In additions, current ratio (Current Rat.) also indicate lenders to show that the firms have high level of current ratio enable to service their loan (Pittman & Fortin, 2004).

We use also dummy variable of years taking the value one for specific year, others zero to avoid the endogeneity concerns and economic shocks. We use six years dummy variables for the period (2011-2016).

Research Models

We construct our regression models to test our hypotheses as shown:

$$lever. = \beta_0 + \beta_1 PCF + \beta_2 Size + \beta_3 CashFlow + \beta_4 SalesGrowth \\ + \beta_5 CurrentRatio + \beta_6 yeardummy + \varepsilon \tag{1}$$

$$Lever. = \beta_0 + \beta_1 TotalPCD + \beta_2 Size + \beta_3 CashFlow + \beta_4 SalesGrowth \\ + \beta_5 CurrentRatio + \beta_6 yeardummy + \varepsilon \tag{2}$$

$$DMaturity = \beta_0 + \beta_1 PCF + \beta_2 Size + \beta_3 CashFlow + \beta_4 SalesGrowth \\ + \beta_5 CurrentRatio + \beta_6 yeardummy + \varepsilon \tag{3}$$

$$DMaturity = \beta_0 + \beta_1 TotalPCD + \beta_2 Size + \beta_3 CashFlow + \beta_4 SalesGrowth$$
$$+ \beta_5 CurrentRatio + \beta_6 yeardummy + \varepsilon \qquad (4)$$

$$CHoldings = \beta_0 + \beta_1 PCF + \beta_2 Size + \beta_3 CashFlow + \beta_4 SalesGrowth$$
$$+ \beta_5 CurrentRatio + \beta_6 yeardummy + \varepsilon \qquad (5)$$

$$CHoldings = \beta_0 + \beta_1 TotalPCD + \beta_2 Size + \beta_3 CashFlow + \beta_4 SalesGrowth$$
$$+ \beta_5 CurrentRatio + \beta_6 yeardummy + \varepsilon \qquad (6)$$

$$ABEarning. = \beta_0 + \beta_1 PCF + \beta_2 Size + \beta_3 CashFlow + \beta_4 SalesGrowth$$
$$+ \beta_5 CurrentRatio + \beta_6 yeardummy + \varepsilon \qquad (7)$$

$$ABEarning. = \beta_0 + \beta_1 TotalPCD + \beta_2 Size + \beta_3 CashFlow + \beta_4 SalesGrowth$$
$$+ \beta_5 CurrentRatio + \beta_6 yeardummy + \varepsilon \qquad (8)$$

In Table 1, all variables are defined.

Table 1 THE DEFINITIONS AND MEASUREMENT OF THE STUDY'S VARIABLES	
Variables	**Definitions**
Dependent variables	
Lever	Leverage=sum of total short-term and long-term debt divided by total assets.
DMaturity	debt maturity variable, we divide debt into long-term and short-term debt.
CHoldings	cash holdings measured by natural logarithm of the sum of cash and cash equivalents divided by net assets.
ABEarnings	accrual-based earning management as the absolute value of abnormal accruals.
Experimental variables	
PCF	Politically connected firms using dummy 1 if the firm has political connections, otherwise 0.
TotalPCD	We use the total of directors whom politically connected in firms.
Control variables	
Year Dummies	We use dummy, 1 for 2011; otherwise 0; 1 for 2012 and otherwise 0; 1 for 2013 and otherwise 0, 1 for 2014; and otherwise 0, 1 for 2015; and otherwise 0, 1 for 2016; and otherwise 0.
Size	Size=natural logarithm of total assets.
Cash Flow	Cash Flow=cash flow from operations divided by total assets.

| Sales Growth | Using sales revenues in year t minus sales revenues in year t-1 divided by sales revenue in year t-1. |
| Current Ratio | Current Ratio=current assets divided by current liabilities. |

RESULTS AND DISCUSSION

Descriptive Summary Statistics Analysis

In Table 2, Column A reports the summary statistics of all the study's variables in both Chinese listed firms while, Column B presents the statistical summary Chinese Politically Connected Firms (PCF). The mean of Politically Connected Firms (PCF) and total Politically Connected Directors (Total PCD) are 0.3254 and 0.15243 respectively, which means that the PCF is around 32% in all observations of Chinese listed firms. In Column A, the mean of leverage is 0.2111 and it is 0.2226 in Column B. The debt maturity occurs in 13.21% and 18.32% in all listed firms and PCF respectively. In PCF, the mean of cash holdings is 36.52% whereas, 39.10% in all listed firms. For other dependent variables such accrual-based earning management, the means are in all listed firm, 0.1021 and in politically connected firms, 0.1221. In addition, the mean of size is almost same in both of Column A and B (22.246 and 22.4195). PCF has lower cash flow than non-PCF. Furthermore, the mean of sales growth is 8.1223 in politically connected firms.

Table 2
DESCRIPTIVE STATISTICS ANALYSIS

| | Chinese Listed Firms (n=10632) | | | Politically connected Firms (n=3406) | | |
| | Column A | | | Column B | | |
	Mean	Std. Dev.	Median	Mean	Std. Dev.	Median
PCF	0.3254	0.4716	0.0000	1.0000	0.0000	1.0000
PCD	0.15243	0.3639	0.0000	0.4792	0.5044	0.0000
Leverage	0.2111	0.1578	0.1898	0.2226	0.14418	0.2028
DMaturity	0.1321	0.3120	0.9112	0.1832	0.3232	0.9210
Choldings	-0.3910	0.450	-0.3801	-0.3652	0.432	-0.3541
ABEarnings	0.1021	0.1510	0.1611	0.1221	0.1731	0.1512
Size	22.246	1.3266	22.086	22.4195	1.3826	22.2178
Cash Flow	0.3308	0.1208	0.3393	0.03017	0.07572	0.03188
Current ratio	1.5947	1.3465	1.3266	1.5377	1.1692	0.1215
Sales growth	10.1806	612.26	0.1105	8.1223	357.2219	0.12142
Year Dummies	0.5339	0.4989	1.0000	0.5258	0.4995	1.0000
CEO duality	1.7836	0.41185	2.0000	1.7817	0.4132	2.0000

Note: Please see variables definitions in Table 1.

Pairwise Correlation Matrix

Generally, Table 3 reports on the pairwise correlation and significant matrix on all of our sample. It is found that leverage, debt maturity, and cash holdings are significantly and positively correlated with our two measurements of political connections as PCF and Total PCD. Whereas, it is found that accrual-based earning management is significantly and negatively with politically connected firms; Total PCD; current ratio; and sales growth. Thus, from this correlations matrix, it is clear that our study is on the right root due to the significance of the associations between the dependent and independent variables.

Table 3
PAIRWISE CORRELATION AND SIGNIFICANT MATRIX

	PCF	Total PCD	CHoldings	Leverage	DMaturity	ABEarnings	Size	Cash Flow	Current Ratio	Sales Growth
PCF	1.0000									
Total PCD	0.16164***	1.0000								
CHoldings	0.1090***	0.0569***	1.0000							
Leverage	0.0514***	0.0621***	0.0362***	1.0000						
DMaturity	0.0032***	0.0046***	0.1702**	0.0401***	1.0000					
ABEarnings	-0.1421**	-0.05910**	-0.2151**	0.0862**	-0.3191**	1.0000				
Size	0.0925***	0.0962***	0.1864***	0.1317***	-0.0404***	-0.4252**	1.0000			
Cash Flow	-0.0135*	-0.0241**	0.0032	-0.0392***	0.0004	0.2461*	0.0500***	1.0000		
Current Ratio	-0.0281***	-0.0167*	-0.1147***	-0.3129***	-0.0771***	0.01701	-0.2100***	0.0432***	1.0000	
Sales Growth	-0.0053	0.0061	-0.0098	0.0029	0.0206**	0.1202*	0.0098	0.0084	-0.0068	1.0000

Note: Please see variables definitions in Table. 1
*Significance at 0.10.
**Significance at 0.05.
***Significance at 0.01.

REGRESSION RESULTS AND DISCUSSION

Table 4 reports OLS regression results of the eight models of this study to test the hypotheses of our study. Firstly, the result of the models 1 and 2 suggested that the association between leverage and political connections is positive and significant. The coefficients of PCF and Total PCD are positive and high significant with leverage (1.965, t=7.448, p<0.01; and 1.032, t=5.686, p<0.01, respectively). Thus, these two results supporting our first hypothesis. Our empirical results consistent with the argument of Khwaja & Mian (2005), Dinc (2005) and Charumilind et al. (2006), that show the connected firms has higher borrowing. Essentially, the results confirm the resource-based perspective which supports the presence of directors with political background as a means of easily access to external resources to the organization.

In addition, the result of models 3 and 4 report the association between debt maturity and the political connections in both measures. The results show that political connections positively impact on the debt maturity. The coefficient of political connections (PCF and Total PCD) and debt maturity is significantly positive as respectively shown (2.288, t=7.651, p<0.01 and 1.514,

t=2.418, p<0.05), that support the second hypothesis. Charumilind et al., 2006 provide evidence of a positive association between political connections and long-term loans. This result consistent with our results.

Furthermore, to test our third hypothesis, the Models 5 and 6 are applied for this purpose. So, the results of these two model shown that political connections directors significantly impact on the cash holdings strategy. The coefficients of the PCF and Total PCD are significantly positive (1.293, t=6.227, p<0.01 and 1.123, t=2.686, p<0.01, respectively). Our hypothesis is supported by this results, and consistent with those of Boubakri et al. (2012), Kusnadi (2011), Saeed et al. (2015), who show that firms with greater agency problems hoard larger cash holdings.

Finally, in Table 4, the last two models 7 and 8 showed the results of the association between the political connections measures and accrual-based earning management. As, we hypothesis that there is a negative association between the political connections and accrual-based earning management, the results support our hypothesis. The results of Model 7 report that the coefficient of PCF is negative and significant (-4.791, t=-7.032, p<0.01), similarly, in Model 8, the coefficient of Total PCD is significantly negative (-1.124, t=-2.687, p<0.01 with accrual-based earning management. All control variable also exhibit positive or negative and significant impact on the four dependent variables as shown in Table 4. Kostovetsky (2015) who find that the quality of the accruals is poor in politically connected firms compared to non-connected firms, that lines with our findings.

Table 4
OLS REGRESSIONS RESULTS OF THE FOUR MODELS OF THIS STUDY

VARIABLES	(1) M	(2) M	(3) M	(4) M	(5) M	(6) M	(7) M	(8) M
PCF	1.965***	-	2.288***	-	1.293***	-	-4.791***	-
	(7.448)	-	(7.651)	-	(6.227)	-	(-7.032)	-
Total PCD	-	1.032***	-	1.514**	-	1.123***	-	-1.124***
	-	(5.686)	-	(2.418)	-	(2.686)	-	(-2.687)
Size	0.889***	0.837***	0.875***	0.854***	0.900***	0.904***	0.896***	0.874***
	(9.112)	(9.041)	(8.982)	(8.694)	(9.196)	(9.169)	(9.148)	(8.862)
Cash Flow	-1.954	-1.917	-1.942	-1.812	-1.882	-1.848	-1.845	-1.719
	(-1.333)	(-1.303)	(-1.324)	(-1.228)	(-1.286)	(-1.258)	(-1.258)	(-1.166)
Current Ratio	-0.483***	-0.489***	-0.476***	-0.488***	-0.496***	-0.504***	-0.489***	-0.503***
	(-5.332)	(-5.378)	(-5.251)	(-5.355)	(-5.475)	(-5.542)	(-5.391)	(-5.517)
Sales Growth	0.000249	0.000220	0.000239	0.000215	0.000261	0.000230	0.000246	0.000222
	(0.741)	(0.654)	(0.711)	(0.638)	(0.779)	(0.685)	(0.731)	(0.658)
Quality	2.663***	2.700***	2.661***	2.705***	2.705***	2.750***	2.715***	2.766***
	(8.359)	(8.450)	(8.345)	(8.439)	(8.466)	(8.584)	(8.487)	(8.604)
Year Dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-15.27***	-15.53***	-15.12***	-14.97***	-15.36***	-15.71***	-15.47***	-15.31***
	(-7.055)	(-7.129)	(-6.981)	(-6.862)	(-7.059)	(-7.181)	(-7.108)	(-6.989)
Observations	10.632	10.632	10.632	10.632	10.632	10.632	10.632	10.632
R-squared	0.082	0.075	0.080	0.070	0.085	0.078	0.082	0.072
r2_a	0.0794	0.0728	0.0777	0.0677	0.0817	0.0756	0.0791	0.0693

Table 4
OLS REGRESSIONS RESULTS OF THE FOUR MODELS OF THIS STUDY

Note: t-statistics in parentheses.

***p<0.01, **p<0.05, *p<0.1.

CONCLUSION

Decision making in corporate's board often includes conflicts in information and subjective judgment of the corporate behaviors. This study investigates the impact of corporate political connections on corporate financial decisions including leverage, debt maturity, cash holdings, and accrual-based earning management. In different countries, the researchers find different results of the influence of political connections on corporate financial decisions including leverage, debt maturity, cash holdings, and accrual-based earning management as mentioned in the literature section above. Therefore, we use panel data on Chinese firms from 2011 to 2016.

The findings of this study reported as bellow:

1- In the literature, there is no single study has been investigated the relationship between political connection and corporate policies in single study.
2- There is a positive and significant relationship between political connections and the level of leverage in both measurements of political connections (PCF and Total PCD).
3- Political connected firms use long-term loan to avoid the refinance and the risk of interest rate.
4- Compare to Non-politically connected, the amount of cash holdings is higher in political connected firms.
5- The findings confirm that find that the quality of the accruals is poor in politically connected firms compared to non-connected firms.
6- The mixed results in the literature about the effect of political connections on corporate financial policy over the world, the evidence of this study support the positive effect results.
7- The impact of political connections on corporate financial policy increases with the strength of the political background.
8- This study provides good evidence to the firms' managers that political connections plays a more significant role on corporate financial decisions compared to directors in a board.

These results contribute to the large corporate finance and accounting literature by several ways. Firstly, the study highlight an earlier under-appreciated determinant of corporate financial decisions (Frank & Goyal, 2009; Walsh & Ryan, 1997). Secondly, Prior studies focus mostly on standard corporate finance theories that have a little considerations about the role of political connections in these decisions. Additionally, in China, our findings show that political connections play a significant role in the financial policies of firms. Therefore, the political aspect needs to be included in theoretical models to study corporate financial strategies. Further, most of the previous studies look at corporate strategies individually and use highly unlike types of connections, making it difficult to hold the overall impact of political connections on corporate strategies. Finally, our study gives more comprehensive image of the political connections by integrating four critical financial policies in a particular study and documents that the impact of political ties on financial policies in listed Chinese firms.

RECOMMENDATIONS

The authors recommend to the future researchers to conduct the study using the variable of environment uncertainty as interaction effect on the relation relationship between political connection and corporate financial policies that will bring new findings for the study. Sharing knowledge politically connected directors' background, due to their serving in other boards, is a good dimension can be conducted as interaction variable might be providing new results. In addition, the regulatory change also plays another limitation for firms especially to consistent with fairness theory. Finally, the ownership structure also play a good role for interaction the relationship due to that might political connection has different impact on financial policies in different firm's state ownership so the researchers could conduct it in the future studies.

ENDNOTE

1. Due to availability of data, we use this period.

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