Journal of Public Value and Administrative Insight
Journal Homepage: http://readersinsight.net/JPVAI

Research Article

Does top management team's political connections affect the performance of a firm? A meta-analytic study of Chinese firms

Muhammad Siddique[1]*, Kamran Ali[2], Muhammad Amir Chaudhry[3], Rimsha Zahid[4]

[1,2,3,4]Department of Commerce, University of the Punjab, Gujranwala Campus, Pakistan

*Corresponding Author email: dr.siddique@pugc.edu.pk

Submitted: 15 January 2022 *Revised: 20 March 2022* *Accepted: 25 March 2022*

ABSTRACT

Corporate Political Connections is a universal phenomenon. But prior literature regarding the influence of political connections is double-edged. Motivated by the ample research on corporate political connections in the last two decades, we used to explore this sensation by running the Meta-Analysis on the sample studies to fill the gap in literature. The basic target of this study is to analyze the bona fide influence of political associations on firm performance. This study is contributing by extending the shreds of evidence in political connections literature. The sample of the study is 141. The Meta-Analysis is run on the sample studies which concludes that ROA, ROE and Tobin's q have a positive and significant affiliation with PCs whereas, Ex-Gov Official is negatively related with firm's performance. Overall, the study indicated a significant positive affiliation amid PCs and firm performance. These results provide a roadmap for future researchers.

Keywords: *Political Connections; China; Firm Performance; Political Economy; Firm Ownership*

1. INTRODUCTION

The goal of this study is to analyze the impact of political connections on various firm's performance and to explore the negative or positive impacts of political ties in Chinese firms' context. Political connections can be termed as an unconventional societal interaction between firms and Government administrators or governing authorities i.e., taxation authorities, Stock Exchanges, etc.(Sheng, Zhou et al. 2011). It is necessary to study and investigate the sway of political associations on a firm performance to help out the investors who are ready to make a lion share of their investments in the connected firms without knowing about the upshots of these political ties on firm's profits and overall performance. The correlation between political ties and a firm's performance is thoroughly studied and investigated but not rationalized well. Some of the researchers argued that firms having political ties enjoy a lot of social and corporate advantages (Faccio 2010, Batta, Sucre Heredia et al. 2014, Xu, Dao et al. 2019). However, some others have persuaded through their studies that political connections exploit the firm's board governance (Fan, Rui et al. 2008). It's a fact that investors highly appreciate the politically associated firms because of the significant stock market premium inclined with them

https://doi.org/10.31580/jpvai.v5i1.2487
© 2021 The Authors. Published by Readers Insight Publisher. This is an open access article under the CC BY license (http://creativecommons.org/licenses/by/4.0/)

(Boubakri, Mansi et al. 2013, Brockman, Rui et al. 2013, Cingano and Pinotti 2013). Numerous studies revealed that political connections let the firms enjoy a lot of advantages i.e., effortless access to debt financing, low rates of taxation, extensions in tax payment periods, vital market strength (Sheng, Zhou et al. 2011) and minimal administrative restrictions (Khwaja and Mian 2005, Faccio 2010, Shen and Lin 2016). However, it is also investigated that the political affiliations can prove to be a two-edged blade as it can peril a firm if government authorities wield political pressure on firm‘s board (Faccio, Masulis et al. 2006, Boubakri, Cosset et al. 2008, Ang, Ding et al. 2013, Sudibyo and Jianfu 2016). Some studies suggested that POC (politically affiliated firms) exhibits a higher remunerations, administration and inferior accounting eminence is contrary to non-associated firms (Chaney, Faccio et al. 2011). However, the actual association between political affiliation and a firm‘s financial exposures is not confirmed yet, that's why the primary results are double-edged. Some researchers argued that political ties are valuable for the firms having positive influences on overall firm performance. The positive aspects of corporate political ties include easy credit facilities (Joh and Chiu 2004, Dinç 2005, Khwaja and Mian 2005, Cull, Li et al. 2015, Acemoglu, Johnson et al. 2016), various commitments with government officials (Goldman, Rocholl et al. 2009), protection in regulations (Kroszner and Stratmann 1998), and state-assistance for monetarily weak firms (Faccio, Masulis et al. 2006). Moreover, politically associated firms have to pay inferior taxes and these firms enjoy tax credits (Faccio 2010). Goldman, Rocholl et al. (2009) analyzed that; political affiliations increase the overall worth of U.S. firms. Politically associated firms have larger market share because stakeholders are interested in enjoying the monopoly of firms having political associations (Faccio 2010).

Conversely, some other researchers studied the negative consequences of these connections for the firms. Politically tied firms are more concerned about increasing their significant resources (Kostka and Zhou 2013) and to get the assistance of critical stakes (Wang and Qian 2011). Connected firms are bound to government and are expected to oblige the government officials (Zhang, Marquis et al. 2016). Many authors concluded that connected firms show lower ROA. Moreover, politically connected firms give unsatisfactory accounting performance and financial reporting contrary to un-associated firms. In other words, politically linked firms indicate poor performance in terms of accounting and financial reporting even if the firm‘s value is increasing (Boubakri, Cosset et al. 2012). After analyzing the above mentioned positive and negative aspects of corporate political connections, it was necessary to go forward to a Meta-Analysis to gain a better insight into the exact interpretation of the impacts of political connections.

1.1. Significance of the Study

Corporate political associations are a universal sensation which has captured a significant research attentiveness of various researchers e.g. (Fisman 2001, Faccio, Masulis et al. 2006, Faccio 2010). Corporate political connections gained global importance in recent years in accounts and finance fields. Faccio (2010) investigated that political tie are more popular in countries where exploitation rate is high, and where the government puts precincts on foreign investment. Contrarily, political connections are less customary in those states

where strict regulations are followed regarding conflicts of interest. Similarly, firms having head offices closest to a capital city are most probable to have political associations (Chaney, Faccio et al. 2011). From the politician's viewpoint, the government administrators crave patronage from the firms to attain various political, social, and economic targets (Cheung, Jing et al. 2005). These official bodies entail finances to make their campaigns successful or resources during the elections (Miettinen and Poutvaara 2014), to fix their jurisdiction and retain them under their control (Choi and Thum 2009) and to share the government feints (Wu, Wu et al. 2012). Faccio, Masulis et al. (2006) analyzed that politically associated firms are getting popularity throughout the world especially in countries having a weak or ineffective legal system. Concisely, the study of corporate political connections is inevitable in developing economies like Pakistan where the country has espoused a Western-sort of corporate governance paradigm which demands a high level of board impartiality and partition of Chief Executive Officer and Chairperson of the firm.

The remainder of this paper is systematized as: Section 2 thoroughly narrates the literature appraisal to elaborate past studies regarding corporate political connections and develop the hypothesis. Section 3 includes methodology, sampling methods or techniques, and meta-analysis on the sample data of various firms. Section 4 consists of a detailed discussion on results and findings. Various tests have been employed to test the vagueness of the results. At last, Section 5 will conclude the whole study and afterwards there are references and appendixes.

2. LITERATURE REVIEW

Former research on political connections indicated that political ties have a strong upshot on firm's operations (Ang, Ding et al. 2013) For instance; Goldman, Rocholl et al. (2009) explored that firms having politically connected board showed positive CARs (Cumulative Abnormal Return) which results in increase in firm's value. Khwaja and Mian (2005) disclosed that most of politically affiliated banks of Pakistan experienced to take 45% more loans with 50% more default rates as contrary to their non-associated mates. Fan, Wong et al. (2007) studied the post IPO firms for 3 years and found that firms having politically associated CEOs shows deficit performance with inferior growth in sales, earnings and investment returns. Many researchers investigated and found the positive influence of political connections on firms. For example, politically connected firms enjoy the greater opportunity of getting more loans from banks and financial institutions (Wu, Wu et al. 2012), bear the lower capital cost (Boubakri, Guedhami et al. 2012), have more commercial bailouts (Faccio, Masulis et al. 2006) and many financial grants from the government (Feng and Lei 2010). Li, Poppo et al. (2008) discovered that political links have a strong and optimistic influence on inland firm's operations. Inversely, alien firms don't get availed of all aforementioned benefits for having low managerial ties. It is also observed that political links have insignificant impact on firms under a perfect competition in the market. All the above studies represented the likelihood assessment of political connections and concluding that political ties may not be very fruitful in diverse markets. The resolution of political connections can be linked to Resource Dependence

Theory. The theory enlightens that corporate firms lessen their environmental insecurities by forming the political connections with government officials (Hillman and Dalziel 2003, Hillman 2005). Firms establish such kind of associations to get a solider resource base i.e. contracts with government officials (Amore and Bennedsen 2013), easy credit access (Claessens, Feijen et al. 2008, Li, Meng et al. 2008), on short rates of returns (Houston, Jiang et al. 2014), firm level bailouts (Houston, Jiang et al. 2014), advices from the government officials and various other government incentives (Wu, Johan et al. 2016). Mitchell and Joseph (2010) investigated those political connections proved as an expedient asset for the firms because a politically associated firm has lesser chances to face environmental risk, particularly in developing and emerging economies.

The agency theory illustrates the moral conflict or clash of interest between managers and shareholders. Literature supported that this principal/agent (shareholders as principal and managers as agent) conflict (Ling, Zhou et al. 2016) originated and flourished the concept of political connections. Managers try to establish their personal ties with political parties for their private gains that are against the interests of shareholders which may lead to conflict of interest amid both the parties. Aggarwal, Meschke et al. (2012) explored that the agency problems arise due to unconventional political association of a firm‘s managers. Ineffective corporate governance is also a cause of agency issues. Managers being the considerable part of the firm may take some worst decisions for their private expansions at the cost of shareholders (Wu and Cheng 2011, Eggers and Hainmueller 2014). Such nastiest decisions may consequently detriment the shareholder‘s value. Due to these types of decisions and undertakings of the managers, the overall performance of the firm may suffer in addition to a decline in shareholder‘s value.

2.1. Hypothesis Development

2.1.1. Politicians in the Board and its Impact on Firm Performance

Board members may have some monitoring and supervisory functions to perform according to their position in the board. These functions may not be performed industriously. So, the researcher investigated the prior politicians ‘position in the board, their relevant performance tendency, CEO‘s turnover, director‘s compensation audit quality and earnings management efficiency. Politicians play a dynamic role in the board. In case, when the politicians are the contenders of large shareholders, it may result in fiddling the board performance efficiency. Saeed, Belghitar et al. (2016) investigated how politicians as a board of directors impacts the performance of a firm. Conducting an analysis of various Pakistani listed firms from 2002- 2010, using 2209 firm year observations, the researchers indicated the association amid board political affiliations and firm efficacy. The results of the study exposed that there is a pessimistic association amid political associations and firm‘s efficiency. In this study, the —*Politician* is used as a proxy variable of political connections. Based on the above literature, it can be assumed that a politician as a board member of a firm positively affects the performance of that firm. So, in order to confirm this phenomenon, the following hypothesis is constructed:

H1: There is a positive and significant affiliation between politician and firm‘s performance.

2.1.2. Impact of POC Firms on their Performance

POC Firms can be defined as a firm having political ties or strong associations with government officials. The impact of politically connected firms is thoroughly investigated by various researchers. Tobin's q, Return on Assets (ROA) and Return on Equity (ROE) are the determinants of firm performance. Ling, Zhou et al. (2016) examined the relationship between political affiliations and firm performance. On the basis of 103 firms during the time span of 1998-2012, the influence of political associations was assessed on firm's financial performance. The results of the research exposed that the political affiliations indicated a least return on assets which shows that there is a significantly negative association between political ties and firm performance. Based upon the above discussed facts, the succeeding hypothesis is constructed:

H2: There is significant and positive association between POC Firms and their overall performance.

2.1.3. Presence of Ex-Government Official in Board and its Impact on Firm Performance

Any official body i.e. bureaucrats, politicians, Member of Parliament or any other government servant who got retirement from any government institution is known as Ex-Government Official. Ex-Government Officials in the Boardroom strongly influences the performance of the firms. Most of the researchers agreed that there is negative association between ex-government officials and firm performance. Joni, Ahmed et al. (2020) organized a study at Malaysia to inspect the affiliation between politically tied boards and firm performance. Results of the study indicate that the politically tied supervisory boards performed much better as compared to connected board of directors. Here, Ex-Gov Official is used as a proxy of political associations. The succeeding hypothesis is generated on this basis:

H3: There is significant and positive association between Ex-Gov Official and firm performance.

2.1.4. Fraction of State Ownership in Firm Performance

The firms in which most of the shares are held or purchased by the central or local government officials or political parties are called State-owned firms. These firms have politicians or representatives of government officials in their boardrooms. This factor influences the decision making strategies and overall performance of the firms. Yu (2013) employed panel data regression model to determine the association amid political ties and state-owned firm's performance. Fallouts of the study indicated the significant and optimistic affiliation between political ties and state-owned firm's efficacy. After discussing the above evidencing study, it can be assumed that state-ownership positively sway the firm's performance. In order to prove this assumption, the succeeding hypothesis is generated:

H4: There is positive but insignificant affiliation between state-ownership and performance of a firm.

2.1.5. Association amid Political Ties and Firm Performance in China Perspective

Most of the researches regarding political affiliations have been conducted in China. Some researchers found the positive influence of political connections in Chinese firms whereas; some others got evidence that political associations negatively affect the firm's in China. Wu, Wu et al. (2012) conducted a study in China to probe the influences of political ties on Chinese firm's value. The study revealed that the sway of political affiliations is based on firm's ownership structure. Consequently, there is a significant and optimistic relation between political associations and private firm's value. To test this assumption the succeeding hypothesis is constructed:

H5: There is significant and positive affiliation between political ties and Chinese firm's performance.

3. METHODOLOGY

Meta-analysis is a method which is used to syndicate the rigorous outcomes of prior researches on an exclusive topic and assesses the aggregative upshots of these researches (Zhang, Tan et al. 2015). In this study, combination of various keywords is used to recognize all papers relating to corporate political connections. These keywords includes political connections, political economy, financial system, industrial performance, corporate governance, firm ownership, local government, governance approach, stock market, firm size etc. these keywords are taken from the core accounting and finance journals, several databases, editorial sources i.e. Science Direct, Emerald, EJS and ABI Inform. Moreover, to detect more studies of the field, various papers 'citations have been examined. Following insertions have been used to confirm the studies for meta-analysis:

1. Empirical researches on the sway of political ties on firm performance.
2. Studies articulating statistical data i.e. t-values or p-values.

After a wide-ranging literature review, we found a total of 277 studies, out of which 141 studies met the insertion criteria.

3.1. Meta-Analytic Processes

A meta-analytic process used by (Chen and Komal 2018) has been applied in this study. An Effect Size (ES) and a traditional correlation measure is computed from the individual coefficient's student t-statistics (i.e. t-statistics data has been adopted from the chosen studies regarding the influence of corporate political associations on various firms 'structure. However, if t-statistics are not narrated in some of the studies, then we used a substitute way to compute t-statistics using coefficient values and standard errors e.g. (t-values = coefficient value /standard error) or p-values. To convert the p-values into ES, a two-step process is followed in which p-value of each study is first converted to t-value with the help of an online converter using p-values and degree of freedom of each study.

3.2. Meta-Analysis Layout

The ES of all the chosen studies is calculated with the help of the formula given below, Eq. (1):

$$ES = \frac{t}{\sqrt{t^2+df}} \quad (1)$$

Where; df = degree of freedom, and t = t-statistics, (n-3) is the degree of freedom in each study and n is the sample size of every study.

All the possible ES are obtained from the chosen studies because, approximately all the studies have used several proxies of corporate political connections. Subsequent to finding the ESs, the Standard Errors (SE_{es}) are computed from the following formula in Eq. (2):

$$Se_{es} = \frac{ES}{\sqrt{\sum ES * n}} \quad (2)$$

Where; SE_{es} = standard errors per study, ES = effect size per study, n = sample size of each article. To test the hypothesis z test formula is given below:

$$z = \frac{ES\ mean}{SE} \quad (3)$$

Where; z = z-statistics, ES = Average effect size of all chosen studies, and SE symbolizes standard error, which can be computed from the following Equation (4):

$$SE = \frac{1}{\sqrt{\sum df}} \quad (4)$$

Where; SE signifies standard error of the selected articles and df indicates the degree of freedom.

After testing the hypothesis using t-test, the study evaluates the heterogeneity among the chosen studies through Q test and I^2-heterogeneity index. To experiment the null-hypothesis (H_o) in all the chosen studies as 'all studies are alike' with a degree of freedom of k-1 and k is the sum of chosen studies, Q test is used. The significant Chi-square will show heterogeneity among the chosen studies. While the I^2-heterogeneity index which is estimated from the Q value, quantifies the level of heterogeneity among all the studies in terms of a percentage. The I^2-heterogeneity index uses the effect summary model (including random or fixed effect models) and moderation tests. If I^2-heterogeneity index shows low heterogeneity i.e. (I^2< 60%), then fixed effect meta-regression model will be used and then moderation analysis will not run in this case. However, if I^2-heterogeneity index suggests high heterogeneity i.e. (I^2> 60%), then random effect meta-regression model will be used. Moderation analysis is run to investigate the probable reasons for the heterogeneity of the chosen studies.

Forest plot from (Lyons, Farhart et al. 2021) methodology is adopted to indicate the heterogeneity among the selected studies. Lastly, the file-safe value will be computed to handle the file drawer problem by pursuing (Bonica, Rosenthal et al. 2014). It's a stage by stage procedure to convert the t-values into p-values. Then p-values are converted to z-values. In order to combine the z-statistics, the following equation is applied:

$$z = \frac{\sum Z}{\sqrt{N}} \quad (5)$$

Where; N is the sum of studies used in meta-investigation and Z is the transformed z-statistics.

Lastly the (N_{fs}) is file-safe number and is computed from the following equation:

$$N_{fs} = (k*(k*z2-2.706)/2.706) \quad (6)$$

Where; k is the sum of studies in meta-investigation, z is the mutual standard z-value. The file drawer issue occurs when N_{fs} value is smaller than critical value and can be computed from the following equation:

$$\text{Critical value } k = (5 * K) + 10 \quad (7)$$

Where; k is the sum of studies in meta-investigation.

4. RESULTS & DISCUSSIONS

Table 1 is representing the overall meta-analytic results and findings based on developed and emerging economies compared with Chinese economy. Table 2 consists of the results regarding journal ranking i.e. Q1, Q2, Q3, and Q4. Finally, a sensitivity test is conducted using various proxy variables of firm performance i.e. ROA, ROE, Tobin's Q, CAR, Overall performance and EPS. These results are given in Table 3. Another sensitivity test is conducted expending the proxy variables of political connections i.e. Politician, POC Firms, Ex-Gov Official and State-ownership. The results of this test are exhibited in Table 4.

4.1. Overall Results

The Effect Size (ES) is computed using t-values. The average effect size of 141 studies that sightsee the affiliation between corporate political ties and firm performance is 0.038 (z value = 34.380) as given in Table 1. Hence, the meta-analysis proved a positive and significant association amid political affiliations and firm operations. These results are consistent with (Chen, Shen et al. 2014, Zhang, Li et al. 2019, Sharma, Cheng et al. 2020). Furthermore, the file-safe number is 47556 which is much bigger than critical value which is 715. This finding suggests that meta-analysis results are much reliable.

Table 1. Overall Results of Meta-Analysis

Results	Overall	Developed	Emerging	China
Mean ES	0.038**	-0.076**	0.070**	0.030***
Standard Error (SE)	0.001	0.005	0.003	0.001
Z-statistics	34.380	-14.027	20.916	24.749
Lower bound	0.036	-0.087	0.063	0.028
Upper bound	0.041	-0.066	0.076	0.033
File-safe number (N_{fs})	47556	310.676	3633.691	20527.560
Critical value for N_{fs}	715	55	220	440
Homogeneity test (Q) (Fixed effect model)	16486.520**	345.090**	2040.430***	11238.000**
I^2	99.150%	97.680%	97.940%	99.280%
V	0.000	0.002	0.001	0.001
Q_V (Random effect model)	2405.990**	177.240**	657.090***	822.500**
I^2_V	94.180%	95.490%	93.610%	90.150%

Results	Overall	Developed	Emerging	China
es_V (random effects)	0.022	0.049	0.030	0.034
$SEes_V$	0.001	0.006	0.002	0.001
Lower bound	0.021	0.038	0.027	0.031
Upper bound	0.023	0.060	0.034	0.036
Number of studies (N*)	141	9	132	82

Notes: *ES is the effect size of each study. Mean Effect Size (ES) is the standard effect size, SE = 1/√∑df and z-statistics = ES mean/SE is used to examine the hypothesis; upper and lower bonds are confidence intervals of z-statistics. Q test is the utmost used device for testing the heterogeneity and its null hypothesis signifies that all researches are same. The I^2 statistic is an exceptional tool to certify the quantity of heterogeneity in percentage and it's the best way to assess the consistency of sample studies. In the random effects model, a constant V is applied to adjust the weight of each study. Q_V is the ultimate Q test based upon the random effects model, and I^2_V is the random effect determinant to tell heterogeneity in percentage. N* signifies the sum of studies which is 141.*

**** represents 1% significance level (p < 0.01)* *** represents 5% significance level (p < 0.05)*

The study proved to be heterogeneous as the Q-test value is 2405.99 which is significant at 5% (p < 0.05) and refuses the null hypothesis. The mean effect size of the studies conducted in developed countries is significant and negative which shows that in developing countries there is significantly negative affiliation amid political associations and firm performance. The reason is that in developed countries, there is political stability in the countries with strong law and order system and efficient corporate governance system. So, the firms are less oftenly build political affiliations with government officials (Faccio 2010). Similarly, in China, the political affiliations are positively linked with firm performance.

4.2. Political Connections Literature and Journal Ranking (Sensitivity Analysis)

Table 2 is representing the results of journal ranking i.e. Q1, Q2, Q3, and Q4. Q1 is the highest ranked journal, Q2 is second top journal followed by Q3 and Q4. The average Effect Size (ES) of all 141 studies is 0.038 with a z value of 34.380 significant at 5% (p < 0.05) as given in Table 2. So the analysis confirmed that maximum sample studies regarding the association between political ties and firm performance are taken from the top ranked journal Q1 as given in Table 2 that 53 of 141 studies fall under Q1, (The Journal of Corporate Finance).

Table 2. Political Connections Literature and Journal Ranking (Sensitivity Analysis)

Results	Overall	Q1	Q2	Q3	Q4
Mean ES	0.038**	0.037**	0.005**	0.076**	0.036***
Standard Error (SE)	0.001	0.002	0.001	0.005	0.004
Z-statistics	34.380	17.271	3.643	13.863	9.177
Lower bound	0.036	0.033	0.002	0.065	0.029
Upper bound	0.041	0.042	0.008	0.087	0.044
File-safe number (N_{fs})	47556	7196	2600	388	2388
Critical value for N_{fs}	715	275	125	140	180
Homogeneity test (Q)	16486.520**	4185.040**	9459.53***	527.890**	869.400**
I^2	99.150%	98.760%	99.770%	95.260%	96.200%
V	0.000	0.001	0.000	0.001	0.0007
Q_V	2405.990**	958.890**	250.820***	141.540**	73.110**

Results	Overall	Q1	Q2	Q3	Q4
I^2_V	94.180%	94.580%	91.230%	82.340%	54.860%
es_v (random effects)	0.022	0.025	0.018	0.035	0.054
$SEes_v$	0.001	0.001	0.001	0.003	0.006
Lower bound	0.021	0.022	0.015	0.028	0.043
Upper bound	0.023	0.027	0.020	0.041	0.066
Number of studies (N*)	141	53	23	26	34

Notes: *ES is the effect size of each study. Mean Effect Size (ES) is the standard effect size, SE = 1/√∑df and z-statistics = ES mean/SE is used to examine the hypothesis; upper and lower bonds are confidence intervals of z-statistics. Q test is the utmost used device for testing the heterogeneity and its null hypothesis signifies that all researches are same. The I^2 statistic is an exceptional tool to certify the quantity of heterogeneity in percentage and it's the best way to assess the consistency of sample studies. In the random effects model, a constant V is applied to adjust the weight of each study. Q_V is the ultimate Q test based upon the random effects model, and I^2_V is the random effect determinant to tell heterogeneity in percentage. N* signifies the sum of studies which is 141.*

**** represents 1% significance level (p < 0.01)* *** represents 5% significance level (p < 0.05)*

The study proved to be heterogeneous because Q-test value is 16486.52 which is significant at 5% (p < 0.05). The effect of random-effect model (es_v) is 0.022 which can be helpful for forecasting the effect size of future studies.

4.3. Moderation Analysis

The above analysis showed that there is higher level of heterogeneity among all the studies. It may be due to additional moderators in the selected sample studies. So, the additional tests of potential moderators are conducted based on the proxy variables of political connections (Politician, POC Firms, Ex-Gov Official) and the proxy variables of firm performance (ROA, ROE, Tobin's Q, CAR, Overall performance and EPS). The results of the moderation test based on the proxy variables of firm performance are given in Table 3.

Table 3. Moderation Analysis (The different determinants of firm performance)

Results	ROA	ROE	Tobin's Q	CAR	Overall Performance	EPS
Mean ES	0.034**	0.083**	0.076**	-0.063***	0.011**	-0.002
Standard Error (SE)	0.001	0.009	0.003	0.005	0.004	0.006
Z-statistics	24.448	9.371	22.232	-11.478	2.539	-0.325
Lower bound	0.031	0.066	0.070	-0.074	0.002	-0.014
Upper bound	0.037	0.100	0.083	-0.052	0.019	0.010
File-safe number (N_{fs})	5659	165	3282	235	23	74
Critical value for N_{fs}	170	90	210	50	80	45
Homogeneity test (Q)	16486.52	117.11**	1763.58**	282.86***	427.51**	180.97**
I^2	99.39%	87.19%	97.79%	97.53%	96.96%	96.68%
V	0.0002	0.0004	0.0001	0.0002	0.0000	0.0002
Q_V	298.47	33.92**	669.21**	159.06***	240.33**	8.98**
I^2_V	89.61%	55.77%	94.17%	95.60%	94.59%	33.15%
es_v (random effects)	0.043	0.057	0.026	0.040	0.004	0.036
$SEes_v$	0.002	0.007	0.002	0.005	0.000	0.006
Lower bound	0.002	0.044	0.023	0.030	0.003	0.024
Upper bound	0.038	0.070	0.029	0.050	0.005	0.048
Number of studies (N*)	32	16	40	8	14	7

Notes: *ES is the effect size of each study. Mean Effect Size (ES) is the standard effect size, SE = 1/√∑df and z-statistics = ES mean/SE is used to examine the hypothesis; upper and lower bonds are confidence intervals of z-statistics. Q test is the utmost used device for testing the heterogeneity and its null hypothesis signifies that all*

researches are same. The I^2 statistic is an exceptional tool to certify the quantity of heterogeneity in percentage and it's the best way to assess the consistency of sample studies. In the random effects model, a constant V is applied to adjust the weight of each study. Q_V is the ultimate Q test based upon the random effects model, and I^2_V is the random effect determinant to tell heterogeneity in percentage. N signifies the sum of studies which is 141.*

**** represents 1% significance level (p < 0.01)* *** represents 5% significance level (p < 0.05)*

The proxies of firm performance used in the study are i) Return on Assets (ROA), ii) Return on Equity (ROE), iii) Tobin's Q, iv) Cumulative Abnormal Returns (CAR), v) Overall performance of the firm and vi) Earnings per Share (EPS) as shown in Table 3. The mean Effect Size of ROA is 0.034 which is significant at 5% (p < 0.05) which exposed that there is significantly positive affiliation between political links and ROA. The results suggested that there is significant association between political ties and return on assets. The results are coherent with the findings of (Su and Fung 2013, Chen, Luo et al. 2014, Song, Nahm et al. 2016).

The mean Effect Size of ROE is 0.083 which is significant at 5% (p < 0.05) which indicates that there is significantly positive association amid political ties and ROE. The results are consistent with the findings of (Li, Meng et al. 2008, Song, Nahm et al. 2016).

The mean Effect Size of Tobin's Q is 0.076 which is significant at 5% (p < 0.05) which portrays that there is significantly positive affiliation between political ties and Tobin's Q. The results indicated that there is significant association between political ties and Tobin's Q. The results are consistent with the findings of (Wu, Wu et al. 2012, Su and Fung 2013, Joni, Ahmed et al. 2020). The mean Effect Size of CAR is -0.063 which is significant at 1% (p < 0.01) which identify that there is significantly negative association between political affiliations and CARs. The results are coherent with the findings of (Gao, Huang et al. 2019).

Another moderation test of potential moderators is conducted to assess the proxy variables of political ties. The proxy variables for political affiliations are i) Politician, ii) POC Firms iii) Ex-Gov Officials and iv) State-ownership. The fallouts of the moderation test based on the proxy variables of political connections are given in Table 4.

Table 4. Moderation Analysis (The different measures of political connections)

Results	Politician	POC Firms	EX GOV Official	State Ownership
Mean ES	0.074**	0.020**	-0.007**	0.000
Standard Error (SE)	0.003	0.001	0.003	0.009
Z-statistics	26.299	14.852	-2.199	-0.020
Lower bound	0.068	0.017	-0.013	-0.018
Upper bound	0.079	0.023	-0.001	0.017
File-safe number (N_{fs})	8490	5189	1575	50
Critical value for N_{fs}	340	190	155	50
Homogeneity test (Q)	3081.60**	33.83	6385.79**	44.78**
I^2	97.89%	-3.46%	99.56%	84.37%
V	0.0000	0.0000	0.0093	0.0002
Q_V	1743.42**	63.48	19.10**	12.12**
I^2_V	96.27%	44.86%	-46.57%	42.25%
es_v (random effects)	0.014	-0.011	0.080	0.032
$SEes_v$	0.001	-	0.019	0.006
Lower bound	0.013	-	0.043	0.020
Upper bound	0.015	-	0.116	0.044

Results	Politician	POC Firms	EX GOV Official	State Ownership
Number of studies (N*)	66	36	29	8

Notes: *ES is the effect size of each study. Mean Effect Size (ES) is the standard effect size, SE = 1/√∑df and z-statistics = ES mean/SE is used to examine the hypothesis; upper and lower bonds are confidence intervals of z-statistics. Q test is the utmost used device for testing the heterogeneity and its null hypothesis signifies that all researches are same. The I^2 statistic is an exceptional tool to certify the quantity of heterogeneity in percentage and it's the best way to assess the consistency of sample studies. In the random effects model, a constant V is applied to adjust the weight of each study. Q_V is the ultimate Q test based upon the random effects model, and I^2_V is the random effect determinant to tell heterogeneity in percentage. N* signifies the sum of studies which is 141.*

**** represents 1% significance level (p < 0.01)* *** represents 5% significance level (p < 0.05)*

The mean Effect Size of Politician is 0.074 which is significant at 5% (p < 0.05) which exposed that there is significantly positive affiliation between politician and firm performance. The mean Effect Size of POC Firms is 0.020 which is significant at 5% (p < 0.05) which indicates that there is significantly positive association between POC Firms and firm performance. The mean Effect Size of Ex-Gov Official is -0.007 which is significant at 5% (p < 0.05) which showed that there is significant association between Ex-Gov Official and firm performance. The results indicated that there is significantly negative association amid Ex-Gov Official and firm performance. The results are consistent with (Faccio 2010).

5. CONCLUSION

Using the Meta-Analysis technique, we mixed the upshots of 141 studies to discover the rigorous outcomes about the association amid political ties and firms performance. The overall outcomes of meta-analysis concluded that there is a positive and significant association between political connections and firm performance. Table 1 is representing the overall results of meta-analysis and evidencing the positive affiliations between political ties and firm performance.

Table 1 classifies the overall results in developed countries, emerging countries and China. It can be concluded based on the outcomes portrayed in Table 1 that in developed countries there is negative and significant association amid political ties and firm performance. Contrariwise, the emerging countries experienced a high rate of corporate political associations assuming a positive influence of these associations on firm performance. Similarly, in China, being a transitional economy, there found a significant (p < 0.01) positive relationship between political ties and Chines firm's performance.

Table 2 is representing the results of journal ranking i.e. Q1, Q2, Q3, and Q4. Q1 is the highest ranked journal, Q2 is second top journal followed by Q3 and Q4. The average Effect Size (ES) of all 141 studies is 0.038 with a z value of 34.380 significant at 5% (p < 0.05) as given in Table 2. So the analysis confirmed that most of the sample studies regarding the affiliation amid political ties and firm performance are taken from the top ranked journal Q1 (The Journal of Corporate Finance). The sensitivity tests of potential moderators are conducted based on the proxy variables of political connections (Politician, POC Firms, Ex-Gov Official) and the proxy variables of firm performance (ROA, ROE, Tobin's Q, CAR, Overall performance and EPS). Table 3 shows the sensitivity test results utilizing proxy variables of firm performance.

Results indicated that there is significantly positive affiliation amid political ties and ROA. The mean Effect Size of ROE is 0.083 which is significant at 5% ($p < 0.05$) which indicated that there is significantly positive affiliation between political associations and ROE. The mean Effect Size of Tobin's Q is 0.076 which is significant at 5% ($p < 0.05$) which indicated that there is significantly positive affiliation between political ties and Tobin's Q. The mean Effect Size of CAR is -0.063 which is significant at 1% ($p < 0.01$) which indicated that there is significantly negative affiliation amid political associations and CARs. It can be concluded after analyzing all the proxy variable of firm performance that among all the proxy variables, Return on Equity (ROE) has the most significant and positive affiliation with political connections. The firms having strong political ties experienced an increase in their Return on Equities. CAR and EPS (Earnings per share) have the negative association with political connections.

Another sensitivity test of potential moderators is conducted to inspect the proxy variables of political associations. The upshots of this sensitivity test are given in Table 4. The mean Effect Size of Politician is 0.074 which is significant at 5% ($p < 0.05$) which portrays that there is significantly positive affiliation amid politician and firm performance. The mean Effect Size of POC Firms is 0.020 which is significant at 5% ($p < 0.05$) which portrays that there is significantly positive association amid POC Firms and firm performance. The mean Effect Size of Ex-Gov Official is -0.007 which is significant at 5% ($p < 0.05$) which indicated that there is significantly negative affiliation between Ex-Gov Official and firm performance.

It can be concluded after analyzing all the proxy variable of political connections that among all the proxy variables, the *Politician* has the most significant and positive relationship with firm performance. This shows that having a politician as a board member significantly and positively increases the firm value. Contrariwise, the Ex-Gov Official has significant but negative association with firm performance which exhibits that having a board member who has been working as a government official in the past can exploit the firm's performance.

5.1. Contributions

This paper extends the shreds of evidences in the growing literature on corporate political associations. We tried to concisely define the term "Corporate Political Connections" in every possible context, and to sum up the vast body of literature in the best comprehensible way. Another contribution is that we investigated the bona fide influence of political connections on various firm's structures by running a meta-analysis on the sample data. We explore the influence of various moderators of political ties and firm performance to inspect the exact influence of building political ties on firm's performance. Discussing both sides of coin i.e., positive and negative aspects of corporate political connections, substantial results have been drawn which can be used for future implications.

5.2. Limitations and Future Directions

The study is done using a sample size of 141 studies due to having a short time frame. Bigger data size may moderate the results up to some extent. Moreover, the study is all about investigating the Chinese firms and their associations with political parties. For more rigorous results, a future research can be made on most developed economies to explore the sway of political ties on firms therein. Similarly, least developed economies can also be investigated due to the fact that such type of countries have more political affiliations with the firms and face severe sway of such political links on firm performance due to poor governance system. Moreover, other data analysis techniques except Meta-analysis can also be opted in future studies to examine the impact of political ties on firm's performance to compare the results.

Reference:

Acemoglu, D., et al. (2016). "The value of connections in turbulent times: Evidence from the United States." *Journal of Financial Economics* 121(2): 368-391.

Aggarwal, R. K., et al. (2012). "Corporate political donations: Investment or agency?" *Business and Politics 14(1): 1-38.*

Amore, M. D. and M. Bennedsen (2013). "The value of local political connections in a low-corruption environment." *Journal of Financial Economics* 110(2): 387-402.

Ang, J. S., et al. (2013). "Political connection and firm value." *Asian development review* 30(2): 131-166.

Batta, G., et al. (2014). "Political connections and accounting quality under high expropriation risk." *European Accounting Review* 23(4): 485-517.

Bonica, A., et al. (2014). "The political polarization of physicians in the United States: an analysis of campaign contributions to federal elections, 1991 through 2012." *JAMA Internal Medicine* 174(8): 1308-1317.

Boubakri, N., et al. (2008). "Political connections of newly privatized firms." *Journal of corporate finance* 14(5): 654-673.

Boubakri, N., et al. (2012). "THE IMPACT OF POLITICAL CONNECTIONS ON FIRMS'OPERATING PERFORMANCE AND FINANCING DECISIONS." *Journal of Financial Research* 35(3): 397-423.

Boubakri, N., et al. (2012). "Political connections and the cost of equity capital." *Journal of corporate finance* 18(3): 541-559.

Boubakri, N., et al. (2013). "Political institutions, connectedness, and corporate risk-taking." *Journal of International Business Studies* 44(3): 195-215.

Brockman, P., et al. (2013). "Institutions and the performance of politically connected M&As." *Journal of International Business Studies* 44(8): 833-852.

Chaney, P. K., et al. (2011). "The quality of accounting information in politically connected firms." *Journal of accounting and Economics* 51(1-2): 58-76.

Chen, S. and B. Komal (2018). "Audit committee financial expertise and earnings quality: A meta-analysis." *Journal of Business Research* 84: 253-270.

Chen, Y.-S., et al. (2014). "The benefits of political connection: Evidence from individual bank-loan contracts." *Journal of Financial Services Research* 45(3): 287-305.

Chen, Y., et al. (2014). "Political connections, entry barriers, and firm performance." *Chinese management studies*.

Cheung, Y.-L., et al. (2005). "Guanxi, political connections, and expropriation: The dark side of state ownership in Chinese listed companies." *City University of Hong Kong working paper*.

Choi, J. P. and M. Thum (2009). "The economics of politically-connected firms." *International Tax and Public Finance* 16(5): 605-620.

Cingano, F. and P. Pinotti (2013). "Politicians at work: The private returns and social costs of political connections." *Journal of the European Economic Association* 11(2): 433-465.

Claessens, S., et al. (2008). "Political connections and preferential access to finance: The role of campaign contributions." *Journal of Financial Economics* 88(3): 554-580.

Cull, R., et al. (2015). "Government connections and financial constraints: Evidence from a large representative sample of Chinese firms." *Journal of corporate finance* 32: 271-294.

Dinç, I. S. (2005). "Politicians and banks: Political influences on government-owned banks in emerging markets." *Journal of Financial Economics* 77(2): 453-479.

Eggers, A. C. and J. Hainmueller (2014). "Political capital: Corporate connections and stock investments in the US congress, 2004-2008." *Quarterly Journal of Political Science: 2012-2026*.

Faccio, M. (2010). "Differences between politically connected and nonconnected firms: A cross-country analysis." *Financial management* 39(3): 905-928.

Faccio, M., et al. (2006). "Political connections and corporate bailouts." *The journal of Finance* 61(6): 2597-2635.

Fan, J. P., et al. (2008). "Public governance and corporate finance: Evidence from corruption cases." *Journal of comparative Economics* 36(3): 343-364.

Fan, J. P., et al. (2007). "Politically connected CEOs, corporate governance, and Post-IPO performance of China's newly partially privatized firms." *Journal of Financial Economics* 84(2): 330-357.

Feng, Y. and W. Lei (2010). Does political connection affect information transparency? *The 2nd International Conference on Information Science and Engineering, IEEE*.

Fisman, R. (2001). "Estimating the value of political connections." *American economic review* 91(4): 1095-1102.

Gao, W., et al. (2019). "Political connections, corporate governance and M&A performance: Evidence from Chinese family firms." *Research in International Business and Finance* 50: 38-53.

Goldman, E., et al. (2009). "Do politically connected boards affect firm value?" *The review of financial studies* 22(6): 2331-2360.

Hillman, A. J. (2005). "Politicians on the board of directors: Do connections affect the bottom line?" *Journal of management* 31(3): 464-481.

Hillman, A. J. and T. Dalziel (2003). "Boards of directors and firm performance: Integrating agency and resource dependence perspectives." *Academy of Management review* 28(3): 383-396.

Houston, J. F., et al. (2014). "Political connections and the cost of bank loans." *Journal of Accounting Research* 52(1): 193-243.

Joh, S. W. and M. M. Chiu (2004). Loans to distressed firms: Political connections, related lending, business group affiliation and bank governance. *Econometric Society 2004 Far Eastern Meetings, Econometric Society*.

Joni, J., et al. (2020). "Politically connected boards, family business groups and firm performance: evidence from Indonesia." *Journal of Accounting & Organizational Change*.

Khwaja, A. I. and A. Mian (2005). "Do lenders favor politically connected firms? Rent provision in an emerging financial market." *The Quarterly Journal of Economics* 120(4): 1371-1411.

Kostka, G. and J. Zhou (2013). "Government-business alliances in state capitalist economies: Evidence from low-income markets in China." *Business and Politics* 15(2): 245-274.

Kroszner, R. S. and T. Stratmann (1998). "Interest-group competition and the organization of congress: theory and evidence from financial services' political action committees." *American economic review:* 1163-1187.

Li, H., et al. (2008). "Political connections, financing and firm performance: Evidence from Chinese private firms." *Journal of development economics* 87(2): 283-299.

Li, J. J., et al. (2008). "Do managerial ties in China always produce value? Competition, uncertainty, and domestic vs. foreign firms." *Strategic management journal* 29(4): 383-400.

Ling, L., et al. (2016). "Political connections, overinvestments and firm performance: Evidence from Chinese listed real estate firms." *Finance Research Letters* 18: 328-333.

Lyons, B. A., et al. (2021). "Self-Affirmation and Identity-Driven Political Behavior." *Journal of Experimental Political Science: 1-16*.

Miettinen, T. and P. Poutvaara (2014). "A market for connections." *European Journal of Political Economy* 33: 37-52.

Mitchell, H. and S. Joseph (2010). "Changes in Malaysia: Capital controls, prime ministers and political connections." *Pacific-Basin Finance Journal* 18(5): 460-476.

Saeed, A., et al. (2016). "Do political connections affect firm performance? Evidence from a developing country." *Emerging Markets Finance and Trade* 52(8): 1876-1891.

Sharma, P., et al. (2020). "Impact of political connections on Chinese export firms' performance–Lessons for other emerging markets." *Journal of Business Research* 106: 24-34.

Shen, C.-H. and C.-Y. Lin (2016). "Political connections, financial constraints, and corporate investment." *Review of Quantitative Finance and Accounting* 47(2): 343-368.

Sheng, S., et al. (2011). "The effects of business and political ties on firm performance: Evidence from China." *Journal of Marketing* 75(1): 1-15.

Song, Z., et al. (2016). "Institutional environment, political connections of partial state ownership, and performance: An empirical study on listed private sector firms in China." *International Journal of Social Economics*.

Su, Z. q. and H. G. Fung (2013). "Political connections and firm performance in C hinese companies." *Pacific economic review* 18(3): 283-317.

Sudibyo, Y. A. and S. Jianfu (2016). "Political connections, state owned enterprises and tax avoidance: An evidence from Indonesia." *Corporate Ownership and Control* 13(3): 1-6.

Wang, H. and C. Qian (2011). "Corporate philanthropy and corporate financial performance: The roles of stakeholder response and political access." *Academy of Management journal* ***54****(6): 1159-1181.*

Wu, J. and M. L. Cheng (2011). "The impact of managerial political connections and quality on government subsidies: Evidence from Chinese listed firms." *Chinese Management Studies*.

Wu, W., et al. (2016). "Institutional investors, political connections, and the incidence of regulatory enforcement against corporate fraud." *Journal of Business Ethics* 134(4): 709-726.

Wu, W., et al. (2012). "Political connections, tax benefits and firm performance: Evidence from China." *Journal of Accounting and Public policy* 31(3): 277-300.

Xu, H., et al. (2019). "The effect of local political corruption on earnings quality." *Review of Quantitative Finance and Accounting* 53(2): 551-574.

Yu, M. (2013). "State ownership and firm performance: Empirical evidence from Chinese listed companies." *China Journal of Accounting Research* 6(2): 75-87.

Zhang, J., et al. (2019). "Do political connections promote innovation in environmentally polluting enterprises?" *China & World Economy* 27(3): 76-101.

Zhang, J., et al. (2016). "Do political connections buffer firms from or bind firms to the government? A study of corporate charitable donations of Chinese firms." *Organization Science* 27(5): 1307-1324.

Zhang, J., et al. (2015). "When does investment in political ties improve firm performance? The contingent effect of innovation activities." *Asia Pacific Journal of Management* 32(2): 363-387.