A bibliometric analysis of political connections literature

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A Bibliometric Analysis of Political Connections Literature

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Abstract

Purpose: We present a catalogue of the influential aspects resulting from a bibliometric meta-analysis of political connection literature.
Design: We undertake a bibliometric meta-analysis review of political connections literature, covering 138 research papers from 2000 to 2020 using the visualization of similarities (VOS) viewer program.
Findings: We identify six research groups: (1) the value of political connections; (2) political connections and finance; (3) political connections in banks; (4) political connections and debt; (5) management and political connections; and (6) political connections and governance. We discuss each stream through a cartographic analysis, including co-authorship, countries, and time networks.
Originality: We make an important and novel contribution to political connection literature. So far as we are aware, it is the only bibliometric study on political connections. It is the first study to use network analysis and community detection to understand social clustering and to identify main research steams in political connection literature.
Keywords: Political Connections, Finance, VOS, Bibliometric Analysis.
JEL: D72, G21, G28, G38

1. Introduction

There was an interest in the political connection literature since the publication of the seminal work of Fisman (2001). The political connection is the power of politicians to connect with the banks to finance firms that politically support them in return for the likelihood of greater political or financial support (Andrianova et al., 2012). Khwaja and Mian (2005) argued that the favours received by firms depend on the degree of the politician's power and whether their party holds power. Markgraf and Rosas (2019) found that mayors with a political connection to a savings bank were more likely to win re-election than non-politically connected mayors. Agrawal and Knoeber (2001) and Akey (2015) argued that political connection is one of the most powerful tools that can affect firms' sales, appropriations, and taxation. Further, as Fan et al. (2007) and Acemoglu et al. (2016) noted, in countries with weak property rights and low investment rates, political connections had a strong, negative effect on corporate performance and governance.

Political connections have a crucial impact on the growth of firms and countries. The resource dependence theory states that the need for connections is a function of firm's dependence. The political connection is a mechanism for companies to survive social and global pressures. To reduce uncertainty, firms appoint politicians to the boards of directors. However, the effect of political connection on firm's output is subject to debate. Previous research has focused on empirically investigating the impact of political connection at the macro and micro levels and used different direct and indirect measures of political connection (Agrawal and Knoeber, 2001; Fisman, 2001; Khwaja and Mian, 2005; Faccio et al., 2006; Goldman et al., 2009; Kim et al., 2012; Li et al., 2012; Carretta et al., 2012; Blau et al., 2013; Tahoun, 2014; Akey, 2015; Chen et al. 2017). However, this study moves beyond simply measuring the effect of political connection and its financial consequences. The objective of this paper is to analyse the evaluation of political connection literature over several years.

This paper presents a catalogue of the influential aspects resulting from a bibliometric meta-analysis of political connection literature. The metrics considered in this study include countries, authors, articles, and topics. Advanced data visualization techniques of political connection literature are employed. This paper analysed 138 papers from the ScienceDirect website over the period 2000–2020, empirically investigating the effect of political connection on firms' output. The study establishes a list of key journals, then identifies the principal articles, and generates citation networks. Following this, the study exploits the visualization of similarities (VOS) viewer program to generate a visualization of the literature analysis. VOS viewer Online is a web-based version of VOSviewer, which is a tool for constructing and visualizing bibliometric networks. It allows users to create visual representations of co-authorship networks (networks of co-authors), citation networks (networks of citations between papers), and co-occurrence networks (networks of co-occurring terms in the scientific literature).

In terms of substitutability, the scope of this study provides identification of the following most relevant research streams: (1) the value of political connection; (2) political connection and finance; (3) political connection in banks; (4) political connection and debt; (5) management and political connection; and (6) political connection and governance. Further, the study discusses each stream after representing it through a cartographic analysis, including co-authorship, countries, and time networks. Lastly, but of great importance, the meta-analysis review allows research gaps in the previous work to be discerned, providing a new direction and springboard for future research efforts.

This analysis provides three primary contributions to enhance the understanding of political connection research. First, to the best of our knowledge, no previous empirical work has attempted to map the academic structure of political connection literature from extant bibliometric studies. Second, the present research uses network analysis and community detection to understand social clustering within the field. Third, this study incorporates the leading literature produced to date from several world countries to elucidate the relationship between political connection and the six aforementioned research streams.

2. Methodology

To understand the networks of political connections, we employ methods to trace and analyse the connections between top research articles. We identify the key journals and articles to conduct the citation network and analysis to find the pattern. In the first search, the total number of papers which include political connection related-keywords were 220 papers. Based on our filtering criteria, we excluded 82 papers that are not empirically examining the effect of political connection on firms' output. This gives us a final sample of 138 articles for our analysis.

We use the bibliometric analysis in three steps. First, we collected the papers of interest from the Web of Science (WoS) database. Second, we used relevant keywords (e.g. political connection) to identify the most relevant and cited articles. However, the WoS database results were not very accurate as they neglected seminal papers in political connection literature. Finally, we manually searched Google Scholar for other relevant, most cited, and recent articles using relevant keywords.

The use of WoS has been the standard, whereas Google Scholar offered results of inconsistent accuracy (Falagas et al., 2008). Google Scholar presented all the benefits and drawbacks of the internet. It sometimes offers unique options in the scientific field. For example, using a web search option allowed obtaining free full articles from various websites, whereas using WoS or other databases did not offer free access if the article is not an open-access one. The access might be illegal, but this is a characteristic of the internet: information is abundant. Results from Google Scholar are displayed in relation to the frequency of user visits, not in relation to another index of the publication quality. Therefore, we selected WoS for more accurate results (Falagas et al., 2008).

Secondly, the study revised the papers carefully and put them on one list on the WoS account from 2000 to 2020. The study used The Web of Science database which has a comprehensive collection of research from this time period: The Web of Science database is a comprehensive collection of research from a wide range of disciplines, and it has a significant number of research papers on political connections from the period from 2000 to 2020. Using the VOS software showed that there have been significant developments or changes in the field of political connections during this time period. We believe that focusing on the period from 2000 to 2020 could help to capture these developments and changes in the literature review.

Using an easily formed threshold (e.g., the article must be cited several times) is perilous as it ignores journal-specific and time-related characteristics, and the risks are arbitrary. For example, in a high-ranked journal, the number of citations is much higher for old articles than recently published ones. Finally, the study transfers the data to a format that the VOS viewer program could read and analyse. We explored previous literature that investigated political connection topics and the networks and finally analysed who associates with whom.

In mapping political connection literature, we found evidence of multiple communities, particularly, six clusters from the top 138 research papers in the top journals covering 2000–2020. We perform six tracks to our meta-literature analysis. We depict political connection literature based on the country and year. The VOS viewer program outputs depend on co-citation analysis that refers to the frequency of the articles being cited together, thus implying a strong connection between them.

Political Connections Citation by Country and Years

The effect of political connections varies across countries. Previous studies showed that the effect of political connections is ample in developing countries with corruption and weak institutions, whereas it is unclear in the developed countries with good institutions. Using across-country surveys, Chong and Gradstein (2010) found that firms' perception of being politically influential is related to the institutional quality of each country. A country's high level of institutional quality exhibits a high level of political influence, especially in large firms. Claessens et al. (2008) find a positive association between firms' contributions to the candidates in the election and the benefits they receive, especially if they support the winning candidate. Malaysia is a country that has been analyzed extensively (Faccio, 2006; Fisman, 2001; Fraser et al., 2006; Gomez et al., 1999; Gul, 2006; Johnson and Mitton, 2003). The researchers found evidence that political connections had a positive effect on stocks value, performance, debt, and bailout actions.

Bunkanwanicha and Wiwattanakantang (2009) studied the effect of political connections in Thailand and they found that weak institutional and legal environment allowed the leaders to use their power to pursue their private interests and gain privileges from the government. Schoenherr (2019) found that CEOs serve as intermediaries between the government and private firms in allocating government contracts and the government, in return, allocated more contracts to private firms with political ties.

Political connections play a vital role in forming the business structure in China. As figure 1 shows, several frequently-cited papers studied the effect of political connections in China. Cull et al. (2015) identified the importance of the political connections factor in explaining firm investment behaviour and financing conditions in China. Li et al. (2019) found that political connections increased stock price synchronicity. Francis et al. (2009) found that political connections had a positive impact on the offering price. In addition, Wu et al. (2013) found evidence that political connections improved firms' ability to raise capital from public markets, especially in less regulatory-restricted countries.

In a similar vein, Chan et al. (2012) showed that Chinese firms with political ties opposed no financial constraints. Firth et al. (2011) found a significant negative impact of litigation announcements on the stock prices of firms with political connections. Lin et al. (2018) found evidence that political connection decreased the tax authority's ability in restraining tax avoidance. Wu et al. (2012) found that political connections increased private firms' performance and reduced the effective tax rates. Li et al. (2012) found a positive association between firm diversification and political connection. Tsai, et al. (2021) found political turnover increased the existing collusion instability and consequently decreased tax avoidance.

Most of the cited articles for the developed countries investigated political connections in the United States, as figure 1 demonstrates. Even though the United States is a well-established country with strong institutions, the effect of political connections on firms' outputs is obvious. The United States corporations and special interest groups spend billions of dollars annually to lobby Congress and federal agencies. Borisov et al. (2016) found that lobbying is valuable, especially for firms with a weak code of ethics and policies against bribery and corruption. Akey (2015) found that in the U.S. congressional elections, the loss of a connection to the Senate resulted in a loss in future sales of $1.9 billion in the following year.

In the UK, Braggion and Moore'se (2013) found that the election of a new tech director increased the value of firms with political connections by 2.5%. Amore and Bennedsen (2013) found that the more powerful the connection is, the higher the operating returns. Correspondingly, Haselmann et al. (2018) found that firms with political connections misallocated the resources and paid out funds to the owner instead of making investments. Ferraz and Finan (2011) explored the relationship between corruption and political connections in Brazil. They found that the corruption was less in cities where the politicians can be reflected. Thus, the electoral rules play an important role in minimizing corrupt behaviour. Johnson and Mitton (2003) and Ebrahim et al. (2014) both suggest that firms with political ties suffer more when an exogenous shock hits that limit the government's ability to offer privileges and support (Ahmed and McMillan, 2021; Ahmed and Gamal, 2022b). The exogenous shock increases the systematic risk and affects the government's ability to offer support (Ahmed and Gamal, 2022a).

Insert Figure 1 about here

Political Connections Authorship Ties

Figure 2 illustrates the relative composition of authors in each of the seven communities, through a bubble map. It provides a visualisation of the author and citation analysis for political connection literature. The larger the size of the circles, the larger the number of citations of the author. The names refer to the authors' last names. Noteworthy, VOS viewer uses small letters and does not allow editing or capitalizing the letters of the authors' names. The figure visualises the various streams found in the literature.

Figure 2 represents the number of citations in various colours and sizes, each colour reflecting a different stream of literature and various sizes signifying the number of citations of each author. The linking lines between the cycles represent the co-citations between authors. For example, figure 2 shows that the highest number of citations is the work of Faccio, across her various publications.

VOS viewer output classified the articles into six clusters of literature. Communities are organised according to a hierarchical clustering algorithm that sorts communities based on similarity. Reading through each cluster and determining their similarities, this study found that the larger the size of the circles, the larger the number of author citations in that cluster's collection of articles. The red cluster connects the value of political connection literature. Political connection and finance association are depicted in green. Meanwhile, the dark blue cluster links the articles related to banks' political connections, and the yellow cluster reflects the articles that investigate the relationship between debt and political connections. Furthermore, the purple cluster explores the association between management and political connections.

Finally, the light blue cluster contains articles that discuss political connection and governance. The next section analyses the composition of these community clusters from the 2000 to 2020 network. This takes us beyond the simple description of political connection literature and into the exploratory landscape of asking its meaning and why it looks that way. Each cluster contains many high-quality research papers and reflects a list of scholars, which we can identify and gather information about. To sum up, this study uses network analysis and community detection to understand social clustering within political connection literature to widen our understanding of political connection research.

Insert Figure 2 about here

The Red Cluster: Value of Political Connection

Prior research found that the motivation of firms to become politically connected is to provide a form of protection and support (Faccio et al., 2006; Fisman et al., 2012; Yu, 2010). Chen et al. (2014) argued that political connection has an important impact on countries, financial markets, stocks value, long-term performance, growth, corruption, bailout actions, taxation, management, and decision-making. Cole (2009) found that state bank credit in India was from 5% to 10% higher in election years than in their non-connected peers. Cooper et al. (2010) found evidence that firm's contribution to the U.S. political campaigns positively affected future returns. Faccio et al. (2006) found that politically connected firms are more likely to be rescued in financial distress time compared to non-connected firms. Blau et al. (2013) found that politically connected banks receive favourable treatment from the government, especially in crisis time. Chavaz and Rose (2019) found gaining government support subject to political power. Sapienza (2004) found that the lending behaviour of the government banks is affected by the election results of the connected party. The more powerful the party is, the lower interest rates the banks charge.

At the macro level, the political connection has distorting effects on financial resource allocation. Niessen and Ruenzi (2010) found that politically connected firms outperformed their non-connected firms and were less risky. Bliss and Gul (2012a) found that lenders in Malaysia perceived politically connected firms as risky, and as a result, they charged them higher interest rates. Meanwhile, Correia (2014) found that the political contribution that the firm paid to the powerful politicians was significantly effective in reducing the penalties and probability of enforcement. Song et al. (2015) found that companies with a political connection faced lower financial constraints than those without such connections.

To estimate the value of political connection, Fisman (2001) exploited the rumours about former Indonesian President Suharto's health and conducted an event study to estimate the effect of this event on firms' return. The study found that politically connected firms suffer more than their non-connected counterparts. Faccio and Parsley (2009) found that after the sudden death of a politician, the value of the politically connected banks to those politicians declined by 1.7% and followed by decreases in sales growth rate and access to credit. In the U.S. context, Goldman et al. (2009) found a positive abnormal stock return after an announcement of the nomination of a politically connected individual to the board. Ferris et al. (2016) showed that politically connected bidders acquire more targets and are more likely to avoid delay or failure. Also, bids by politically connected firms had a significant positive effect on firm value.

Many researchers have shown that the presence of political associations could explicate a large percentage of connected firms' value. Agrawal and Knoeber (2001) found substantial differences in the politically connected firms' value, especially in large firms. Akey (2015) found that the returns of those that donated to the winning candidates in the off-cycle U.S. congressional elections were higher by 3% compared to firms that donated to losing candidates. Braggion and Moore (2013) found evidence that political connections increase the share value by 2.5% after the election. Hill et al. (2013) argued that firms contributed through two channels. First, firms contributed through the political action committee campaign to which firm directors and employees can donate up to a maximum of $5,000 for each candidate per election. Second, firms directly contribute from firm's treasury. They found a significant value associated with both types of contributions and lobbying.

Apart from the politically connected contribution during the election times, Desai et al. (2011) argued that political connections benefits have a price. They described the process as a bargain, as firm relinquishes some control rights to gain access to government subsidies and protection, especially during crisis times. Lin et al. (2016) argued that political connections and government policy were critical factors that impact stock prices. These factors could lead to inaccurate dis- closure, and investors could misinterpret the stock returns. Moreover, Wang (2015) found that firms with political ties outperformed the non-politically connected peers due to the extra access of government external debt and subsidies. However, politically connected boards of directors increased related-party transactions magnitude with the controlling party in the listed private politically connected firms.

In contrast, having politicians as independent directors does not help add value to listed state-controlled firms, especially firms controlled by the local government, due to the expropriation of minority investors via more related-party transactions and more severe over-investment problems. Kostovetsky (2015) found that politically connected boards of director members increase the proportion of market value in toxic assets by 20% and reduce the stock returns by 6%. Moreover, he found that the presence of political connections on the board of directors increases firm risk. This suggested that despite the value that political connections added to the firm, these connections also increased firm risk.

Bliss and Gul (2012a) found that politically connected firms were perceived as riskier than non-connected counterparts by the market, audit firms, and lenders. Boubakri et al. (2012) found that firms with political ties to strong political power were more valuable and profitable than non-connected firms. Additionally, the effect was higher in countries with a weak legal and institutional environment and a high level of corruption. Vidal et al. (2012) argued that in the USA, 56% of the net revenue generated by politically connected private firms could be attributed to individuals with work experience in the federal government. Cingano and Pinotti (2013) showed that the average political connection revenue premium was 5.7%, which was obtained through sales and was not related to firm's productivity. The return was larger (up to 22%) in the highly corrupted areas. In Brazil, Claessens et al. (2008) evidenced the role played by politically connected firms in shaping the government through their contribution to supporting the political parties in the elections. In return, during the election time, these firms had higher stock returns.

The Green Cluster: Political Connection, and Finance:

The relationship between political connection and finance attracted the attention of academics, practitioners, and policymakers. Whether politically connected and state-owned firms obtain preferential treatment for bank loans is central important a wide array of research agendas in financial studies. Duchin and Sosyura (2012) found a positive association between political connections and the number of funds that the firm receives. Chen et al. (2014) found that politically connected firms, especially those connected to the party in power, can obtain loans with lower interest rates compared to non-connected counterparts. Khwaja and Mian (2005) found that low-quality politically connected firms (vs. non-connected firms) had the privilege to borrow from state-owned banks. Additionally, political connections increased firms' probability to acquire government subsidies. They also found evidence that these privileges were higher in the election years than in non-election years.

Interestingly, Diwan and Schiffbauer (2018) found that the political connection was negatively associated with profitability, suggesting that politically connected firms were less risky. Additionally, they found that most bank loans went to firms with political patronage. Even after the 2011 revolution and the regime collapse, politically connected firms still benefited more than non-connected firms. This is because the privileges they had already received were adequate to make them more attractive to banks. These results suggested that the history of earlier bailout matters. Boubakri et al. (2009) found that state ownership negatively impacted profitability, leverage, and efficiency in countries with sound institutional and political environments. Surprisingly, these effects are less pronounced in countries with right-wing governments. Likewise, Fan et al. (2007) found that politically connected firms underperformed compared to non-connected peers.

The effect of political connection on performance depends on firm characteristics. For instance, Zhang et al. (2014) showed that the effect of political connections on the ability to obtain government subsidies in the wind energy manufacturing companies was negative. Kim et al. (2012) evidenced that the effect of political ties on financial performance depends on the degree and strength of the political connection and other firm characteristics, such as location and size. For example, the study showed that firms in states aligned with the president had a significantly better performance than those in states aligned with the rivals. The effect was larger among small firms after elections when the party in power won.

You and Du (2012) found evidence that the effect of political connection on future performance was positive when firm profitability was below the industry median. Hence, the value of political connections depends on a firms' performance. The results suggested that political connection benefits outweigh their costs when firms do not meet their profitability targets. Similarly, Elyasiani and Jia (2010) found a significant positive association between firm performance and institutional ownership stability. The results suggested that managers should sustain long-term ties with institutional investors to enhance firm performance and to choose the best stocks according to their investment horizons. Further, Chen et al. (2017) found that political connections negatively and significantly affected the state-owned firms. In contrast, such a relationship turned out to be positive for the other firms. Similarly, Wu et al. (2012) found that political connections increased private firms' performance and reduced the effective tax rates. Results suggested that political connections helped private firms in China to obtain tax benefits. Additionally, they found that state-owned firms aggravated the over-investment of free cash flow more than their non-connected counterparts, thus adversely affecting firms' performance.

The relationship between capital market imperfection and investment behaviour has been widely investigated in the literature. Financial discords are deemed to cause a significant hindrance to the efficient allocation of credit for firm investment and therefore economic growth. Cull et al. (2015) argued that political connection played a vital role in explaining firm in- vestment behaviour and explaining the financing conditions in China. The efficiency of corporate investment is affected by factors related to informational asymmetries and agency problems. Previous studies highlighted the investment cash flow sensitivity after controlling for investment opportunities. Myers and Majluf (1984) pointed out that these investment distortions mainly happened because of the information asymmetry between corporate insiders and the capital market. Jensen (1986) argued that the alignment of managerial and shareholders' interests was the main reason for these distortions.

However, in some counties, politically connected firms enjoyed preferential access to resources by obtaining bank loans and other benefits. Xu et al. (2013) investigated the effect of political connections on investment behaviour and found evidence that political connections reduce investment cash flow sensitivity. Meanwhile, Zhou (2013) found that in developing countries, entrepreneurial firms always seek political connections that provide them with resources and protection and increase their investments. However, political connections could divert entrepreneurs' energies and attention away from achieving efficiency and productivity. Additionally, Chan et al. (2012) showed that politically connected Chinese firms display no financial constraints.

Connected firms also have easier access to external credit. Lashitew, (2014) found that political connections have a strong positive effect on credit access. Drawing on the resource dependence theory, Deng et al. (2018) argued that politically connected firms had a lower outward foreign direct investment. Furthermore, politically connected firms had strong political and market resources and faced exchange pressure, and these tools enabled them to display a high outward foreign direct investment commitment. However, Snyder and Welch (2017) found no evidence that political connections affected investment decisions.

Butler et al. (2009) argued that corruption and political engagement had significant effects on bond sales and underwriting. Underwriting fees were substantially higher when underwriters used political connections made to win the underwriting business. They suggested that corruption and political connections had a great effect on the financial market outcome. Wu et al. (2012) showed that political connections increased firms' ability to raise capital from public markets. This evidence was weak in the market-restricted regions with highly regulated industries. Francis et al. (2009) found evidence of a significant positive relationship between political connections and offering price. Li et al. (2019) showed that political connection had a positive impact on the stock price synchronicity. This finding revealed that politically connected firms were more likely to avoid disclosing full financial information, which offered less informative stock prices.

The Dark Blue Cluster: Political Connection in Banks

The majority of economic literature focuses on banks. First, banks play a vital role in allocating credit. Second, unlike other firms, banks exert an influence on the economy and its development (Salem et al, 2022). Therefore, banks utilize their political ties to improve their positions in the market and to benefit from governmental and political support in various aspects. This may happen in countries with weak institutions, and banks' political connections might carry huge social costs. Ang (2013) argued that financial development is widely considered an essential requirement to foster growth because it is an important tool to mobilize the economy's resources, allocate capital to increase investment, and reduce risks. However, countries with older and deep-state institutions are more likely to have well-established financial systems. Blau et al. (2013) found that banks with political ties were not only more likely to receive government support, but they also received greater amounts of support and received it earlier than the non-politically connected banks. Hung et al. (2017) found that banks with political connections had a higher return on assets, lower default risks, and lower credit risks. Furthermore, the results revealed that these banks had better access to lending and were more likely to be bailed out during a crisis compared with non-connected banks.

Baum et al. (2010) provided empirical evidence that Ukrainian banks with political had lower interest margins and a high capital ratio. Correspondingly, in Italy, both Sapienza (2004) and Haque and Brown (2017) identified that state-owned banks charged lower interest rates compared with private-sector banks, especially lower than the banks with political ties.

Additionally, Brown and Dinc (2005) found clear evidence that failing banks were less likely to be taken by the government during the election periods. Government intervention occurs after the electoral cycle in each country. Moreover, Dinc (2005) revealed that government-owned banks increased their lending in election years compared with other banks using cross-country and bank-level data. Jackowicz et al. (2013) provided cross-country evidence that state-owned charged small interest rates during the election years. Gropper et al. (2013) demonstrated that the banks politically connected to senators or members of banking committees in the American Congress outperformed non-connected counterparts. In India, Cole (2009) found that state bank credit was 5% 10% higher in election years and state-owned bank loans were less likely to be paid compared with non-connected counterparts.

On the contrary, Micco et al. (2010) argued that the performance of the state-owned banks worsens during the elections because they are affected by political concerns. Using a large cross-country dataset, Dinc (2005) found similar results regarding the impact of politicians' presence on the boards of directors of banks. During elections, he found that banks with political connections increase their lending compared with other banks. Similarly, Carretta et al. (2012) found that the presence of politicians who held executive roles on the board of directors had a strong negative effect on bank performance. Braun and Raddatz (2010) provided evidence of a significant negative effect of banks' political connections and leverage at the micro-level. Furthermore, at the country level, the study found a considerable negative effect on economic development, especially in countries with weak institutions and inefficient banking systems. La Porta and Lopez-de Silanes (2002) identified that the state-owned banks were the neglected element of financial studies of many countries.

Government banks were large and effective, especially in low-income countries with poor property rights protection and interventionist and inefficient governments. Andrianova et al. (2008) found that the institutional quality was a crucial factor that moderated the relationship between state-owned banks and financial and economic development. They found that countries with poor institutional quality depend on state banks to boost economic and financial development. These state-owned banks were less efficient and made poor lending decisions, resulting in low profitability and financial fragility (Andrianova et al., 2012).

Gropper et al. (2015) found evidence that the relationship between political connection and bank performance related to the degree of economic freedom. Economic freedom undermines the effect of political connections on bank performance. In the areas where economic freedom is high, the effect of political connection is insignificant. In a similar vein, Khafagy (2017) demonstrated that democracy, political rights, and civil liberties foster financial cooperative development. Furthermore, Baum et al. (2008) found that banks with political connections were less profitable than foreign and private banks. La Porta and Lopez- de Silanes (2002) indicated a negative association between state-owned banks and growth. In particular, they found that banks with political ties are associated with lower subsequent productivity. This relationship is more pervasive in less developed countries. Bonin et al. (2005) found evidence that state-owned banks were the least efficient service providers in the banking system for all countries.

The Yellow Cluster: Debt and Political Connection

The seminal work of Rajan and Zingales (1995) identified the importance of the institutional effect on capital structure decisions. The board of directors has a significant effect on the capital structure decisions of firms (Johnson and Mitton, 2003). The background and political connection of the board of directors provide connected firms with opportunities to obtain benefits that allow them to sustain more debt. Following this, various studies provide supplementary supportive evidence for this viewpoint; for example, (Bliss and Gul, 2012a; Diwan and Schiffbauer, 2018; Faccio et al., 2006; Faccio, 2016; Fraser et al., 2006; Houston et al. 2014). Boubakri et al. (2008) found that firms with political ties were highly leveraged. Similarly, Bliss and Gul (2012b) provided direct evidence that firms with political connections had negative equity and higher leverage.

Faccio et al. (2006) investigated the probability of government bailouts of firms with political ties in 35 countries. They found that despite being less profitable than firms with no political ties, during a crisis, politically-connected firms were more likely to receive support from the government and the International Monetary Fund or the World Bank. In addition, Fraser et al. (2006) found a positive association between the leverage and each of the three measures of political connections, and this positive association is greater when the firm is large and profitable. Faccio (2010) found that leverage is higher in firms with political connections compared with firms with no such connections. Moreover, such firms have lower taxation and greater market power. Furthermore, the evidence of such causality is more prominent in crucial times.

Correspondingly, Ebrahim et al. (2014) found that firms with political connections adjust and reduce their debt faster than firms with no political connections. Diwan and Schiffbauer (2018) found that firms with political ties received greater loans than firms with no such ties. Boubakri et al. (2012) found that firms with political connections had a lower cost of capital compared with counterparts with no political connections. Additionally, Tee

(2019) provided evidence that firms with political connections in China had a lower cost of debt compared with firms with no political connections. Furthermore, he found that firms with political ties with high ethnic diversity and more female boards of directors have a low cost of debt.

Borisova et al. (2015) found that government equity ownership in publicly traded firms had a significant positive effect on the cost of corporate debt. However, during a crisis, the relationship becomes significantly negative. Their findings suggest that the effect of political connection on firms' debt depends on economic conditions and characteristics of the firm. L´opez Iturriaga (2005) found that capital structure decisions were affected by both characteristics of the firm and institutional factors. Boubakri et al. (2009) found that state ownership had a negative impact on leverage, especially in countries with sound institutional and political environments. Khaki and Akin (2020) found a negative effect of state ownership on capital structure.

The Purple Cluster: Management and Political Connection

The extant literature on the relationship between political connections and management is scarce. Hillman (2005) revealed that firms in highly regulated industries have more politicians on their boards. These findings reflect the resource dependence theory logic that corporate management boards reflect the environment facing the firm. Highly regulated firms heavily depend on the government, which creates a need for more political ties with the government. Private firms are looking for safeguards through political connections that allow the owners to retain all the benefits that can be obtained through these connections. Chen et al. (2011) found that private firms were more likely to create political connections in regions where the market is less developed with insufficient legal protection and where the government wields more power in allocating economic resources. Additionally, these connections facilitate rent-seeking behaviour and ensure that the strategic decisions are in line with government policies. Choi and Thum (2009) argued that political connections between firms' mangers and the government are a gift exchange. Firms with political ties enjoy privileges and access to finance and markets and are exempted from extortions. In return, the connected firms, especially, the small firms' credible commitment to support the government and exert efforts in stabilisation.

Some managers seek political connections through executive membership in an industry association. Liu et al. (2016) identified that these memberships help firms in obtaining more trade credit by establishing reputation and trust. Du and Girma (2010) found that political connection enhances firms' growth and survival prospects. Nevertheless, firms without political connections seem to exhibit faster productivity growth. Chen et al. (2010) found that financial intermediaries play an important role in reducing the risk of information asymmetry caused by political connections. It is challenging for financial analysts to predict the earnings of firms with political connections compared with their non-politically connected peers. MNE subsidiaries have often adopted political strategies to achieve both internal and external legitimacy to exert pressure on the parent company and the host country.

The Light Blue Cluster: Political Connection and Governance

One of the central questions in governance studies is whether board composition affects firm's outcome. Several prior empirical studies investigated the effect of politically-connected boards of directors on firms; however, the findings were mixed. For instance, Agrawal and Knoeber (2001) found that firms with political ties enjoyed privileges, especially in large firms. Carretta et al. (2012) found that politicians who held executive roles on the board of directors exerted a negative impact on bank performance. Interestingly, the effect was significant only for politicians who held executive positions. Guedhami et al. (2014) found that firms with political connections depended on the Big 4 auditors. Using the Big 4 auditors gives a clear picture that the insiders are keen to improve the transparency and governance in the firm and away from using their connection to achieve any personal benefits.

In countries with a weak Institutional environment, Big four audits are more valuable and exhibit high levels of transparency, whereas Berger et al. (2009) found that big four-audited state-owned banks were the least efficient banks, and they have the highest non-performing loans in China from 1994 to 2003.

Bliss and Gul (2012b) revealed that banks with political connections were more likely to report losses and be audited by big four audit firms. Additionally, they found a positive association between CEO duality in firms with political connections and firm's risk. Moreover, the study found that the higher the proportion of independent directors, the lower the interest rates charged by the lenders, which mitigated the perceived risk. Drawing on agency theory, Pham (2019) argued that political connections moderated the relationship between the cost of equity and political risk. They found that political connections helped firms decrease asymmetric information. This privilege allowed firms with political connections to hedge against uncertainty and government policies. Hence, firms with political connections have a lower cost of income. Cull et al. (2015) found that the presence of politicians on the board had a negative impact on firms' earnings. They argued that politicians were interested in providing as little information to the market as possible to keep political ties away from public scrutiny and to avoid leakage of information to competitors.

Chizema et al. (2015) used the social comparison theory to examine the impact of political connections on executive compensation. They found a negative association between political connections and executive compensation. In addition, they found that the higher the number of board members with political ties, the lower the gap between executive and average employee compensations. Lin et al. (2015) found that political connections lead to misallocation of resources and have a detrimental effect on social welfare.

The relationship between political connections and firm size is not conclusive. Niessen and Ruenzi (2010) revealed that firms with political connections in Germany were larger and had better accounting performance. Conversely, Boubakri et al. (2008) found that firms with political connections exhibit poor accounting performance compared with banks without political ties. Boubakri et al. (2012) found that large firms benefited more from political connections. Faccio and Parsley (2009) suggested that large firms were less likely to be harmed if political connections were unexpectedly dismissed.

Furthermore, political connections exert influence on CEO compensation. You and Du (2012) found that the sensitivity of forced turnover to a firm's performance was lower for connected CEOs compared with their non-connected counterparts. The results suggested that connected CEOs used political connections for their benefit. However, Yu (2010) found that political connections reduced the proportion of equity-based compensation to CEOs.

Conclusion and Future Research Perspective

This study employs a bibliometric analysis amalgamated with a meta-analysis of a set of 138 articles over the period from 2000 to 2020 to investigate the major aspects of academic research on political connections. The study uses VOS viewer software to analyse literature on a political connection using bibliometric citations and the density of citation analysis across countries and over years. The findings suggest that there are six main clusters in the literature on political connection. Communities are organized according to a hierarchical clustering algorithm that communities based on similarity. The red cluster connects the value of political connections. Political connections and finance associations are denoted in green. The dark blue cluster links the articles related to political connections in banks, and the yellow cluster reflects the articles that investigate the relationship between debt and political connections. The purple cluster explores the association between management and political connections. Finally, the light blue cluster contains articles that discuss political connections and governance.

The study concludes that political connections are a double-edged sword. The value of a political connection depends on various factors.

Our review of the literature concludes that although there is widespread literature about political connections, there are research gaps that need to be filled in this literature. In terms of countries, although the extant literature widely investigated the effect of political connections in the United States and China and other developed and emerging countries, there is a gap in the literature to cover the topic of political connections in other countries and regions with different institutions. Understanding the importance and effect of exogenous shocks is an interesting topic for future research. A number of questions for future research are raised by our paper. Further research could explore these questions before and during the COVID-19 pandemic as well as at times of economic and political crisis. These questions are summarised as follows:

Value of Political Connection:

Q1: What are the economic consequences and non-economic consequences of political connection?

Q2: How does political connection affect firm value and firm environmental performance?

Q3: How does political connection affect firm cost of debt and cost of equity capital?

Q4: How does political connection affect firm investment efficiency?

Q5: How does political connection affect the influence of levels of voluntary disclosure in annual report narratives on earnings management as evidenced by Salem (2020)?

The Green Cluster: Political Connection, and Finance:

Q6: What role does political connection play in access to finance?

Q7: What is the impact of political connection on cash holding decision?

Q8: What is the impact of political connection on share price anticipation of future earnings?

Q9: How does political connection affect investors perception of corporate risk?

Q10: Did the COVID pandemic affect the political connection-access to finance relationship?

The Dark Blue Cluster: Political Connection in Banks

Q11: What role does political connection play in the banking sector?

Q12: What is the impact of political connection on earnings management in the banking sector?

Q13: What is the impact of political connection on the profitability of the banking sector?

Q14: How does political connection affect the quality of services provides by the banking sector?

Q15: Does the political connection have the same impact on Islamic and Non-Islamic banks?

The Yellow Cluster: Debt and Political Connection

Q16: What role does political connection play in access to long-term and short-term debt?

Q17: Does political connection affect cost of debt financing?

Q18: What is the impact of political connection on cost of debt financing before and during the COVID pandemic?

Q19: How does political connection affect corporate and suppliers' trade credit decisions?

Q20: How does the political connection moderate the relationship between tax avoidance and cost of debt financing?

The Purple Cluster: Management and Political Connection

Q21: What is the impact of politically connected CEOs on corporate financing and investing decisions?

Q22: What is the impact of politically connected independent directors on corporate financing and investing decisions?

Q23: What is the impact of politically connected audit committee chair on the quantity and quality of corporate narrative disclosure?

Q24: How does politically connected audit committee directors affect corporate disclosure practice?

Q25: Does politically connected directors of directors affect corporate fraud?

The Light Blue Cluster: Political Connection and Governance

Q26: The bright side of political connection: Does it improve the quality of corporate governance?

Q27: The dark side of political connection: Does it reduce the quality of corporate governance?

Q28: What is the impact of politically connection on the quality and quantity of corporate governance disclosure?

Q29: How does political connection affect the quality of corporate governance at times of crisis?

Q30: Does political connections lead to preferential corporate bailouts at times of crisis?

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Figure 1: The Visualisation of Cited Country Density Through a Heat Map

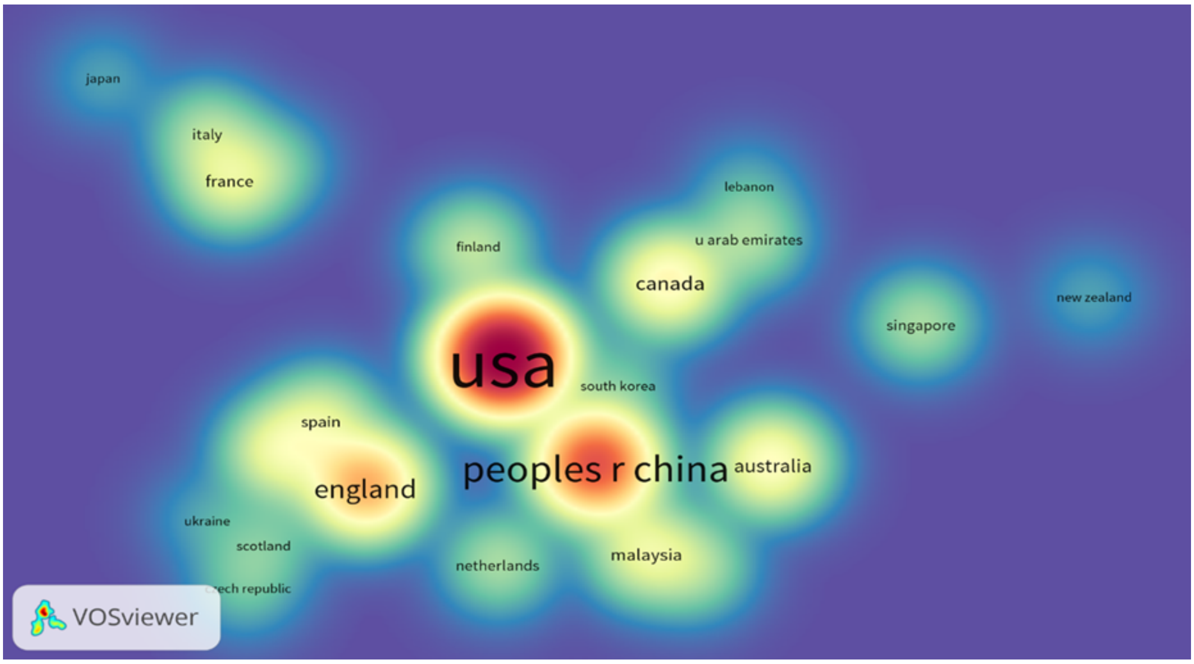

Figure 2: The Visualisation of the Author and Citation Analysis.