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The Impact of Political Communication on Financing Policies

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ABSTRACT

Considering the highly competitive environment in companies, if a company cannot supply the required financing, it may encounter some problems in its activities. Companies are generally faced with two concerns on their financing conditions. The first concern is whether they have the required financial resources at a low cost in case of need while the second concern is whether they can repay their debts or not. Political connections are one of the factors which may affect the financing conditions of companies but have been less considered in research literature. For this purpose, the present study aimed at investigating the effect of political connections on financing policies. In this regard, a sample including 150 companies listed on the Tehran Stock Exchange was studied during 1390-1396. The findings obtained from testing the research hypotheses indicated that political connections has a significant positive effect on short-term debt ratio, long-term debt ratio, total debt ratio, and the cost of debt. In addition, the findings revealed that political connections has a significant negative effect on the credit rating of companies.

Keywords: *"Political Connections", "Financing Policies", "Debt Ratio", "Debt Cost", "Credit Rating"*

INTRODUCTION

Financing is an essential component of any company's operations. Without access to financing, the growth potential of companies is compromised because, at present, the environment in which companies operate is a growing and competitive environment, and if a company does not provide the necessary resources from the financial market when needed. Being forced to ignore appropriate investment opportunities is one of the most important aspects of managers' decision-making, so adopting sound financing policies. Debt financing is one of the best solutions for companies. Corporations for debt financing are generally concerned about their credit status in two respects: First, whether they are able to finance bank loans, commercial credit or other necessary sources of credit (ability to access debt) at low cost (cost) when needed. Debt) and, second, have the ability to pay off their debt (credit rating) in order not to face a financial crisis, lest the firm's credit decisions today jeopardize the company's future financial flexibility.

Understanding the factors that influence financing policies is very important. Political communication is one of the factors that influence corporate finance policies, and this issue has received considerable attention in recent research literature around the world. The term political communication is used to describe the close relationship between government and business units. In societies where there is close communication between government and business units, the link between politics and business arises from what is called the "commerce economy." In these situations, companies use political communication with the government as a competitive advantage, and in the light of government political support, the company operates through a variety of channels, such as facilitating access to lower cost bank loans and providing easier materials, easier regulations and payment. Lower taxes improve. Policing support for corporations in the form of political communications helps companies take advantage of this, gain more funding, and increase access to government-owned bank loans and low-cost commercial credit. If a company has a political affiliation, it is less likely to face financing problems because it can provide the funds needed to invest better and more easily than other companies through out-of-company financing. In other words, when the company faces financing problems, due to the political connections and the willingness of the creditors - who wish to cooperate with the companies with political connections, and the lack of resources easily - the effect of the financing problems for the companies with political connections is reduced. From another angle, James explored the impact of political communication on financing policies. They argue that creditors often display discriminatory behaviors against politically-backed companies, and facilitate their operations and activities by creating a monopoly environment that protects these companies from their rivals. These politically-backed companies can lend money to banks. Also, by applying pressure on suppliers, they take advantage of credit purchases and take advantage of these commercial credits, so companies with political connections may have more debt in the capital structure. Fashio and co-workers also argued that companies with political connections due to high debt in the capital structure have a high risk of default and that their credit ratings are low; Because creditors believe that companies with political connections, despite being risky and having high credit risk, can receive government funding when faced with financial difficulties, hence a higher ability to repay. Have debts, therefore, is expected to affect political communication policy co-financing.

The government, the main supporter of the economy of any country, has always been the guardian of the economic units in every society; hence, political relations with the government are widely practiced in developed and developing economies and have been observed in many European, Asian and Latin American countries. In Iran too, government plays a major role in the economy and there are political relationships with the government in some companies and as a consequence of these relationships, like other countries, it affects the financing policies and corporate capital structure. Some companies have political connections in Iran, but so far the impact of political communications on various aspects of financing policies in the economic environment of Iran has not been investigated; hence the research gap is evident in the country; therefore, considering the importance of securitization policies Finance in Corporate Communications The present study seeks to answer the question of whether political communication affects the financing policies of listed companies in Tehran Stock Exchange. By answering this question, investors can make better decisions about investing in the company. Managers can also take steps to maximize shareholder wealth in order to decide on the optimal capital structure. In the continuation of the research, first, the theoretical foundations behind the research are presented, and then briefly, the research background, which includes an overview of external and internal research on the subject of research. Then the research hypotheses, hypothesis testing model, operational definition of variables, research method and statistical analysis and finally, research results and suggestions are presented.

THEORETICAL FOUNDATIONS

Political Communication

Due to the international evidence of the existence of political communication between government and corporations, a large number of studies have examined the phenomenon of political communication in corporations. The index of political communication has three dimensions: economic, social and individual. The economic dimension of political communication is the percentage of direct state ownership of corporate stock, with more than fifty percent of the corporation owned by the state. The social dimension of political communication is the investment of state-owned entities into the corporate ownership structure that expresses the institutional support of the state. In other words, the social dimension is the percentage of equity holdings of state-owned and public corporations of total capital stock, which include insurance companies, financial institutions, banks, government corporations and other components of government. The individual dimension of political communication also includes corporations in which the ownership structure of one of the major shareholders of the company (shareholder holding more than 10% of the company shares) is from former or current government figures, but in recent research literature, communications Corporate and government policy has mostly been examined in terms of the presence of predominantly state-owned investors in the corporate ownership structure (the individual dimension of political communication). In general, investors in the stock market are divided into two types of real shareholders and legal shareholders. Real shareholders are a wide range of shareholders of a company, some of which may be government-affiliated personalities and politicians. One way forward for the government to control economic entities is to acquire corporate shares through the ownership of a major political shareholder (ownership of more than 10%) in the corporate ownership structure. The government penetrates companies through these communications. Also, the presence of government-affiliated investors can influence the company's financial policies. To this end, these companies are called political communications companies. Companies are also keen to build relationships with the government and disclose these relationships in their financial reports to use them as a competitive advantage because with political support through relationships, many benefits such as easier access to external financing, reduced debt costs, reduced Taxes, tariffs, and improved opportunities for growth and reduction in the likelihood of bankruptcy for the company are followed; therefore, in relationship-based economic systems, political communication is an important and valuable resource for companies.

Financing Policies

The use of financial resources should be coupled with proper planning and management. According to the matching principle in financing, managers use short-term resources to respond to short-term financial needs and long-term financial resources to meet long-term financial needs. If companies follow the principle in the long run, they will have lower returns and lower financing costs. If companies meet their long-term financial needs with short-term loans, short-term loans will need to be re-borrowed when they mature, which will result in additional transaction costs. They will also face the risk of higher interest rates for new loans, so managers must decide on the short-term and long-term needs of the company when deciding on the optimal financing structure. Also, the balance between the rate of return and risk is one of the essential components of financing that managers should try to minimize (cost of debt) when financing. The credit rating of the company is also an important consideration when making a financing decision and is one of the relative criteria for assessing a company's credit risk. Gary et al., Credit ratings represent the firm's profitability, which increases the likelihood of the ability to repay interest and debt. The credit rating of the company is one of the most important factors that influence the amount and costs of financing when new financing.

Political Communication and Debt Ratios

Most companies use debt in their capital structure. Making the right decisions about how to use debt in the capital structure will ensure the success and growth of the company, so making the right decisions related to the debt structure is vital for the continued business of the company. However, choosing the debt structure is not easy and making the wrong decisions can lead the company to crisis and bankruptcy. The timing of corporate debt has recently attracted the attention of financial experts and analysts; hence, corporate growth requires continued funding; Political communication is one of the factors affecting managers' access to short- and long-term debt. Research literature suggests that political communication, despite potential benefits and disadvantages, can help companies gain easier access to financial credit. In fact, companies with political connections are supported by their relationships with government politicians, and in the face of the coming financial crises, they use these communications as well as long-term or short-term financial appropriations as appropriate. Chang and Chi believe that companies that have political connections significantly reduce funding constraints; as a result, such companies have more debt in their capital structure.

According to the theory of signaling, companies seek to improve their ability to compete for low-cost funding through political communication with the government and disclosure of these relationships. Similar to Civiles and colleagues, it is argued that in an economic environment where there is a tendency for rent seeking, companies consider political communication essential to their business and compete for it. Investors, creditors, and providers in the capital market of such an economic environment tend to compete systematically to trade or acquire shares and bonds of companies with political connections. In other words, political communication has the message to investors and creditors that when it comes to political relationships, there will be economic rents for companies with political relationships; therefore, companies with political connections will be more attractive to providers and creditors. Their research showed that companies with political connections are more able to access short and long-term debt. In fact, such companies use political communication as a competitive advantage and are better positioned to finance it through bank credit than other companies, so companies with political connections have more debt in their capital structure.

Political Relations and Debt Costs

Debt costs are the interest paid to the creditors that the company pays to the creditors in exchange for the risk of receiving the facility. The greater the risk of obtaining credit, the greater the cost of debt. There are two views on the impact of political communications on the cost of debt. According to the first view, political communication is associated with rising debt costs. According to this view, political communication leads to increased opportunistic behaviors of managers and decreases in firm performance, and this leads to increased creditors' risk to the company; therefore, creditors seek higher interest rates for corporate lending; hence the cost. Debt increases. On the other hand, according to the second view, the dominant view, political communication is associated with a reduction in the cost of debt. According to this view, managers use political communication efficiently and the performance of the company improves, thus reducing the creditors' risk to the company, thus reducing the cost of debt. In this regard, Bubakri et al. believe that politically connected companies benefit from soft budget benefits and that government political support leads to value creation for the company. In fact, soft funding refers to getting political support and reaping the benefits of it. Corporations with political connections use this soft budget as a source of value, and because of their special circumstances (political affiliation with the government), they have easier access to lower cost financing resources than other companies and can access credit when faced with a financial crisis. And lending to low-cost government-owned banks. In fact, such companies are less risk-averse and benefit from government financial support alongside lower cost financing, either through the money market or through the capital market. Establishing political relationships with the government, uncertainty about credit facilities, the risk and expected return on creditors, and thus, the cost of financing the company.

Political Communication and Corporate Credit Rating

Customer credit ratings and predicting the likelihood of default are one of the most essential and essential principles of risk management in banks and financial institutions. This allows banks to efficiently decide on the optimal allocation of credit and concessional facilities in the shortest possible time. The greater the ability of the company to pay the principal and interest of the borrower and the creditor, the higher the credit rating of the company. Credit ratings determine the likelihood that the borrower will be able to fulfill all of his obligations at the time of repayment. The high credit rating indicates a high probability of loan repayment without any problems. The low credit rating also indicates that the borrower has had difficulties in repaying its debt in the past and is likely to default. Since the borrower's credit rating has a major impact on the lender's demanded interest rate, the borrower makes every effort to obtain the highest credit rating because the credit rating determines whether or not the borrower is eligible for the loan. Credit ratings affect the ability of individuals and institutions to borrow as well as interest rates and repayment terms. From a publisher's point of view, credit ratings are of paramount importance because credit ratings influence the cost of debt, the financial structure, and even the ability of the firm to continue operating. So far, the impact of political communication on credit ratings has not received much attention in the research literature. Therefore, to investigate the impact of political communication on credit ratings, past research resources can be expanded. Corporations with political backing are more likely to receive government assistance in adverse circumstances and are less likely to have trouble repaying debt. In their research in China, Cole et al. Found that companies with political connections during the financial crisis had lower financial constraints than other companies because of government support and were more able to repay their liabilities. Houston and co-workers also believe that politically-savvy company's benefit from subsidies and grants in critical situations, and with the help of political relationships, the risk of defaulting on politically-charged companies is lower and their credit ratings higher. Conversely, the results of some research show that companies with political connections due to special conditions (political relations with the government) have easier access to funding sources, so in the capital structure of such companies, there is more debt and more debt in the structure. Capital limits the ability to repay their debts. Therefore, companies with political connections are expected to have a lower credit rating than other companies.

Research Background

In a study, Lane and colleagues examined the impact of political communications on corporate cash holding. To test the hypotheses, a sample of 1354 companies listed on the China Stock Exchange during the period 2008 to 2016 was used. The results of the testing of research hypotheses show that political communication has a positive and significant effect on cash holding.

Silva et al., in a study, examined the impact of political communication on the cost of capital and corporate performance. The study used data from 82 companies listed on the Brazilian Stock Exchange from 1999 to 2016. The results of the research hypotheses show that political communication has a significant negative effect on capital cost, and political communication has a positive effect on corporate performance.

Mulwell et al. In a study examined the impact of political communication on firm performance and value. The study used data from 78 companies admitted to the Tunisian Stock Exchange during 2010-2014. The results of the research hypotheses show that political communication has a positive and significant effect on corporate performance and value.

In a study, Nila and Firouz examined the impact of political communications on debt access. The study used data from 40 companies listed in the Tunisian Stock Exchange during 2009-2014. The results of the research hypotheses show that political relations have a significant positive effect on the level of short-term and long-term debt and the total debt of the company.

In a study, Ling et al., Examined the impact of political communication on the relationship between over-investment and corporate performance. The study used information from Chinese companies over the period 2003-2008. The results show that over-investing has a significant negative effect on corporate performance and also, political relationships have a positive effect on the relationship between over-investment and corporate performance.

In a study, Chang and Chi examined the impact of political communication on the constraints of corporate finance and investment. This study used information from companies listed on the Taiwan Stock Exchange during 1991-2010. The results of testing the research hypotheses showed that political communication has a positive effect on corporate investment and a negative effect on financing constraint.

In research, Brahma and colleagues examined real-estate and accrual-based earnings management and political communication. The study used corporate data from 47 countries from 1997 to 2001. The results showed that the political relationships of companies with positive earnings management and earnings management based on accruals have a significant positive relationship.

In research, Lesvides examined the costs and benefits of political communications. The study used data from 92 companies listed in the Tunisian Stock Exchange during 2006-2010. The results of the testing of research hypotheses show that political communication has a significant positive effect on financial leverage and cost of corporate debt.

In a study, Bubekri and colleagues examined the impact of political affiliation on equity spending. The study used 6632 (year - company) data from 25 countries from 1997 to 2001. The results of the research hypotheses show that political communication has a significant negative effect on the cost of equity.

In a study, Ebrahimi et al. investigated the impact of political communications on agency costs and financial crisis of listed companies in Tehran Stock Exchange. To test the hypotheses, a sample of 103 companies was used during the period 2009-2010. The results show that political communication has a significant positive effect on agency costs and a significant negative impact on corporate financial crisis.

In a research, Mohseni examined the relationship between political communication and the cost of equity in companies listed on the Tehran Stock Exchange. The statistical sample of the research consisted of 114 companies listed in Tehran Stock Exchange during the years 1-8. Regression analysis was used to test the hypotheses. The findings show that there is a negative significant relationship between political communication and corporate equity cost.

Roodpashti and Mohseni's guide examined the relationship between political communication, cash dividends, and stock returns in companies listed on the Tehran Stock Exchange during 2009 to 2015. The findings show that there is a positive and significant relationship between political communication and cash dividend and there is a positive and significant relationship between political communication and stock returns.

In a study, Khalifa Soltani and colleagues examined the impact of political communications on the risk of stock prices falling under information asymmetry. To test the hypotheses, a sample of 120 companies was used during the period 2011-2011. Two indices of negative skewness coefficient of monthly stock return and upward volatility of monthly stock return were used to measure the risk of falling stock prices. The results showed that political communication had a positive effect on the risk of falling stock prices, and also the positive effect of political communication on the risk of falling stock prices in companies with high information asymmetry.

In a research, Rahnord et al. investigated the relationship between political communication and the performance of listed companies in Tehran Stock Exchange. To test the hypotheses, a sample of 103 companies was used during the period 2010-2010. The results of testing the research hypotheses indicate that there is a significant negative relationship between political communication and the ratio of return on assets.

Research Hypotheses

Hypothesis One

Political communication has a significant effect on short-term corporate debt ratios.

Hypothesis Two

Political communication has a significant effect on long-term corporate debt ratios.

Hypothesis Three

Political communication has a significant effect on the ratio of total corporate debt.

Hypothesis 4

Political communication has a significant impact on corporate debt costs.

Hypothesis 5

Political communication has a significant effect on the credit rating of companies.

Research Method

In view of the stated purpose, this study is descriptive in terms of purpose, application and method. This research seeks to find the relationship between research variables in a society; therefore, it is in the context of correlational research. Also, the present study is a retrospective one, which is based on the analysis of past information (corporate financial statements). In this study, library method was used to collect information related to theoretical foundations. Then, the research data were selected by referring to the financial statements and explanatory notes of the companies and were collected using the Tehran Stock Exchange information databases, the New Approach software and the official corporate web site.

Research Variables

The Dependent Variables

Short Term Debt Ratio (STD)

This variable is calculated from the ratio of total short-term debt to total corporate assets in the year in question.

Long-Term Debt Ratio (LTD)

This variable is calculated from the ratio of the company's long-term debt (excluding employee end-of-service benefits) to the company's total assets per year.

Total Debt Ratio (TD)

This variable is calculated from the ratio of the company's total short-term and long-term liabilities (excluding employee retirement benefits) to the total assets of the company in the year.

Cost of Debt (COD)

This is the ratio of the cost of interest on the average long-term and short-term debt. This variable has been used in the studies of Lee, Richai, and Ehsan et al.

Credit Rating (CR)

The Altman Z criterion is used in this study to measure a company's credit rating. Altman and Hotchiks believed that the model could also be used to analyze credit risk for non-manufacturing firms and firms in the capital market.

Research Findings

Descriptive Statistics

Information on the descriptive statistics of the quantitative variables of the research is reflected in Figure 3. The main central index is the average. According to Figure 3, the average debt-to-equity ratio of the firms surveyed during the years under review was 0.47; that is, on average, debt accounts for 47% of the firm's capital structure. The standard deviation also shows, on average, how much of the data is below the average value, which is the lower, indicating the normal distribution of the data. As can be seen, the cost of debt and firm size have the lowest (0.05) and the highest (0.78) standard deviation, respectively.

Comparison of the Mean of Research Variables

Comparison t-test was used to compare the mean of research variables in companies with and without political affiliation. The results of this test are presented in Figure 6. According to Figure 6, the average ratio of short-term debt in corporations with a political affiliation is 0.16, and the average of this variable in corporations without a political affiliation is 0.12. Given that the significance level of the t-statistic is less than 5%, it can be assumed that the mean of this variable varies between politically and non-politically-charged firms and that firms with more political short-term debt have more debt in their capital structure. Also, given that the significance level of t-statistic for research variables, except for return on assets and sales growth, is less than 5%, it can be assumed that the mean of these variables is different in companies with political affiliation and those without political affiliation and the average of long-term debt ratio variables. The ratio of total liabilities, cost of debt, and size of corporations with political affiliations is higher than those without political affiliations, but the average credit rating variable is higher for corporations without political affiliations. Also, the level of significance for asset returns and sales growth is above 5%; therefore, the mean of these variables is not significantly different in companies with and without political connections.

Testing Research Hypotheses

Prior to testing the research hypotheses, the fuzzy bound test was used to select the appropriate method for estimating the research models at different times and periods. According to Fig. 7, the estimation models for one to five studies are used, since the error rate of the chow test error is less than 5%. Therefore, the Hausman test is used to determine the fixed or random effects method. The error level of the Hausman test in models 1 to 4 is less than 5%, so the selected model type is fixed effects. Also, the error level of the Hausman test in the model of five studies is more than 5%, so the type of model chosen is random effects.

According to the results of the research hypothesis test in Figure 7, the significance level was calculated for each of the variables and for the whole model at 5% confidence level. The coefficient of determination measures the ratio or percentage of total changes in the dependent variable as explained by the regression model. According to the adjusted coefficient of determination of the fitted model of the research hypotheses, it can be claimed that about 27, 31, 36, 45 and 41% of the variations of the dependent variables of models one to five are explained by the independent and control variables of each model, respectively. Serial autocorrelation is a standard assumption of the regression model. Camera-Watson statistics are used to determine whether or not there is autocorrelation in the regression model. The camera-Watson statistic calculated for models one through five is 1.86, 1.74, 1.81, 2.1, 1.01, and 1.73, respectively, and all values are between 1.5 and 2.5, thus assuming a correlation Errors are rejected and can be assumed to be independent in the research models; therefore, regression models can be used. Also, the significance level of F-statistic for all research models is less than 5%. Therefore, in each of the research models, at least one of the independent or control variables has linear relationship with the dependent variable and the findings of the research models for the independent and control variables relationships. Reliable with dependent variable.

According to Figure 7, the t-statistic and the level of significance for the political communication variable are 2.73 and 0.00, respectively. Since the significance level is below the 5% error level, it can be assumed that political communication has a significant effect on the short-term debt ratio and the hypothesis is accepted. Given the positive coefficient of the variable, it can be concluded that political communication has a significant positive effect on short-term debt ratios. In model two, the t-statistic and the significance level for the political communication variable are 2.84 and 0.00. Since the significance level is below the 5% error level, it can be assumed that political communication has a significant effect on long-term debt ratios and the two hypotheses are accepted. Given the positive coefficient of the variable, it can be concluded that political communication has a significant positive effect on long-term debt ratios. Also in model three, t-statistic and significance level for political communication variable are 3.02 and 0.00. Since the level of significance is below the 5% error level, it can be assumed that political communication has a significant effect on the debt-to-debt ratio and hypothesis three is accepted. Given the positive coefficient of the variable, it can be concluded that political communication has a significant positive effect on total debt. In model four, the t-statistic and the significance level for the political communication variable are 2.90 and 0.00. Given that the level of significance is below the 5% error level, it can be assumed that political communication has a significant effect on the cost of debt, and hypothesis four is accepted. Given the positive coefficient of the variable, it can be concluded that political communication has a significant positive effect on debt spending. Also in model five, the t-statistic and the significance level for the political communication variable are -2.97 and 0.007. Given that the significance level is below the 5% error level, it can be assumed that political communication has a significant effect on corporate credit ratings and hypothesis five is accepted. Given the negative coefficient of the variable, it can be concluded that political communication has a significant negative effect on the credit rating of companies.

Discussion and Conclusion

Companies are keen to communicate with the government because they have benefits such as easy access to external resources when financing at the lowest cost, so the present study aimed to investigate the impact of political communication on financing policies. The results of testing one to three hypotheses show that political communication has a positive and significant effect on short-term debt, long-term debt ratio and total debt ratio, and companies with political connections have more debt in their capital structure than non-political companies. This means that companies with political connections are taking advantage of these relationships, given the company's established relationship with the government, and are in a better financial position under the government's support of other companies, hence the capital structure of companies with political connections. , The debt ratio is higher. The results of these research hypotheses are in line with the findings of Nila, Firouz and Lesoides. Also, one of the issues facing companies when deciding on financing is the cost of debt. Debt cost represents the expected return on lenders. The results of the hypothesis test of four studies showed that political communication has a significant positive effect on corporate debt cost and it is higher on corporate debt than on non-political companies. The results of this research hypothesis are in line with the results of Lesoids. Some researchers, such as Silva et al., Argue that companies with political connections are able to finance themselves at a lower cost than other companies, but that companies with political connections in the Tehran Stock Exchange appear to be having difficulty in this purpose because of some research findings. , Companies with political connections are plagued by antagonistic issues because of the high debt structure and financial reporting issues. Therefore, creditors demand higher interest rates due to the risk of the company. Also, the credit rating of the company is one of the important issues at the time of financing that the creditors pay attention to. The higher the credit rating of a company, the lower the credit risk. The results of the hypothesis test of five studies showed that political communication has a significant negative effect on the credit rating of companies and the companies with political affiliations have lower credit rating than the companies without political affiliations. In general, given the lower credit ratings of companies with political connections, their credit risk is higher. Therefore, creditors require higher interest rates to finance a company; therefore, the cost of debt is higher in companies with political connections than in other companies; And long-term, they are more successful than other companies.

The results also show that firm size has a significant positive effect on debt ratios and credit ratings of companies, and a significant negative impact on debt costs. According to the static equilibrium model, larger companies have more borrowing capacity and earn more profits. Larger companies have more stable cash flows, and cash stability reduces credit risk, reduces debt costs, and increases corporate credit ratings. These results are in line with the findings of Octo and Onio and Shibro et al. Return on assets and sales growth also had a significant negative effect on debt-to-debt ratio and a positive effect on corporate credit ratings. Increased return on assets and increased sales increase the ability of a company to repay a company's debt, thereby reducing the company's debt. As a result, credit risk and debt costs decrease, and the credit rating of the company increases. These results are in line with the findings of Octo and Onio, Sigitas and Yu.

Based on the results of the present study, suggestions for using the results are as follows:

- According to the results of one to three studies, the capital structure of companies with political connections is higher than that of other companies, and companies with political connections are more successful in debt financing than other companies. Lack of optimal specialization of resources may result.
- According to the results of the four research hypotheses, the cost of debt in companies

with political affiliation is higher than in other companies; therefore, such companies are suggested to take appropriate measures, including making sound capital allocation decisions, to reduce corporate credit risk. Take steps to reduce the cost of debt;

- Based on the results of Hypothesis Five, banks and other creditors are recommended to properly assess, assess, and evaluate credit facilities prior to granting facilities to companies, particularly those with political affiliation, their credit risk and ratings. This is because the results show that the credit ratings of the companies with political affiliations are lower than other companies. Despite this, such companies are more successful in accessing debt.

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