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Political connections and the cost of debt: Re-examining the evidence from Malaysia¹Tee Chwee Ming ^{a*}^a School of Business, Monash University

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Highlights

- Politically connected firms are negatively related to the cost of debt
- The length of political connections is positively related to the cost of debt
- Shareholding held by politically connected shareholders is positively related to the cost of debt

Abstract

This study extends prior work on the relationship between politically connected firms (PCFs) and the cost of debt in Malaysia. Motivated by the results of Bliss and Gul (2012), this study employs a longer and comprehensive dataset re-examine the association between PCFs and the cost of debt in Malaysia. First, PCFs are associated with lower cost of debt. Second, CEO's duality is associated with higher cost of debt. Third, higher audit committee independence leads to lower cost of debt. Although the results are more intuitive and in line with established theories and prior evidence, it differs with Bliss and Gul (2012) findings. Overall, this study

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