

# POLITICAL CONNECTIONS AND FIRM PERFORMANCE

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Master's Dissertation submitted to obtain the degree of:

Master in Business Economics: Corporate Finance

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Nicolas Bert

## Foreword

This master thesis was written for the completion of our degree in the Business economics, with a major in Corporate Finance. The paper makes part of a process in which two brothers worked intensively as a team during the year. It goes without saying that combining a professional work and a master thesis is a tough job.

We would like to set up an expression of gratitude towards Bram De Lange which played a major role in the realisation of this research. His contributions enabled us to see the wood for the trees, as we could always count on its supportive and advisory role when needed. Furthermore we are also grateful to the Ghent University for providing the appropriate equipment and tools at our disposal, such as providing access to the database Datastream which made a major contribution regarding the gathering of our data. Subsequently we also want to thank the Ghent University for offering a high-quality education. Lastly, we want to thank our mother and other family members, for offering the opportunity to further develop our knowledge and skills in the domain of Corporate Finance.

## Nederlandstalige samenvatting

Dit onderzoek bestudeert de impact van politici op bedrijven binnen de 13 kernsteden van het Vlaams Gewest. De analyse van dit onderzoek vertrekt vanuit een gegevensverzameling van 6763 bedrijven over de tijdsperiode van 10 jaar. Binnen deze gegevensverzameling werden er 81 politiek geconnecteerde bedrijven waargenomen. Het empirisch luik bestudeert enerzijds de relatie tussen politieke connectie en performantie. Anderzijds wordt er onderzoek gevoerd of politici, bedrijven kunnen helpen door middel van minder taxatie, meer leningen en meer subsidies. Beide empirische luiken werden gecontroleerd voor een aantal financiële variabelen, een human proxy en sector dummies. Uit deze data sample blijkt dat politieke connecties verspreid zijn over alle type industrieën. Daarnaast wordt geconstateerd dat politieke connecties eerder aanwezig zijn in grote bedrijven. Bovendien toont deze data sample aan dat politici eerder in jonge bedrijven aanwezig zijn. Uit de regressie analyse blijkt dat politieke geconnecteerde bedrijven een slechtere performantie vertonen. Toch bewijst dit onderzoek dat politieke connectie additionele voordelen kan creëren door middel van lagere belasting en meer subsidies toe te kennen. Dit onderzoek is echter onderhevig aan enkele data limitaties.

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## List of abbreviations

BoD: Board of Directors

CEO: Chief executive officer

GDP: Gross Domestic Product

FTE: Fulltime-equivalent

P&L: Profit & Loss

P/E: Price-to-earnings

R&D: Research and Development

ROA: Return on assets

ROE: Return of equity

ROI: Return on invested capital

S&P500: Standard & Poor's 500

SOE: State owned enterprises

TFP: Total-factor productivity

US: United States of America

VIF: Variance inflation factor

## 1. Introduction

A political connection is a phenomenon that has been strongly linked to developing and transition countries. In the literature, multiple kinds of research found evidence of politically connected firms in developing countries, gaining significant advantages through taxes, loans and subsidies (Mitton & Johnson, 2003; Fan et al., 2007; Li et al., 2008). These findings attracted the interest to imply research on more developed countries. As Belgium is one of the developed countries for which little research has been done about the impact of political connections on companies, this research will focus on Belgium.

The literature on hand states that productivity growth is either generated by factor reallocation from less to more productive firms or by the process of creative destruction. The latter is the process whereby unproductive incumbents disappear and new innovative companies enter. Both theories expect that the entrepreneur with the most superior product and the most innovative technologies will become the new market leader. Nevertheless, these theories ignore the concept of political connections. Political connections might help companies to dominate a market, even when these companies lack a superior product or technology (Akcigit et al., 2018).

In the literature, academics sometimes differ in their definition of a politically connected firm. However, most of the papers converge to the same definition, which focuses on at least one member of the board of directors (Goldman et al., 2008; Akcigit et al., 2018; Boubakri et al., 2008). For a company it is of key importance to have powerful people in its board of directors (Hilman & Dalziel, 2003). The resource dependency theory suggests that the board of directors is better to attract people who can strengthen the position of the company. Powerful people in the board of directors can bring resources that reduce the independence of the firm. By this means, a politician might have a positive impact on company performance as they are often better positioned to access additional key resources. The aim of this study is to identify those resources and to map the (dis)advantages of politicians in order to understand the effectiveness of attracting politicians.

Prior literature states that state-owned enterprises (SOE) inefficiencies are primarily caused by the fact that SOE does not only face corporate objectives but also political goals. While corporate objectives put the stress on profit or value maximisation, political objectives often focus on minimising unemployment and maximise wages; preferring regional sites for the location of its production above foreign districts, based on political criteria instead of economic criteria; focus on national security; and attempt to deliver low-price goods and services (Shleifer & Vishny, 1994; Boycko et al., 1993; Boubakri

et al., 2008). On the other side, Fan et al. (2007) suggest that private firms underperform SOE due to a lack of connections with the government. Private companies can succeed in dealing with these market disadvantages by hiring politically connected managers to gain government benefits such as lower taxation. Other studies find evidence of politically connected firms facilitating access in obtaining licenses, permissions and others (Faccio, 2006). Finally, a preferential treatment concerning obtaining loans has also been documented multiple times (Boubakri et al., 2012; Khwaja & Mian, 2005).

Even though many papers find a positive relationship, a minority in the existing literature does not find a positive relationship between political connections and firm performance (Shleifer & Vishny, 1994; Fan et al., 2007). Literature has shown that inefficiency in connected firms is not only caused by corporate objectives but also by political goals. As previously mentioned, corporate goals are intended to favour the company while political goals focus on the society (Shleifer & Vishny, 1994; Boycko et al., 1993; Boubakri et al., 2008). Consequently, a politician who combines his political mandate with a seat on the BoD of a private company is suppressed by conflicting interests. These resulting conflicts may harm a company's performance if a member of the board prioritises public objectives above corporate objectives.

Moreover, their dominant position often allows them to abuse their function by chasing personal objectives. In 2017 a Belgium newspaper De Tijd (Blomme, 2018) published pieces of evidence of two politicians of the Socialist Party, Yvan Mayeur and Pascale Peraïta, who received unjustified fees in the position of board members at the non-profit organisation Samusocial. The politicians would receive remuneration for each meeting while none of these meetings have ever occurred. After all the non-profit organisation suffered from these scandals by losing partners and thus donations. This kind of scandals show how politicians can affect firm performances by following self-interest rather than general interests.

Previous literature suggest that for countries with a well-functioning legal system the benefits incurred by having a politician in the BoD, would not be of material impact (Goldman et al., 2008). This research wants to test whether the latter holds for another economy with a well-functioning legal system. As little research has yet observed the impact of politicians within the BoD for the Benelux countries (Belgium, Netherlands and Luxembourg), this research will put the scope on Belgium and more particularly on the region Flanders. Flanders captures approximately 59% of the Gross Domestic Product (GDP), while the other two regions Brussels and Wallonia represent respectively 18% and 23% of the GDP in Belgium (Federaal Planbureau, 2018). The choice for Flanders has been driven due to access limitations concerning the data gathering.

This paper is organised as follows. First, this paper summarises the findings of prior research that contributes to the general knowledge regarding this topic. The second leg of this paper describes the data sample that has been constructed in order to expand the knowledge concerning the impact of political connections on firm performance. Subsequently, a description of the methodology that has been is described. Thereafter the descriptive statistics of this data sample are given. Next, the empirical results are described and are consequently linked back to the findings of prior research. The final leg consists of the conclusion, limitation and further recommendations.

## 2. Literature Overview

Political connection is a concept that is strongly active overall the world. Although political ties differ among countries. The studies of Faccio (2006), Boubakri et al. (2008) and Goldman et al. (2008) state that connected firms are more present in countries with weak legal functioning than a well-functioning system. The juridical impediments are larger in a weak legal functioned system therefore politicians have a greater impact and are able to give more juridical security in those countries.

Agrawal & Knoeber (2001) provide evidence of US firms attracting directors with a political background in order to deal with the so-called 'red tape'. The concept red tape is defined as: "rules, regulations and procedures that entail a compliance burden without advancing the legitimate purposes they were intended to serve" (Bozeman, 2000). Many studies have proven that politically connected firms can take seriously advantage over the non-politically connected firms (Fisman, 2001; Goldman et al., 2008; Li et al, 2008). As the research of Akcigit et al. (2018) states, the advantages of political connections are manifold. These advantages are amongst other things; easier access to credit (Khawaja & Mian, 2005), preferential treatment by SOE (Backman, 2001), lighter oversight from the government or even tighter oversight for competitors (Kroszner & Stratmann, 1998), lower taxation (Arayavechkit et al., 2017), subsidies (Fang et al., 2018) and government bailouts in case of financially distressed companies (Faccio & Parsley, 2006). Overall, politicians could also add value by simply adding knowledge into the business on how to manage government bureaucracies (Goldman et al., 2008).

In order to attract those benefits, firms often rely on corporate lobbying. Studies (Alexander et al., 2009; Chen et al., 2015; Arayavechkit et al., 2018, Ansolabehere et al., 2003; Goldman et al., 2008) find that companies are able to put pressure on government through political contributions. These contributions does not necessarily imply higher financial results although a positive correlation has been found between lobby expenditures and financial performance (Chen et al., 2015). Besides, the pressure on government also depends on the importance of the company in the economy. According

to Arayavechkit et al. (2018) firms that contribute more to the economy would benefit more from preferential treatment such as lower taxation.

As previously mentioned, many papers reports positive benefits when attracting a politician in the board of directors. However, little papers find a negative impact (Berkman et al., 2010; Fan et al., 2008; Wu et al., 2012). The authors argue that politicians have a lack of management, professionalism and knowhow. Hence the BoD of connected firms face high bureaucracy and weak governance which results in poor stock and accounting performance. Further connected firms tend to hire too many employees as they pursue social objectives rather than profit maximisation goals (Schleifer & Vishny, 1994). Performance is thereby negatively affected.

Prior research did not only focus on performance and its underlying drivers. A substantial body in the existing literature also investigated the characteristics of politicians in private companies; type of company, sort of sector, geographical location, political ideology, etc. This body of the research provides a clear and well-structured overview of the literature on hand. First, the study concentrates on the characteristics of politicians before mapping performance. The literature overview first describes the politicians' characteristics before identifying the impact of political connections on firm performance. Consequently, the triggers of the impact on firm performance are described.

## 2.1 Politicians

Akcigit et al. (2018) discovered general findings regarding political connections within Italy, during the period of 1993 to 2014. First, the study provides evidence that high-ranked political connections are extensive, especially within large firms. Moreover, the likelihood of political connections is much higher among market leaders. Similar research (Niessen & Ruenzi, 2010) shows that politicians tend to seat in companies with a lower Tobin's Q and smaller P/E ratio. In terms of stock valuation a low P/E is a signal of undervaluation while a low Tobin Q might indicate that connected firms have lower growth opportunities than unconnected firms. Hence, these findings demonstrate that politicians are more likely to choose for large, stable and less risky companies. However, according to Niessen & Ruenzi (2010) their choice for large companies may also be a matter of reputational aspects as large firms are generally perceived to have a more prominent image. Another possible explanation is the fact that larger companies have a stronger capability to pay higher wages.

Political connections worldwide are affected by both political and judicial elements. Boubakri et al. (2008) show that the likelihood of political connections increases if the government is highly fractionalized. Moreover, the likelihood also increases if the government has not been in office for a long time. Another outcome of this study suggests a higher likelihood of political connections within

companies if the government in that specific country has lower judicial independence. Additionally, the study of Faccio (2006) which examined political connections in 42 countries, also found that the extent of political connections might be affected by judicial elements. According to this research, the amount of political connections is higher for countries with a lower legal framework, lower protection of property and higher corruption. Further, Faccio states that the benefits from political connections in countries with these characteristics would be higher. Goldman et al. (2008) also argue that companies within countries with a decent functioning legal system would receive less competitive advantage and would less benefit from preferential treatment than companies within a country with the poor functioning legal system. Politicians would face a serious risk for legal and political costs if they are supporting companies based on private purposes rather than for public reasons.

The study of Agrawal & Knoeber (2001) finds that the politicians in board of directors vary over industries. Industries with relative lower sales to government and lower export such as textile and leather have less politically connected firms. On the other side industries as transport equipment, chemicals and non-electrical machinery with relative high export and sales to government, have more politicians on the board. Akcigit et al. (2018) further identify that high-ranked politicians are active in industries that are closely related to the government such as telecommunications, banking, and pharmaceuticals. Additionally, new firms are likely to face higher entry barriers within these industries. To overcome these impediments, new firms tend to attract politicians in their BoD. This finding has also been confirmed by the study of Faccio (2006). The study argues that this is a logic consequence as politicians have the power to facilitate access in obtaining amongst others licenses and permissions, whereas firms with a lack of political connections will not. The above findings are not always confirmed by other studies. Goldman et al. (2008) did not found any significant result that political presence on the BoD varies across industries. This research documented a normal distribution across the Fama-French industry groups.

Based on the literature we create the following facts:

- *Stylized fact 1: High-ranked politicians are mainly active in industries such as telecommunications, banking and pharmaceuticals*
- *Stylized fact 2: Political connections are widespread across industries*
- *Stylized fact 3: The concentration of political connections is higher in large firms than in small firms*

### 2.1.1. Corporate lobbying

Many papers (Alexander et al., 2009; Chen et al., 2015; Arayavechkit et al., 2018; Ansolabehere et al., 2003; Goldman et al., 2008) have researched the link between political connection and corporate lobbying. The term lobbying can be defined as the effort to persuade lawmakers to gain benefits for an industry or organisation. Stigler (1971) indicates that the attempt of lobbying can be ambiguous. Politicians can be used as a no vote to damage regulation as well as a proponent for corporate-specific policies.

Within political dynamics, a potential principal-agent dilemma arises when examining the relationship between interest groups and politicians. Interest groups have a key interest in having a good relationship with local legislators as these politicians may have the power to defend their interests. Legislators namely have the power to decide to which companies specific contracts are assigned. Kroszner & Stratmann (1998) argue that campaign contributions are of the crucial means to gain legislative support. For politicians the main objective is to get re-elected and for this purpose, campaign contributions are of vital importance. However, legislators are not able to establish fee-for-service contracts as this practice would be considered as bribe. To counter this agency problem, legislators can establish specialized standing committees. In these committees they would be able to enhance repeated interactions and establish long-term relationships between the interest groups and the members of the relevant committee.

As previously mentioned politicians are often concentrated in specific industries (Akcigit et al., 2018; Agrawal and Knoeber, 2001). The reasoning behind this trend is that these specific industries have a bigger contribution to the well-being of the economy. Therefore, companies within these industries can put higher pressure on the government which could result in greater benefits. Arayavechkit et al. (2018) for instance, state that tax benefits strongly depends on a company's potential to be a capital intensive company. Hence, they find that capital-intensive companies are mostly large firms and consequently pay fewer taxes. Another driver of tax benefits is the extent of investments made by a company. Studies (Alexander et al., 2009; Chen et al., 2015) report significant evidence of connected firms paying fewer taxes when increasing their capital expenditures whereas non-connected firms do not have these tax benefits when making capital investments.

Companies' pressure on government frequently occurs through financial contributions towards the government. Mostly those contributions are based on future profitability. This implicates that if firms expect to realise material improvements in their overall performance, lobbying efforts will increase. Alternatively, if future results are expected to drop substantially then companies also tend to increase

their lobbying to prevent worse (Chen et al., 2015). Further the authors report a positive significant correlation between lobby expenditures and financial performance. A similar study finds that firms who lobby for taxes can gain approximately two thousand percent excess returns on their expenses (Alexander et al., 2009). These findings have also been supported by the study of Cooper et al. (2010). The study finds that the amount of supported candidates has a statistical significant positive relationship with the future returns of firms that contribute to political candidates.

According to Ansolbehere et al. (2003), those lobby expenditures are not a corporate expense. They point out that there is a misconception of so-called 'company contributions'. They argue that donations should be studied personally, instead of observing donations on a company basis. This belief is based on the fact that firms are prohibited to make donations. The study of Goldman et al. (2008) proves that representatives in the board of directors have larger contributions on future returns than lobby expenditures.

#### 2.1.2. Politicians and their ideology

Little papers have observed the differences between political ideologies of politicians and their influence on firms' performance. Bertrand et al. (2007) make the distinction between left-wing and right-wing politicians in his study. The study finds significant evidence of politically connected CEO's acting in favour of their party when having a left-minded ideology. This results in higher employment growth in cities where the mayor belongs to a party with a left-minded vision. However, no findings have been made at the right-wing with regard to employment growth in cities with a right-wing mayor. The reasoning behind these findings is that left-wing politicians tend to attribute more importance towards social aspects than right-wing politicians (Di Giuli & Kostovetsky, 2014). Therefore they are more likely to increase overall employment.

Another study of Unsal et al. (2016) finds that firms with a Republican politician have a larger size, higher return on assets, more tangible assets and have less debts. These findings match with the study of Hutton et al. (2014) which examines the effects of managers with a Democratic or Republican background. Additionally, this research states that Republican managers take less risk on business decisions and make thus safer investments. Goldman et al. (2008) observed the importance of connected firms towards the allocation of procurement contracts provided by the government. The study finds that companies that have connections with the Republican Party receive significant more contracts after the elections. Besides, an opposite impact has been found for the Democratic Party.



This suggests that the likelihood of attaining procurement contracts is affected by the positioning of the political party in its political spectrum.

## 2.2 Performance

Multiple studies document a positive relationship between political connections and firm performance. This positive relationship has been observed for countries with both a strong and a weak legal system (Fisman, 2001; Faccio, 2006; Faccio & Parsley 2007; Niessen & Ruenzi, 2010; Boubakri et al., 2012; Wu et al., 2012). The study of Niessen & Ruenzi (2010) investigates the impact of political connections within Germany. This study finds evidence for politically connected firms outperforming their counterparts in terms of market- and accounting-based performance. The discrepancy in terms of accounting-based performance measure is highly remarkable, especially in terms of ROI. For 2006, the ROE of unconnected firms amounts to 9.38% while for all the connected firms it amounts to 11.49%. When applying the most narrow definition of political connection, this even amounts to 14.63%. The average ROI for non-connected connected firms in 2006 was 0.78%, while the average ROI for politically connected firms was 9.38% and even 11.17% when using the most severe definition of political connections. An important nuance to mention is that these figures never met the criteria to be statistically significant, even though these outcomes were economically significant. The lack of statistical significance is according to the authors due to the limited number of observations in their data sample. Finally, they find evidence that connected firms have larger revenues, higher market capitalisation and higher total assets.

Similar findings have been perceived in the United States, where Goldman et al. (2008) performed a similar study on one of the most prominent financial markets worldwide, the S&P 500. The study observed the impact of the nomination of a politically connected person on a BoD, from which two major conclusions have been derived. First, a positive relationship is perceived between a firm's value and the nomination of a politically connected individual within the BoD of that firm. Second, if the BoD member gains control of the presidency, the firms' value will be positively affected. Consequently, vice versa if a political party loses control over the presidency.

Boubakri et al. (2012) find that stronger connections increases the leverage and operational results of the company significantly. This indicates that powerful politicians matter when it comes to performance. These findings have been supported by the study of Khwaja & Mian (2005), which investigated the rent provisions in emerging markets. The study shows that companies attain more benefits when their political connection wins the elections than companies that have a political

connection on the losing side. Hence, they argue that political power matter. Finally, the more votes obtained and thus the more powerful a politician, the greater their capacity to gain preferential treatment with regard to renting.

Akcigit et al., (2018) observed the impact of politicians on business dynamics such as firm entry and productivity. The research further sheds light on the growth of firms. They show that the employment and revenue growth increases in connected firms. However, this growth in employment does not entail an increase in productivity measured by labour productivity, TFP, intangibles share, or patent growth. As mentioned by Bennedsen (2000) firms will accept a non-optimal allocation of employees in order to gain subsidies. Moreover, they find that connected firms last longer than unconnected. Further, in their analysis, they explain that firms who become market leaders lower their innovation expenditures and increase political connections.

In France, there has been displayed that political connections within firms may favour the general benefits of the country's economy. In the probe of Bertrand et al. (2007), it is shown that listed companies managed by a political connection exhibit both a higher job and a higher plant creation. This finding would be particularly true when the firm is located in politically contested areas. However, from the company's perspective this study did not find a positive impact on firm performance when having its business managed by a political connected CEO. On the contrary, these companies show poor profits in comparison with their non-politically connected counterparts.

Bertrand et al. (2007) is not the only research that documents a negative relationship between political connection and firm performance (Shleifer & Vishny, 1994; Fan et al., 2007). Fan et al. (2007) show a weaker performance within China for newly partially privatised firms with a former or current government bureaucrat as CEO than for firms with no political connection. Even though this finding is in contradiction with other studies in China (Berkman et al., 2010; Fan et al., 2008; Wu et al., 2008) the authors argue that the board of directors of politically connected SOE mainly consist of directors with strong political relations, weak governance, and almost no business experience. This lack of professionalism results in poor post stock market and accounting performance but especially negatively affects profitability and sales growth. This perceived negative impact of political connection on newly privatised firms is also reflected in the study of Boubakri et al. (2008). This study documents a negative relationship between political connection and firm performance as these politically connected firms exhibit a poor accounting performance in comparison to their non-political connected counterparts. The reasoning behind this negative relationship is that politicians might hinder post-privatisation performance, as there is often no change in the incentive structure of the company and

thus no profit maximisation goals. Moreover, a higher level of employment is observed for politically connected firms. This consequently evokes higher wage bills and could contribute to the underperformance of these connected firms. Important nuance is that this study focuses on 42 different countries and not solely on China.

Shleifer & Vishny (1994) describe this by using the 'grabbing argument'. The study states that politicians employ resources of SOE to fulfil social objectives that does not involve maximisation of firm performance. In this model, they further assess the government spending to firms. In fact, politicians have the tendency to subsidize firms who are led by independent managers. It is a matter of give and take in which politicians will subsidize firms in order to gain votes or social goals such as employing too many people. These findings have been supported by the previously mentioned study of Bennedsen (2000). The latter might suggest that having a politician on board of the company will not always create additional benefits. On the contrary, in some cases, this might even lead to additional disadvantages. For instance, in the scenario when managers with a political function base their employment decisions on further political goals. Therefore the below hypothesis will be explored:

- *H1: Politically connected firms have a better performance than their counterparts.*

### 2.2.1 Loans

Prior literature documents that political connections also evokes benefits in terms of additional financing. Multiple studies find statistical evidence that politically connected firms have a stronger capability to attract additional loans. Khwaja & Mian (2005) provide evidence of politically connected firms in Pakistan gaining preferential treatment of lenders. Connected firms receive larger loans than their counterparts. This study finds that connected firms would borrow twice what unconnected firms would borrow. Besides, these political connected firms exhibit 50% higher default rates. This preferential treatment is not the outcome of government banks selecting high default rate companies. Instead, it is realized by facilitating those firms in their access to external debt finance. After all, these political connected firms obtain exclusively loans from state-owned banks. The above findings have also been observed in Thailand, India and a larger set of emerging countries (Charumilind et al., 2006; Cole, 2004; Dinc, 2005). A similar study by Boubakri et al. (2008) finds an increase in long-term debt three years after being politically connected. Moreover this paper also finds that higher leveraged firms are more likely to have political connections than firms with lower leverage.

Faccio (2006) finds that connected firms gain significant benefits in terms of debt financing, taxation and market power. The leverage of a connected firm is 2.7% higher than for non-connected firms and 0.76% with regard to taxation. Further, the market share of political connected firms are 6.63% higher than for non-connected firms. Remarkable is that the benefits also decrease when GDP of the country decreases. The reputation of the politician, in terms of most votes obtained or the success of the political party during elections, is another important factor gaining loans from government banks (Boubakri et al., 2008). This means that if the votes of the politician increases, the likelihood of attracting additional loans will increase.

- *H2a: Politically connected firms have more loans than their counterparts.*

### 2.2.2 Taxation

Little studies have taking into account whether connected firms pay more or fewer taxes. Wu et al. (2012) investigated the effective tax rates of Chinese listed companies and found evidence that companies with a political connection have lower effective tax rates. This finding suggests that having a politician on the board of directors helps companies to pay fewer taxes. However, these results do not hold when investigating SOE's. A similar study of Adhikari et al. (2006) focuses on whether political connection influences tax deduction in Malaysia. Over a period of 10 year a negative relationship between political connection and the effective tax rate have been found. Hence their findings suggest that political connections are a significant determinant for the effective tax rate.

Arayavechkit et al. (2018) observed the impact of corporate lobbying on taxation. According to these authors, taxation is the most dominant issue of corporate lobbying in the United States. The taxation system in the US has multiple tax benefits: accelerated depreciation, the domestic production activities deduction, the deferral of income earned in foreign countries, and credit for rising research activities. These benefits are unequally distributed and therefore the effective tax rates of US companies are very heterogeneous. The researchers argue that many firms can successfully lobby for the formation of tax benefits that are in line with their profiles. The authors show that firms who increases there lobbying expenditures pay fewer taxes than non-lobbying firms do. As previously mentioned, lobbying occurs more often in bigger firms which are capital intensive. Moreover, higher capital intensive companies with high debt-to-equity benefit lower taxation as taxation is related to capital (Goldman et al., 2008).

Li et al. (2008) finds that politically connected managers of private companies can gain lower taxation than SOE. It assumes that entrepreneurs of private companies are searching for profit maximisation, while SOE's primary goals are political or social related. The negative effect of political connections in

SOE is mainly derived from their conflicts of interest with shareholders as they are more likely to pursue the governments' social and political objectives than maximizing firm value. Politically connected SOE's, on the contrary, have a higher over investment of free cash flow.

- *H2b: Politically connected firms pay fewer taxation than their counterparts.*

### 2.2.3 Subsidies

Innovation is one of the key contributors to economic growth. Governments have the power to stimulate innovation via, amongst other, granting government subsidies. The study of Cohen & Noll (1991) demonstrates that political connections are decisive whether investment grants for R&D would need to be initiated, continued or end. Politicians have the power to cause distortions concerning subsidies. As R&D is seen as the key to economic growth, these distortions could be very harmful to a country's economy. Distortions would cause misallocations of capital across firms and have the potential to affect the global society. According to the Organisation for Economic Cooperation and Development, every industrial country grants subsidies towards companies for stimulating Research & Development (OECD, 2018). However, when companies face capital constraints they would be forced to cut in their R&D budget (Fang et al., 2018). Besides, R&D programs are likely to evoke large beneficial spill overs to competitors. Therefore companies would be less incentivised to increase their R&D spending (Nelson, 1959; Arrow, 1962).

The extent to which political connections could impact the decision of government spending depends on the governmental policy. In most Western countries the decision is in hands of peer reviewers and expert panels. In countries like China it is the individual politician of the government that decides whether subsidies are granted or not. Consequently, China is more vulnerable for corruption as this policy opens more opportunities for politicians to accept bribes in exchange for subsidies. The likeliness increases when looking at lower level, such as the provincial and municipal level (Fang et al., 2018).

In theory, the impact of subsidies to politically connected firms can be seen from two different angles. First, subsidies are mostly allocated to increase R&D expenditures of a firm and thus improve the financials. Second, politically connected firms receive subsidies through so-called 'rent-seeking' which neither is the result of social contributions nor of firms' financial forecast (Zhang et al., 2014). Consequently, those subsidies to politically connected firms do not boost the financial performance according to this study.

Shleifer & Vishny (1994) built a model in which they assess the government spending to firms. In fact, politicians tend to subsidise firms who are led by independent managers. This happens through a mutual concession in which politicians will subsidise firms to gain votes or social goals such as employing too many people. Similar studies Bennedsen (2000) support this model by stating that it may be optimal for firms to accept inefficient employment allocations in exchange for receiving subsidies. Beason et al. (1996) studied the impact of investment subsidies to firms. It finds that subsidies have a negative impact on a firm's growth and it returns to scale. Thereafter, Tang et al. (2007) find a positive correlation between the effects of subsidies to firms' performance. Additionally, Faccio & Masulis (2006) find significant evidence of politically connected firms being bailed out more than unconnected firms. This is a result of connected firms receiving more subsidies than unconnected firms do. However, within the group of bailed-out firms the study finds that connected firms show worse financial results than unconnected. Pan et al. (2009) finds a positive effect of subsidies towards private connected firms. Moreover, these effects are stronger in the short term as politicians tend to switch to other companies in the long term. Besides, the effect does not hold for state-owned enterprises.

- *H2c: Politically connected firms attract more investment grants than their counterparts.*

### 3. Model

#### 3.1. Data

The data sample used throughout this analysis is panel data. The dimension of the data sample is 6873 individuals at 10 regular time period. The data sample has unbalanced characteristics as individuals are not observed in all time periods ( $T_i$  does not equals  $T$  for all  $i$ ). This dataset is rather a short panel data set, where many individuals are observed for a few time periods.

The data sample that has been employed in this research is twofold. The first leg consists of all Flemish politicians that has been electorally listed during the time range of 2010 until 2018, within the thirteen so-called centre cities of the region Flanders. During this period five elections took place: two federal and two regional elections and one municipal election. In order to identify the politicians of these electoral lists, we used the Belgian website 'Vlaanderenkiest'. We retrieved 1484 politicians including 557 double values. The double values consist of politicians who apply as a candidate for several elections.

The second leg of the sample concerns several balance sheet, income statement and human capital data for all the companies active in the 13 so-called centre cities of Flanders: Aalst, Antwerp, Bruges, Genk, Ghent, Hasselt, Kortrijk, Leuven, Mechelen, Ostend, Roeselare, Sint-Niklaas and Turnhout. These

micro-economic data has been collected by means of the Belfirst database and includes date of foundation, NACEBEL code, loans, taxation, investment grants, return on equity, return on assets, sales, intangible assets, total fixed assets, total assets, total liabilities and total number of FTE's. This set of data will help to constitute the model of this probe. Additionally, we also retrieved the age of the individual directors to have a human capital proxy. Afterwards, we eliminate listed companies, and small companies by only focusing on companies with a workforce of at least 10 FTE's. Based on the NACE code we further eliminate companies active in the sectors: education (code 85), creative art and amusement (90), production of movies and television programmes (59), and public places such as libraries, museums and other cultural activities (91) (Federale Overheidsdienst Economie, KMO, Middenstand en Energie, 2011). This data gathering resulted in a sample of 6873 companies.

To identify the political connected firms we retrieved all members of the board of director of those 6873 companies. Afterward we matched the list of politicians with the BoD by using the excel formula 'VLOOKUP'. Overall we find 216 politicians active in the BoD. Some 29% of politicians are active in multiple companies. It is important to notice that a company can have multiple politicians from different parties in their BoD. As we consider the definition of political connected- 1 politician makes part of the BoD- it makes that there are 81 political connected firms.

At a later stage we have made use of truncation in order to limit the effect of possible spurious outliers. Truncation is the technique that is used when extreme values are omitted. Before deciding which data needs to be considered to omit, we ran a command in data that provided a detailed distribution of each variable. Afterward, we decided for most of the variables that the first and last percentile of data should be omitted. This is based on the belief that these variables were most presumably measurement errors by the databank Belfirst.

## 3.2. Methodology

To analyse the impact of a political connection on firms, we use a panel data model. The regressions that have been run, are done by means of generalized least squares (GLS). The regression models applied in this study are mainly based on the study of Wu et al. (2012).

### 3.2.1. Performance

The following regression has been run in order to test the relationship between political connection and firm performance.

$$\begin{aligned}
 \text{Performance} = & \alpha + \beta_1(\text{DummyPolCon}) + \beta_2(\text{Leverage}) + \beta_3(\text{CapitalIntensity}) \\
 & + \beta_4(\text{TotalAssets}) + \beta_5(\text{Age}) + \beta_6(\text{SalesGrowth}) + \beta_7(\text{Industry dummies}) \\
 & + \varepsilon
 \end{aligned}$$

For the independent variable performance, we used ROA as a performance measure. As dependent variables, this regression model includes a dummy for politically connected directors, leverage, capital intensity, total assets, directors' age and industry dummies.

The dummy for politically connected directors indicates the presence (1=present, 0=absent) of a political connections within the board of directors. Leverage has been measured by calculating the ratio of total liabilities over total assets and controls for capital structure effects. Next, capital intensity has been measured as the ratio of total fixed assets over total assets. Additionally, the variable total assets stands for the natural logarithm of total assets and controls for firm size effects. To control for human capital, we also captured the age of the directors with the variable age. Finally, we included 9 nine sector dummies. The first sector dummy has been specifically created to control for the sector telecommunication, banking and pharmaceuticals. This is based on the findings of prior research (Akcigit et al. 2008) which documents that these sectors have close connections with the government. As a consequence, we expect this sector to attain more additional benefits. The other sector dummies capture the remaining sectors.

Afterward, the same regression has been done but then with ROE as a proxy for performance. Although ROE is a weaker measurement of overall performance, we used this variable as a sort of consistency check.

### 3.2.2 Taxation

The following regression has been run to test the relationship between taxation and political connection.

$$\begin{aligned} \text{Taxation} = & \alpha + \beta_1(\text{DummyPolCon}) + \beta_2(\text{Leverage}) + \beta_3(\text{CapitalIntensity}) \\ & + \beta_4(\text{TotalAssets}) + \beta_5(\text{Age}) + \beta_6(\text{SalesGrowth}) + \beta_7(\text{Industry dummies}) \\ & + \varepsilon \end{aligned}$$

The independent variable taxation is calculated as the natural logarithm of taxation. As dependent variables, the same variables are included as in the performance regression models above.

### 3.2.3 Loans

The following regression has been run in order to test the relationship between loans and political connection.

$$\begin{aligned} \text{Loans} = & \alpha + \beta_1(\text{DummyPolCon}) + \beta_2(\text{Leverage}) + \beta_3(\text{CapitalIntensity}) + \beta_4(\text{TotalAssets}) \\ & + \beta_5(\text{Age}) + \beta_6(\text{SalesGrowth}) + \beta_7(\text{Industry dummies}) + \varepsilon \end{aligned}$$



The independent variable loans is calculated as the natural logarithm of total loans. As dependent variables the same variables are included as in the prior regressions.

#### 3.2.4 Subsidies

The following regression has been run in order to test the relationship between loans and political connection.

*InvestmentGrants*

$$\begin{aligned} &= \alpha + \beta_1(\text{DummyPolCon}) + \beta_2(\text{Leverage}) + \beta_3(\text{CapitalIntensity}) \\ &+ \beta_4(\text{TotalAssets}) + \beta_5(\text{Age}) + \beta_6(\text{SalesGrowth}) + \beta_7(\text{Industry dummies}) \\ &+ \varepsilon \end{aligned}$$

The independent variable investment grants is calculated as the natural logarithm of total investment grants. As dependent variables, the same variables are included as in the prior regressions.

### 3.3. Econometric pitfalls

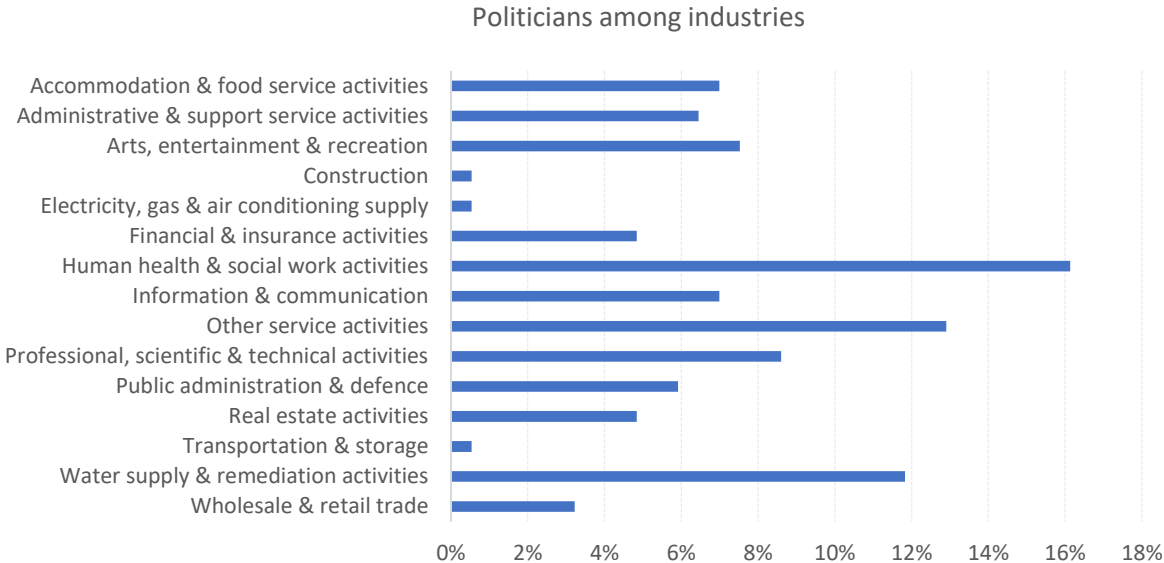
In the theory of classic linear regression models four assumptions are made. First, the GLS estimator is unbiased. Second, the GLS estimator is efficient. Third, the GLS estimator has a normal distribution. Fourth, the GLS estimators are the best linear unbiased estimators. In the order to guarantee that the above-mentioned assumptions are not violated, we need to check for econometric pitfalls. For panel data we need to check the following problems: multicollinearity, heteroscedasticity, spurious regression and residual autocorrelation.

Multicollinearity is expected to occur if the variables show a high correlation amongst each other. Based on our correlation matrix it is safe to say that there are no high correlations perceived within our data sample. No variables show a correlation coefficient that is higher than 0.6.

When making use of panel data sets, one can assume the presence of heteroscedasticity. However, the regression technique applied in this research GLS does control for heteroscedasticity. Besides, we make use of a command in Stata which corrects for wrong standard errors if heteroscedasticity comes into play. GLS does not only controls for heteroscedasticity but also controls for spurious regression.

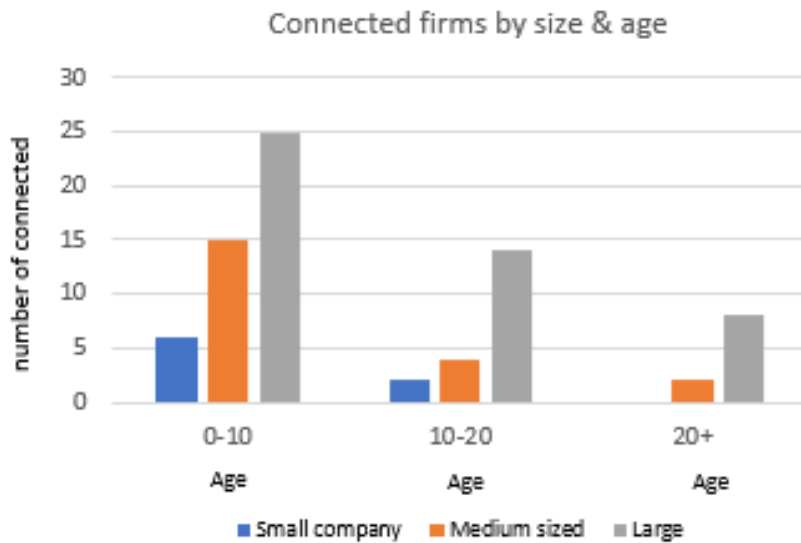
## 4. Empirical results

### 4.1. Descriptive statistics



Graph 1: Number of politicians among industries

Overall, the data consist of 216 politicians active in the BoD of firms. Graph 1 illustrates that politicians are widespread amongst all industries based on the NACE-code. Therefore, this research can confirm stylized fact 2. The distribution over the different sectors is unequally distributed. Sectors such as human health & social work activities, water supply and other service activities such as professional associations, have the highest numbers of political connections. These sectors have a closer tie with social purposes than other sectors. Therefore, one could assume that firms attract politicians not in shareholders' interest but rather for social objective goals as stated by Shleifer & Vishny (1994). From the politician perspective it might suggest that politicians want to contribute to the social purposes in exchange for votes as mentioned by Bennedson (2000). The sectors that have little political presence are the sector transportation, electricity and construction. Akcigit (2018) finds that political connections are especially observed in sectors as banking, telecommunication, utilities and pharmaceuticals. These observations are not entirely in line with our findings. Consequently, the stylized fact 1 cannot be confirmed for this research. A possible explanation is that our data sample only concentrates on centre cities. While those industries (banking, telecommunication, pharmaceuticals, and utilities) are strongly regulated by the government, have a strong market position, and are mostly settled in the capital city Brussels. The latter mentioned finding could explain why these sectors do not show a high political presence in this data sample, as Brussels is not included in the 13 so-called centre cities.



Graph 2: number of connected firms by size

Graph 2 represents the number of connected firms by age and size. For this, the 80 connected firms have been subdivided according to their firm size in small, medium and large firms. Companies are considered small when having less than 50 FTE's, medium more than 50 FTE's and less than 250 FTE's, large when having more than 250 FTE's. We excluded 6 companies for which there was no employee data available. Overall, the distribution of politically connected firms has a mean of 113 FTE, with a minimum of 11 FTE and a maximum of 1654 FTE. Afterward, based on the date of foundation, a distinction has been made with regard to age; 0-10 ; 11-20 and 20+.

	<u>Min (size)</u>	<u>Max (FTE)</u>	<u>Mean (FTE)</u>
All Firms	11	1654	113
Small	11	48	23
Medium	50	192	105
Large	254	1654	541
	<u>Min (age)</u>	<u>Max (age)</u>	<u>Mean(age)</u>
All Firms	0	119	36
Small	2	119	35
Medium	0	114	39
Large	15	56	38

Table 1 : Firm size distribution based on FTE's and directors' age

In table 1 the firm size distribution is provided in terms of FTE's and directors' age. This table illustrates that political connections are more frequently observed in large companies. Based on these observations, we can confirm stylized fact 3 for this research. Large firms account for 62% of political

connections within this data sample. Medium firms account for 28% of political connections and small companies for 11%. These findings are consistent with the previous studies of Akcigit et al. (2018) and Niessen & Ruenzi (2010). They find that politicians are mainly active in large and stable firms.

Graph 2 also illustrate that politicians tend to seat in young firms. Firms that are younger than 11 years account for 61% of political connections within this data sample. Firms older than 10 years but younger than 20 years account for 26%. Firms older than 20 years finally accounts for 13%. The distribution of politically connected firms according to their age has a mean of 37 years, with a minimum of less than one year and a maximum of 119 years. As we notice a large group of politicians in young firms, the question arises whether it is the company that attracts a politician, rather than the politician that choose the company. Previous study of Akcigit (2018) has proven that new entrants are more likely to attract politicians in order to overcome market-specific impediments.

#### *Descriptive Statistics*

	N	Mean	Min	Max
ROE	45327	21.19	-207.99	335.23
ROA	45531	19.63	-92.30	258.11
Dummy	54902	0.01	0.00	1
Loans	49934	600,052.10	0.00	9.94E+07
Taxation	38784	129,460.10	-49,354	3193257
InvestmentGrants	5709	1,411,063	9.60	7.99E+07
TotalAssets	49394	6,229,767	383.41	7.23E+07
TotalFixed~s	48308	2,510,501	5.50	5.44E+07
CapitalInt~y	39712	0.34	0.00	0.99
Leverage	40223	0.71	0.01	23.46
SalesGrowth	19694	-0.05	-1.00	1.202133
Age	21616	53.03	21.00	87

Table 2: Descriptive Statistics

Table 2 represents the descriptive statistics for all variables included in our model. These statistics refer to a data sample of 6763 companies with a time range of 10 years. The variables investment grants and age does not have many observations in comparison with the other variables. The dependent variables (ROE, ROA) in our regression model 1 have a mean of respectively 21.19% and 16.63%. For the variable loans, we find a mean of 600k with a maximum of 99.4m. Further, taxation has a mean of 129k with a negative minimum of 49k and a maximum of 3m. A possible explanation for this negative figure can be found in accounting. Small firms often foresee in year N the estimated taxes for the next year N+1. If the estimated taxes are higher than the effective tax bill then the firm has an 'other receivable'. This entry has to be registered on the 77-code in profit account, however, in some companies accountants register this in negative on the 67-code in cost account, which has the same

result on the P&L statement. Next, the variable investment grants has a mean of 1.4m with a maximum of 79.9m. This high number mainly comes from autonomous municipal companies active in sectors as construction, real estate, and water supply. The variable capital intensity is defined as the fixed assets over total assets and has no remarkable outcomes. Leverage represents a mean of 0.71 and a maximum of 23. This means that the average company in our sample has more than a half of the assets represented by debt. A maximum of 23 is the outcome of high losses carried forward which results in low total asset and high debt. The average company in the sample has a sales volume of 12.6k which is in line with the expectations as we eliminated micro firms. The sales growth is represented over a period of 10 years. The variable presents a negative sales growth of 0.05% over this period. This is remarkable, as the economy has revived in the recent years after the financial crisis. However, the importance of this negative figure can be slightly nuanced as we only have 29% of all the observations for this variable.

## 4.2. Regression analysis

### 4.2.1. Performance

VARIABLES	(1) ROA	(2) ROE
Dummy	-11.424*** (1.700)	-14.673*** (2.530)
Leverage	1.236 (1.277)	1.974 (1.835)
LnCapitalIntensity	-4.040 (2.738)	-11.046** (4.411)
LnTotalAssets	-0.115 (0.373)	-0.344 (0.603)
Age	-0.168 (0.108)	-0.248 (0.167)
SalesGrowth	3.447*** (1.142)	4.715*** (1.613)
DummyTelecomBankingPharma	4.213** (1.709)	4.405* (2.540)
DummyConstruction	6.734 (4.573)	4.944 (6.408)
DummyWholesaleRetail	2.978 (2.136)	-0.376 (3.348)
DummyTransportationStorage	2.870 (2.800)	2.752 (4.299)
DummyAccomodationFood	-2.688 (6.951)	-6.236 (13.482)
DummyInformationCommunication	4.506 (3.875)	2.063 (4.758)
DummyPSTActivities	13.599** (5.708)	5.809 (6.817)
DummyAdministrativeActivities	9.219** (4.286)	11.254* (6.771)
DummyHumanHealth	-7.209*** (2.603)	-10.284*** (3.757)
Constant	28.326*** (9.567)	45.877*** (16.000)
Observations	4,252	4,230
Number of id	814	813

Table 3: Performance regression output

Table 2 represents the outcome of the multivariate regression model, which represents the relationship between a firms' performance and the presence of a political connection within the BoD. This relationship has been controlled for leverage, capital intensity, firm size, directors' age, sales growth and sector dummies.

This model shows that companies with a political connection have a lower performance in terms of both ROA and ROE. The dummy for political connections has a negative and statistically significant coefficient at the 1% significance level. Based on these findings we reject our hypothesis 1. The coefficient is quite high, which implicates that there is material difference between connected firms and non-connected firms in terms of performance. These findings are not in line with a substantial body of the existing literature (Fisman, 2001; Faccio, 2006; Niessen & Reunzi, 2010; Boubakri et al., 2012; Wu et al., 2012). However, this model supports the findings of Bertrand et al. (2007), Schleifer & Vishny (1994), Boubakri et al. (2008) and Fan et al. (2007) who find a negative relationship between politically connected firms and their performance. Besides, Goldman et al. (2008) states that the (positive) impact of political connection would not be material in countries with a decent legal system. When taking both our results and the findings of Goldman into account, we could state that the advantages on overall performance of political connection in a country with a well-functioning legal system are not prominent. It is important to highlight the fact that within this data sample multiple political connections have been perceived in companies that rather have a public social goal than a purely private role. Think of activities as waste treatment, social housing, etc. These associations are typically less driven by profit maximisation goals.

The control variable sales growth is also statistically significant at the 1% significance level. Firms that experience increasing sales will show better performance. This is a logic consequence of amongst others, the economies of scale. The control variable capital intensity is only statistical significant when examined in relation with ROE. However, for both performance measures a negative coefficient is observed. Based on the estimates, capital intensity has a negative impact on firm performance within this data sample. This implies that firms with higher contributions of fixed assets to total assets face weaker performance. A possible explanation is that firms face high depreciation and amortization on their investments, which results in higher costs and thus lower ROA. Next, no statistical significance has been found for leverage, firm size, capital intensity and the human capital variable directors' age.

For the sector dummies, a positive and statistically significant coefficient has been observed for the telecom, banking and pharma sector, the PST sector and the administrative activities sector at the 5% significance level. Firms that are active within these sectors show a better performance. The sector human health is the only sector that shows a negative and statistically significant impact on firm performance.

VARIABLES	Model (1) LnTaxation	Model (2) LnLoans	Model (3) LnInvestmentGrants
Dummy	-1.744* (1.010)	-1.301 (1.510)	4.416*** (1.042)
Leverage	-1.382*** (0.229)	0.698*** (0.167)	-1.252* (0.672)
LnCapitalIntensity	-0.200 (0.412)	1.019** (0.471)	0.158 (0.833)
LnTotalAssets	0.054 (0.057)	0.070 (0.071)	-0.202** (0.102)
Age	-0.003 (0.015)	0.074*** (0.025)	0.043 (0.036)
SalesGrowth	0.435*** (0.160)	0.187 (0.176)	0.032 (0.242)
DummyTelecomBankingPharma	-3.141 (2.474)	10.053** (4.009)	-
DummyConstruction	1.209** (0.571)	-1.542* (0.923)	1.093 (1.165)
DummyWholesaleRetail	0.059 (0.308)	-0.277 (0.488)	-1.475** (0.726)
DummyTransportationStorage	0.255 (0.366)	-2.076*** (0.581)	-0.891 (0.749)
DummyAccomodationFood	-2.428** (1.135)	0.285 (1.749)	2.389 (2.347)
DummyInformationCommunication	0.879 (0.580)	-1.133 (0.962)	-2.002* (1.115)
DummyPSTActivities	0.201 (0.526)	-1.244 (0.829)	2.033 (1.312)
DummyAdministrativeActivities	1.098** (0.496)	-3.423*** (0.789)	-1.320 (2.171)
DummyHumanHealth	1.102 (2.390)	-4.853*** (1.543)	3.146*** (1.119)
Constant	10.287*** (1.409)	-0.378 (1.921)	11.461*** (2.978)
Observations	3,423	4,525	824
Number of id	776	836	182

Standard errors in parentheses  
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table 4: Taxation, loans, and investment grants regression output



#### 4.2.2. Taxation

Model 1 illustrates the results of the panel regression analysis of the relationship between political connection and taxation. Model 1 shows that political connection has a negative coefficient which is statistically significant at a level of 10%. This means that political connection results in lower taxation. Based on these findings we confirm our hypothesis 2a. These findings are consistent with Wu et al. (2012) and Li et al. (2008).

For the control variables, the coefficient for leverage is significant at the 5% significance level. Logically, leverage has a negative relationship to taxation. This means that higher leverage results in lower taxation. More debt implies a higher financial cost; a higher cost implies lower profit and thus lower taxation. Next, the coefficient of sales growth is positive and statically significant at the significance level of 1%. This meets the a priori expectations. When sales grow, one could expect that profit also moves in the same direction. Consequently, as profit rises, firms pay more taxation. The other control variables capital intensity, total assets and directors' age are not statistically significant. When examining the sector dummies, we observe a positive and statistically significant coefficient for the sectors construction and administrative activities. For the sector accommodation and food we find a negative and statistically significant coefficient.

#### 4.2.3. Loans

Model 2 displays the outcomes of the GLS regression of political connection on loans, controlled for leverage, capital intensity, firm size, age, sales growth, and sector. The relationship between loans and the political connection is not statistically significant. For this we reject our hypothesis 2b. These findings are not in line with literature Khwaja & Mian (2005) and Faccio (2006). A possible explanation could be that it last longer for connected firms to experience the benefits of political connections in terms of additional loans within Belgium. Boubakri et al. (2008) for instance, find an increase in loans three years after being elected.

The variable leverage has a negative and statistically significant relationship with loans at a level of 10%. This negative relationship is in line with the a priori expectations. A priori one would assume that the more debt a company has, the lower the number of loans it gets. The control variables capital intensity and total assets are both positive and statistical significant at a confidence level of 1%. Capital intense companies have a positive relationship with loans as investments in fixed assets often require substantial financing. Additionally, directors' age is statistically significant at 1%. The age of a board member has a positive relationship with the number of loans. This implies that companies with older directors would have more loans. As age is a measure of experience, one could assume that banks

prefer to grant loans to companies with a more experienced board. However, this very low coefficient indicates that the impact is negligible. Finally, sales growth and total assets do not show any statistical significance. However, the coefficient of sales growth does show economic significance as growing sales would increase the likelihood of attracting loans. As companies' sales increase, their payback capacity increases. Besides, a company that is expanding requires additional financing. Therefore, firms that experience growing sales are expected to attract more loans. Additionally, the positive coefficient of total assets also meets the a priori expectations. In general, the likelihood of default is lower for bigger firms and therefore it is easier for large firms to attract external financing. For the sector dummies, the dummy that measures the subsectors telecommunication, banking and pharmaceuticals shows a positive and statistically significant coefficient. An explanation for this finding can be found back in the study of Akcigit et al. (2018). This study states that these sectors have a closer connection with the government and therefore entail more potential benefits. Next, the sectors construction, transportation, administrative activities and human health show a negative and statistically significant coefficient. This implies that companies active within these sectors have fewer loans.

#### 4.2.4. Subsidies

Model 3 presents the relationship between investment grants and political connection. Consistent with the previous regressions we have controlled for leverage, capital intensity, firm size, age, sales growth, and industries dummies. The regression model shows both a positive and statistically significant relationship between investment grants and political connection. This indicates that politicians on the BoD facilitate the access to investment grants. Based on these findings we confirm our hypothesis 2c. These results are consistent with Faccio & Masulis (2006) who find that connected firms receive more subsidies. Next, both leverage and total assets show a negative and statistically significant coefficient. This implicates that high-leveraged firms would obtain fewer investment grants. The negative coefficient for total assets implies that smaller firms would obtain more investment grants than older firms would. This finding is line with the a priori expectations as investment grants are often granted to companies that are in an early stage. Due to this early stage, these young companies face difficulties to be competitive and therefore the government tries to support them temporarily. Consequently, we expect smaller firms to have more investment grants than older firms. For the sector dummies, we observe a positive and statistically significant coefficient for the sector human health. Governments typically allocate more investment grants to this sector, as this business often requires higher investments in R&D. Besides, this business focuses not only profit goals but also on social goals, as its aim is to improve the overall health of the society. Finally, we examine a negative and statistically significant coefficient for the sectors wholesale and retail, information and communication.

## 5. Conclusion

This paper sheds light on the relationship between political connection and firms' performance within the region Flanders. By using a sample of 6763 companies over the period of 10 years, we find that 81 connected firms have a politician on the BoD. This shows that political connections within firms are not as prominent as in developing countries. Additionally, we illustrate that political connections are widespread across the different type of industries and are mainly active in large and young firms. Moreover, we observe more connected firms being active in sectors that contribute to the all-round development of the society.

This study shows that attracting a politician on the BoD does not necessarily increases firm performance. On the contrary, we show that politically connected firms underperform their counterparts. Although politically connected firms do not outperform their counterparts, we find that politicians provide advantages. Our study shows that politicians can help companies to attract investment grants and pay fewer taxation. However, we could not find a significant relationship with loans. This research has been limited by the fact that we were not able to make a proper distinction between firms that hold a purely maximisation goal and companies that focus more on social goals. An additional limitation is that we did not capture Brussels, which is the capital of Belgium. We expect that political connections are extensive in Brussels because of its central role in the Belgian economy. Besides, it is also seen as the capital of Europe. Subsequently, this data sample did not captured all the observations for the different variables and caused a data limitation.

We suggest other research to extend this study by also taking into consideration the power of the politician. This could be realized by ranking the power of the politicians based on the distinction between municipal, provincial and federal level. Additionally, the ideology of the politician could be taken into consideration. This could be realised by locating the political parties in to the political spectrum.

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## 7. Appendix

### Stata script

```
clear all
```

```
set more off
```

```
import excel "C:\Users\AlexisBert\Dropbox\Political connections\Final Worksheet2.xlsx",  
sheet("Blad1") firstrow
```

```
*/Define data */
```

```
global id id
```

```
global t year
```

```
global ylist ROE ROA
```

```
global xlist LastAvailableYear Dummy Loans LnLoans Taxation LnTaxation InvestmentGrants  
LnInvestmentGrants LnTotalAssets LnTotalFixedAssets CapitalIntensity Leverage LnLiabilities  
Turnover SalesGrowth RD ITA Age DummyTelecomBankingPharma DummyConstruction  
DummyWholesaleRetail DummyTransportationStorage DummyAccommodationFood  
DummyInformationCommunication DummyPSTActivities DummyAdministrativeActivities  
DummyHumanHealth
```

```
xtset id year, y
```

```
destring ROE, force replace
```

```
destring ROA, force replace
```

```
foreach var in $xlist {
```

```
    destring `var', force replace
```

```
}
```

```
replace year = year-1 if LastAvailableYear == 2017
```

```
replace year = year-2 if LastAvailableYear == 2016
```

```
replace year = year-3 if LastAvailableYear == 2015
```

```

replace year = year-4 if LastAvailableYear == 2014
replace year = year-5 if LastAvailableYear == 2013
replace year = year-6 if LastAvailableYear == 2012
replace year = year-7 if LastAvailableYear == 2011
replace year = year-8 if LastAvailableYear == 2010
replace year = year-9 if LastAvailableYear == 2009
drop if year <2010
describe $id $year $ylist $xlist
xtset id year, y

summarize ROE ROA Dummy Loans Taxation InvestmentGrants TotalAssets TotalFixedAssets
CapitalIntensity Leverage Liabilities Turnover SalesGrowth RD ITA Age
DummyTelecomBankingPharma DummyConstruction DummyWholesaleRetail
DummyTransportationStorage DummyAccomodationFood DummyInformationCommunication
DummyPSTActivities DummyAdministrativeActivities DummyHumanHealth

summarize ROE ROA Dummy Loans Taxation InvestmentGrants TotalAssets TotalFixedAssets
CapitalIntensity Leverage Liabilities Turnover SalesGrowth RD ITA Age
DummyTelecomBankingPharma DummyConstruction DummyWholesaleRetail
DummyTransportationStorage DummyAccomodationFood DummyInformationCommunication
DummyPSTActivities DummyAdministrativeActivities DummyHumanHealth, detail

pwcorr ROE ROA Dummy Loans Taxation InvestmentGrants TotalAssets TotalFixedAssets
CapitalIntensity Leverage Liabilities Turnover SalesGrowth ITA Age DummyTelecomBankingPharma
DummyConstruction DummyWholesaleRetail DummyTransportationStorage
DummyAccomodationFood DummyInformationCommunication DummyPSTActivities
DummyAdministrativeActivities DummyHumanHealth

xtreg ROA Dummy Leverage LnCapitalIntensity LnTotalAssets Age SalesGrowth
DummyTelecomBankingPharma DummyConstruction DummyWholesaleRetail
DummyTransportationStorage DummyAccomodationFood DummyInformationCommunication
DummyPSTActivities DummyAdministrativeActivities DummyHumanHealth, vce(r)

estimates store fixed

outreg2 using resultsPerformance, word dec (3)

xtreg ROE Dummy Leverage LnCapitalIntensity LnTotalAssets Age SalesGrowth
DummyTelecomBankingPharma DummyConstruction DummyWholesaleRetail
DummyTransportationStorage DummyAccomodationFood DummyInformationCommunication
DummyPSTActivities DummyAdministrativeActivities DummyHumanHealth, vce(r)

estimates store fixed

outreg2 using resultsPerformance, append dec (3)

xtreg LnTaxation Dummy Leverage LnCapitalIntensity LnTotalAssets Age SalesGrowth
DummyTelecomBankingPharma DummyConstruction DummyWholesaleRetail

```



DummyTransportationStorage DummyAccomodationFood DummyInformationCommunication  
DummyPSTActivities DummyAdministrativeActivities DummyHumanHealth, vce(r)  
estimates store fixed

outreg2 using resultsDrivers, word dec (3)

xtreg LnLoans Dummy Leverage LnCapitalIntensity LnTotalAssets Age SalesGrowth  
DummyTelecomBankingPharma DummyConstruction DummyWholesaleRetail  
DummyTransportationStorage DummyAccomodationFood DummyInformationCommunication  
DummyPSTActivities DummyAdministrativeActivities DummyHumanHealth, vce(r)  
estimates store fixed

outreg2 using resultsDrivers, append dec (3)

xtreg LnInvestmentGrants Duy Leverage LnCapitalIntensity LnTotalAssets Age SalesGrowth  
DummyTelecomBankingPharma DummyConstruction DummyWholesaleRetail  
DummyTransportationStorage DummyAccomodationFood DummyInformationCommunication  
DummyPSTActivities DummyAdministrativeActivities DummyHumanHealth, vce(r)  
estimates store fixed

outreg2 using resultsDrivers, append dec (3)

**Regressie output**

```
. xtreg ROA Dummy Leverage LnCapitalIntensity LnTotalAssets Age SalesGrowth DummyTelecomBankingPharma
> n DummyPSTActivities DummyAdministrativeActivities DummyHumanHealth, vce(r)
```

```
Random-effects GLS regression           Number of obs   =    4252
Group variable: id                     Number of groups =    814

R-sq:  within = 0.0034                  Obs per group:  min =     1
      between = 0.0400                    avg =           5.2
      overall  = 0.0256                    max =           9

Wald chi2(15) =    149.41
corr(u_i, X)   = 0 (assumed)           Prob > chi2     =    0.0000
```

(Std. Err. adjusted for 814 clusters in id)

ROA	Coef.	Robust Std. Err.	z	P> z	[95% Conf. Interval]	
Dummy	-11.42392	1.699686	-6.72	0.000	-14.75524	-8.092594
Leverage	1.236064	1.277166	0.97	0.333	-1.267136	3.739264
LnCapitalIntensity	-4.039858	2.738031	-1.48	0.140	-9.406301	1.326584
LnTotalAssets	-.1148817	.3729525	-0.31	0.758	-.845855	.6160917
Age	-.1676574	.1076867	-1.56	0.119	-.3787195	.0434047
SalesGrowth	3.446685	1.14183	3.02	0.003	1.208741	5.68463
DummyTelecomBankingPharma	4.21325	1.70933	2.46	0.014	.863024	7.563476
DummyConstruction	6.733711	4.57266	1.47	0.141	-2.228538	15.69596
DummyWholesaleRetail	2.977612	2.136323	1.39	0.163	-1.209505	7.164729
DummyTransportationStorage	2.870354	2.799841	1.03	0.305	-2.617233	8.357941
DummyAccommodationFood	-2.687745	6.950748	-0.39	0.699	-16.31096	10.93547
DummyInformationCommunication	4.505585	3.87524	1.16	0.245	-3.089747	12.10092
DummyPSTActivities	13.59947	5.707513	2.38	0.017	2.412953	24.78599
DummyAdministrativeActivities	9.219008	4.286255	2.15	0.031	.8181023	17.61991
DummyHumanHealth	-7.20862	2.60341	-2.77	0.006	-12.31121	-2.106031
_cons	28.32611	9.567311	2.96	0.003	9.574524	47.07769
sigma_u	24.868998					
sigma_e	19.265116					
rho	.62495928	(fraction of variance due to u_i)				

```
. estimates store fixed
```

```
. xtreg ROE Dummy Leverage LnCapitalIntensity LnTotalAssets Age SalesGrowth DummyTelecomBankingPharma
> n DummyPSTActivities DummyAdministrativeActivities DummyHumanHealth, vce(r)
```

```
Random-effects GLS regression           Number of obs   =    4230
Group variable: id                     Number of groups =    813

R-sq:  within = 0.0040                 Obs per group:  min =    1
      between = 0.0296                   avg =    5.2
      overall = 0.0141                   max =    9

Wald chi2(15) = 124.77
corr(u_i, X) = 0 (assumed)             Prob > chi2     = 0.0000
```

(Std. Err. adjusted for 813 clusters in id)

ROE	Robust				
	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
Dummy	-14.67271	2.53014	-5.80	0.000	-19.63169 -9.713726
Leverage	1.974311	1.835245	1.08	0.282	-1.622704 5.571326
LnCapitalIntensity	-11.0458	4.411198	-2.50	0.012	-19.69158 -2.400008
LnTotalAssets	-.3444925	.6033927	-0.57	0.568	-1.527121 .8381355
Age	-.2482638	.166974	-1.49	0.137	-.5755268 .0789993
SalesGrowth	4.714508	1.612714	2.92	0.003	1.553646 7.87537
DummyTelecomBankingPharma	4.405401	2.539983	1.73	0.083	-.5728732 9.383675
DummyConstruction	4.944428	6.407841	0.77	0.440	-7.614708 17.50357
DummyWholesaleRetail	-.3764083	3.347811	-0.11	0.910	-6.937997 6.18518
DummyTransportationStorage	2.751667	4.299438	0.64	0.522	-5.675076 11.17841
DummyAccommodationFood	-6.235667	13.48245	-0.46	0.644	-32.66079 20.18946
DummyInformationCommunication	2.062629	4.757725	0.43	0.665	-7.262341 11.3876
DummyPSTActivities	5.809044	6.816887	0.85	0.394	-7.551809 19.1699
DummyAdministrativeActivities	11.25355	6.770955	1.66	0.097	-2.017274 24.52438
DummyHumanHealth	-10.28385	3.756624	-2.74	0.006	-17.6467 -2.921005
_cons	45.87746	15.99955	2.87	0.004	14.51892 77.236
sigma_u	36.924722				
sigma_e	30.607184				
rho	.59273735	(fraction of variance due to u_i)			

```
. estimates store fixed
. xtreg LnTaxation Dummy Leverage LnCapitalIntensity LnTotalAssets Age SalesGrowth DummyTelecomBankingPharma
> n DummyPSTActivities DummyAdministrativeActivities DummyHumanHealth
```

```
Random-effects GLS regression           Number of obs   =    3423
Group variable: id                     Number of groups =    776

R-sq:  within = 0.0050                 Obs per group:  min =    1
      between = 0.0618                   avg =    4.4
      overall = 0.0517                   max =    9

Wald chi2(15) = 72.52
corr(u_i, X) = 0 (assumed)             Prob > chi2     = 0.0000
```

LnTaxation	Robust				
	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
Dummy	-1.743855	1.01035	-1.73	0.084	-3.724105 .2363953
Leverage	-1.382246	.2288424	-6.04	0.000	-1.830769 -.9337228
LnCapitalIntensity	-.2001767	.4124381	-0.49	0.627	-1.00854 .6081872
LnTotalAssets	.0541084	.0573964	0.94	0.346	-.0583866 .1666033
Age	-.0026888	.0153907	-0.17	0.861	-.032854 .0274763
SalesGrowth	.435474	.160297	2.72	0.007	.1212976 .7496503
DummyTelecomBankingPharma	-3.141283	2.474141	-1.27	0.204	-7.990511 1.707945
DummyConstruction	1.208655	.5709749	2.12	0.034	.0895652 2.327746
DummyWholesaleRetail	.0586683	.3077173	0.19	0.849	-.5444466 .6617832
DummyTransportationStorage	.2553435	.3660187	0.70	0.485	-.4620399 .9727269
DummyAccommodationFood	-2.427566	1.134576	-2.14	0.032	-4.651295 -.2038372
DummyInformationCommunication	.8793641	.5797437	1.52	0.129	-.2569127 2.015641
DummyPSTActivities	.2012647	.5261488	0.38	0.702	-.8299679 1.232497
DummyAdministrativeActivities	1.098168	.4955384	2.22	0.027	.1269303 2.069405
DummyHumanHealth	1.101711	2.389541	0.46	0.645	-3.581703 5.785126
_cons	10.28665	1.409408	7.30	0.000	7.524258 13.04904
sigma_u	2.8235608				
sigma_e	3.0943325				
rho	.45434083	(fraction of variance due to u_i)			

```
. estimates store fixed
```

```
. xtreg LnTaxation Dummy Leverage LnCapitalIntensity LnTotalAssets Age SalesGrowth DummyTelecomBankingPharma
> nication DummyPSTActivities DummyAdministrativeActivities DummyHumanHealth
```

```
Random-effects GLS regression           Number of obs   =   3423
Group variable: id                     Number of groups =    776

R-sq:  within = 0.0050                 Obs per group:  min =    1
      between = 0.0618                   avg =    4.4
      overall = 0.0517                   max =    9

Wald chi2(15) =    72.52
corr(u_i, X) = 0 (assumed)             Prob > chi2     =    0.0000
```

	LnTaxation	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
Dummy		-1.743855	1.01035	-1.73	0.084	-3.724105	.2363953
Leverage		-1.382246	.2288424	-6.04	0.000	-1.830769	-.9337228
LnCapitalIntensity		-.2001767	.4124381	-0.49	0.627	-1.00854	.6081872
LnTotalAssets		.0541084	.0573964	0.94	0.346	-.0583866	.1666033
Age		-.0026888	.0153907	-0.17	0.861	-.032854	.0274763
SalesGrowth		.435474	.160297	2.72	0.007	.1212976	.7496503
DummyTelecomBankingPharma		-3.141283	2.474141	-1.27	0.204	-7.990511	1.707945
DummyConstruction		1.208655	.5709749	2.12	0.034	.0895652	2.327746
DummyWholesaleRetail		.0586683	.3077173	0.19	0.849	-.5444466	.6617832
DummyTransportationStorage		.2553435	.3660187	0.70	0.485	-.4620399	.9727269
DummyAccommodationFood		-2.427566	1.134576	-2.14	0.032	-4.651295	-.2038372
DummyInformationCommunication		.8793641	.5797437	1.52	0.129	-.2569127	2.015641
DummyPSTActivities		.2012647	.5261488	0.38	0.702	-.8299679	1.232497
DummyAdministrativeActivities		1.098168	.4955384	2.22	0.027	.1269303	2.069405
DummyHumanHealth		1.101711	2.389541	0.46	0.645	-3.581703	5.785126
_cons		10.28665	1.409408	7.30	0.000	7.524258	13.04904
sigma_u		2.8235608					
sigma_e		3.0943325					
rho		.45434083	(fraction of variance due to u_i)				

```
. estimates store fixed
```

```
. xtreg LnInvestmentGrants Dummy Leverage LnCapitalIntensity LnTotalAssets Age SalesGrowth DummyTelecomBankingPharma DummyCons
> truction DummyWholesaleRetail DummyTransportationStorage DummyAccommodationFood DummyInformationCommunication DummyPSTActivit
> ies DummyAdministrativeActivities DummyHumanHealth
note: DummyTelecomBankingPharma omitted because of collinearity
```

```
Random-effects GLS regression           Number of obs   =    824
Group variable: id                     Number of groups =   182

R-sq:  within = 0.0080                 Obs per group:  min =    1
      between = 0.2575                   avg =    4.5
      overall = 0.1994                   max =    9

Wald chi2(14) =    61.36
corr(u_i, X) = 0 (assumed)             Prob > chi2     =    0.0000
```

	LnInvestmentGrants	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
Dummy		4.415809	1.042039	4.24	0.000	2.373451	6.458168
Leverage		-1.252019	.6717101	-1.86	0.062	-2.568546	.0645091
LnCapitalIntensity		.1579045	.8327147	0.19	0.850	-1.474186	1.789995
LnTotalAssets		-.2015915	.1015201	-1.99	0.047	-.4005672	-.0026159
Age		.0434366	.0358436	1.21	0.226	-.0268155	.1136887
SalesGrowth		.0315085	.2418962	0.13	0.896	-.4425993	.5056164
DummyTelecomBankingPharma		0 (omitted)					
DummyConstruction		1.092905	1.164964	0.94	0.348	-1.190384	3.376193
DummyWholesaleRetail		-1.475036	.7259929	-2.03	0.042	-2.897956	-.0521163
DummyTransportationStorage		-.8907312	.7487566	-1.19	0.234	-2.358267	.5768048
DummyAccommodationFood		2.388908	2.347174	1.02	0.309	-2.211468	6.989284
DummyInformationCommunication		-2.001642	1.115001	-1.80	0.073	-4.187004	.1837194
DummyPSTActivities		2.033275	1.312138	1.55	0.121	-.5384672	4.605017
DummyAdministrativeActivities		-1.319728	2.171187	-0.61	0.543	-5.575177	2.93572
DummyHumanHealth		3.145718	1.119235	2.81	0.005	.9520588	5.339377
_cons		11.46118	2.978241	3.85	0.000	5.62394	17.29843
sigma_u		2.9027764					
sigma_e		2.1890948					
rho		.63746054	(fraction of variance due to u_i)				

```
. estimates store fixed
```

## Correlation matrix

	ROE	ROA	Dummy	Loans	Taxation	Investm	TotalA	Capita	Leverage	SalesG	Age	DummyT	DummyC	DummyW	DummyT	DummyA	DummyI	DummyP	D	min	s	DummyH	T	
ROE	1																							
ROA	0.8277	1																						
Dummy	-0.0407	-0.0476	1																					
Loans	-0.0249	-0.025	-0.008	1																				
Taxation	0.123	0.1113	-0.0108	0.1033	1																			
Investmen	-0.0658	-0.0868	0.1678	0.0086	-0.0695	1																		
TotalAsset	-0.0698	-0.0888	0.0511	0.0948	0.3174	0.0399	1																	
CapitalInt	-0.1575	-0.2394	0.0439	0.0395	-0.046	0.2397	0.0358	1																
Leverage	0.0695	0.071	-0.0254	0.0099	-0.0597	-0.0096	-0.0857	0.0519	1															
SalesGrow	0.0736	0.0639	-0.0064	0.0221	0.0324	0.0037	0.0006	-0.0075	-0.0027	1														
Age	-0.0553	-0.0581	-0.0366	0.015	0.0292	0.0925	0.0658	0.0259	-0.0015	-0.016	1													
DummyTe	-0.0159	-0.02	0.4035	0.0063	-0.0199	0.019	0.001	0.0597	-0.0183	-0.008	0.019	1												
DummyCo	-0.0129	-0.019	-0.0314	-0.018	-0.0335	0.0411	-0.0208	-0.044	0.0045	-0.0151	-0.044	-0.0133	1											
DummyWI	-0.0278	-0.0106	-0.0415	0.0559	0.0215	-0.0861	0.0374	-0.1363	-0.0081	0.0006	0.004	-0.0367	-0.1721	1										
DummyTr	-0.0086	-0.0022	-0.03	-0.004	0.026	0.0031	0.0571	0.0258	0.0112	0.0057	0.024	-0.0199	-0.1034	-0.164	1									
DummyAc	0.0405	0.038	-0.0079	-0.036	-0.0961	0.0441	-0.1172	0.1987	0.1019	-0.0048	-0.08	-0.0051	-0.1067	-0.1692	-0.1017	1								
DummyInf	0.0485	0.0721	-0.003	-0.021	0.0082	-0.0315	-0.0437	-0.0679	0.0109	0.0121	-0.014	0.0522	-0.0791	-0.1254	-0.0753	-0.0777	1							
DummyPS	0.0953	0.0973	-0.0054	-0.014	-0.0106	0.0135	-0.0442	-0.0672	0.0098	0.0036	0.015	-0.0117	-0.1054	-0.167	-0.1004	-0.1036	-0.0767	1						
DummyAd	0.0442	0.0559	0.0014	-0.029	0.0164	0.0079	-0.0189	-0.0243	-0.0063	0.0103	-0.011	-0.014	-0.0998	-0.1582	-0.095	-0.0981	-0.0727	-0.0968	1					
DummyHu	-0.0728	-0.0968	0.0819	-0.033	-0.0224	0.0049	-0.0187	0.0648	-0.0838	0.001	0.085	-0.0063	-0.0812	-0.1288	-0.0774	-0.0798	-0.0591	-0.0788	-0.0746	1				

## List of politicians in the Board of Directors

	Name	Party	Period of elections	Company
1	Alain Cnudde	CD&V	Municipal elections 2012	CENTRUM VOOR AMBULANTE REVALIDATIE OVERLEIE VZW
2	Alain Herremans	N-VA	Municipal elections 2012	VAGGA
3	Alessandro Cucchiara	CD&V	Municipal elections 2012	PARTNERS GROUP MANAGEMENT (SCOTS) LLP
4	Alexander Vandersmissen	Open Vld/Groen	Municipal elections 2012	SAREM
5	Ali Alci	SP.A	Municipal elections 2012	PROVINCIE OOST-VLAANDEREN
6	Andreas Verleysen	Groen	Municipal elections 2012	STEUNPUNT WELZIJN
7	Angelo Bruno	CD&V	Municipal elections 2012	ACHILLES ASSOCIATES
8	Ann Vylders	SP.A - CD&V	Municipal elections 2012	HET ENTREPOT
9	Annelies Storms	SP.A	Municipal elections 2012	KUNSTHUIS OPERA VLAANDEREN BALLET VLAANDEREN
10	Annemie Charlier	N-VA	Municipal elections 2012	PROVINCIE OOST-VLAANDEREN
11	Annick Lambrecht	SP.A	Federal elections (2014- 2018)	STAD BRUGGE
12	Annick Ponthier	Vlaams Belang	Federal elections (2010- 2014)	VLAAMS & NEUTRAAL ZIEKENFONDS
13	Anniek Nagels	CD&V	Municipal elections 2012	ACHILLES ASSOCIATES
14	Annita Laporte	CD&V	Municipal elections 2012	ACHILLES ASSOCIATES
15	Arne Deblauwe	SP.A	Municipal elections 2012	INTERGEMEENTELIJKE VEREN. VR HET AFVALBEHEER VR OOSTENDE EN OMMELAND
16	Astrid De Bruycker	SP.A	Municipal elections 2012	IVAGO
17	Axel Polis	Open Vld	Municipal elections 2012	HET ZIEKENHUISNETWERK ANTWERPEN
18	Axel Ronse	N-VA	Flemish elections (2014- 2018)	UNIE VAN ZELFSTANDIGE ONDERNEMERS - WEST-VLAANDEREN
19	Bart Somers	Open Vld	Federal elections (2010- 2014)	CECONOMY AG
20	Bart Somers	Open Vld/Groen	Municipal elections 2012	CECONOMY AG
21	Bart Somers	Open Vld	Flemish elections (2014- 2018)	CECONOMY AG
22	Bart Tommelein	Open Vld	Municipal elections 2012	AG - RCA
23	Bart Tommelein	Open Vld	Federal elections (2014- 2018)	AG - RCA
24	Bart Tommelein	CD&V	Flemish elections (2010- 2014)	AG - RCA
25	Bart Van den Neste	Open Vld	Municipal elections 2012	ILVA
26	Bert Herrewyn	SP.A	Municipal elections 2012	IMOG
27	Bianca Booms	CD&V	Municipal elections 2012	KATTEVENNEN
28	Bieke Verlinden	SP.A	Municipal elections 2012	STEDELIJK JEUGDWERK LEUVEN

29	Bram Van Braeckelveit	Groen	Municipal elections 2012	NUCLYS
30	Brigitte Smets	SP.A	Municipal elections 2012	JESSA ZIEKENHUIS
31	Carine Leys	N-VA	Municipal elections 2012	PONTES
32	Carl Geeraerts	N-VA	Municipal elections 2012	COOPERATIEVE VEILING ROESELARE
33	Carl Hanssens	N-VA	Municipal elections 2012	PROVINCIE OOST-VLAANDEREN
34	Caroline De Meerleer	N-VA	Municipal elections 2012	ILVA
35	Caroline Verdoodt	N-VA	Municipal elections 2012	AUTONOOM GEMEENTEBEDRIJF SPORTAG
36	Cathy Grysolle	Lijst A	Municipal elections 2012	ILVA
37	Cengiz Cetinkaya	Groen	Municipal elections 2012	WONINGENT
38	Charlie Wyllie	SP.A	Municipal elections 2012	VEOLIA ENVIRONNEMENT
39	Charlotte Verkeyn	N-VA	Municipal elections 2012	AG - RCA
40	Christel Geerts	SP.A	Municipal elections 2012	PROVINCIE OOST-VLAANDEREN
41	Christian Verougstraete	Vlaams Belang	Municipal elections 2012	BATAVIA19
42	Christian Verougstraete	Open Vld	Flemish elections (2010-2014)	BATAVIA19
43	Cordula Van Winkel	N-VA	Municipal elections 2012	PONTES
44	Daniel Termont	SP.A	Municipal elections 2012	VLAAMSE ENERGIEHOLDING
45	Danny Feyen	N-VA	Municipal elections 2012	WATER-LINK
46	David Coppens	N-VA	Municipal elections 2012	229 COMMUNES ET LES PROVINCES FLAMANDES
47	Derya Erdogan	Groen	Municipal elections 2012	LIMBURG.NET
48	Dirk Janssens	Open Vld	Federal elections (2014-2018)	ILVA
49	Edwin De Cleyn	CD&V	Municipal elections 2012	WATER-LINK
50	Elke Brydenbach	N-VA	Municipal elections 2012	ANTWERPEN SPORTSTAD
51	Elke Decruynaere	Groen	Municipal elections 2012	KVLV, VROUWEN MET VAART
52	Else De Wachter	Open Vld	Flemish elections (2010-2014)	TER WENDE - ESPERO
53	Emmily Talpe	Open Vld	Flemish elections (2014-2018)	WEST-VLAAMSE INTERCOMMUNALE
54	Erik Laga	Open Vld/Groen	Municipal elections 2012	VLAAMS SELECTIECENTRUM OVERHEIDSPERSONEEL CVBA TEVENS
55	Fabienne Blavier	Open Vld/Groen	Municipal elections 2012	SAREM
56	Farid Bennasser	SP.A	Municipal elections 2012	SD WORX HOLDING
57	Fatima Talhaoui	N-VA	Municipal elections 2012	INTEGRATIE EN INBURGERING ANTWERPEN
58	Fatima Talhaoui	N-VA	Municipal elections 2012	INTEGRATIE EN INBURGERING ANTWERPEN
59	Fatma Kutuk-Yildiz	CD&V	Municipal elections 2012	PARTNERS GROUP MANAGEMENT (SCOTS) LLP
60	Fauzaya Talhaoui	SP.A	Federal elections (2010-2014)	STAD ANTWERPEN

61	Fauzaya Talhaoui	SP.A	Municipal elections 2012	STAD ANTWERPEN
62	Fauzaya Talhaoui	SP.A - CD&V	Municipal elections 2012	STAD ANTWERPEN
63	Filiep Manhaeve	N-VA	Municipal elections 2012	BELAIR DEURNE
64	Filip Baeyens	N-VA	Municipal elections 2012	STAD SINT-NIKLAAS
65	Franceska Verhenne	CD&V	Municipal elections 2012	CENTRUM VOOR BASESEDUCATIE KORTRIJK-ROESELARE
66	Frank Vandenhoudt	SP.A	Municipal elections 2012	DE KADE
67	Franky Loveniers	N-VA	Municipal elections 2012	DIGIPOLIS
68	Freya Piryns	Groen	Federal elections (2010-2014)	INTEGRATIE EN INBURGERING ANTWERPEN
69	Freya Piryns	Groen	Municipal elections 2012	INTEGRATIE EN INBURGERING ANTWERPEN
70	Freya Piryns	sp.a - Groen	Municipal elections 2012	INTEGRATIE EN INBURGERING ANTWERPEN
71	Gabrielle De Boever	Vlaams Belang	Municipal elections 2012	DE FIETSAMBASSADE GENT
72	Geert Huyghe	CD&V	Municipal elections 2012	DE KRINGWINKEL MIDDEN-WEST-VLAANDEREN
73	Geert Verdoodt	Lijst A	Municipal elections 2012	ILVA
74	Georgina Denolf	CD&V	Municipal elections 2012	HOTEL- EN TOERISMESCHOOL SPERMALIE, VERENIGING ZONDER WINSTOOGMERK
75	Gerdi Casier	SP.A	Municipal elections 2012	CENTRUM VOOR BASESEDUCATIE KORTRIJK-ROESELARE
76	Gianni Cacciatore	CD&V	Municipal elections 2012	ALDI HOLDING
77	Greet Geypen	Open Vld/Groen	Municipal elections 2012	229 COMMUNES ET LES PROVINCES FLAMANDES
78	Griet Valgaeren	N-VA	Municipal elections 2012	GEMEENTEN
79	Guido Vandebrouck	CD&V	Municipal elections 2012	INTERCOMMUNALE VERENIGING VOOR HULP AAN GEHANDICAPTEN IN LIMBURG
80	Hagen Goyvaerts	Vlaams Belang	Federal elections (2010-2014)	STAD LEUVEN
81	Hagen Goyvaerts	Vlaams belang	Municipal elections 2012	STAD LEUVEN
82	Hans Ides	CD&V	Municipal elections 2012	STAD ANTWERPEN
83	Herman Schaerlaekens	N-VA	Municipal elections 2012	VLAAMS & NEUTRAAL ZIEKENFONDS
84	Houcine Talmssou	CD&V	Municipal elections 2012	PARTNERS GROUP MANAGEMENT (SCOTS) LLP
85	Ignace Verhaegen	N-VA	Municipal elections 2012	ILVA
86	Ikrame Kastit	Groen	Municipal elections 2012	DE SCHOOLBRUG
87	Ikrame Kastit	sp.a - Groen	Municipal elections 2012	DE SCHOOLBRUG
88	Ilknur Cengiz	SP.A	Municipal elections 2012	AMSAB-INSTITUUT VOOR SOCIALE GESCHIEDENIS
89	Ilse Jacques	N-VA	Municipal elections 2012	DIGIPOLIS
90	Ilse Uyttersprot	CD&V	Municipal elections 2012	GEMEENTEN



91	Ingrid Pira	Groen	Flemish elections (2014-2018)	GOEMAERE ENGINEERING
92	Ivo Konings	SP.A	Municipal elections 2012	INTERCOMMUNALE VERENIGING VOOR HULP AAN GEHANDICAPTEN IN LIMBURG
93	Iwein De Koninck	CD&V	Municipal elections 2012	ILVA
94	Iwein Quintelier	N-VA	Municipal elections 2012	AUTONOOM GEMEENTEBEDRIJF SPORTAG
95	Jaak Brepoels	SP.A	Municipal elections 2012	STAD LEUVEN
96	Jan Bal	Open Vld/Groen	Municipal elections 2012	CENTRUM VOOR RELIGIEUZE KUNST EN CULTUUR
97	Jan Bertels	SP.A	Flemish elections (2014-2018)	KEMPENS LANDSCHAP
98	Jan Peumans	N-VA	Federal elections (2014-2018)	ALDI HOLDING
99	Jan Peumans	SP.A	Flemish elections (2010-2014)	ALDI HOLDING
100	Jan Peumans	N-VA	Flemish elections (2014-2018)	ALDI HOLDING
101	Jan Van Der Vloet	N-VA	Municipal elections 2012	WATER-LINK
102	Jan Vanroose	SP.A	Municipal elections 2012	VEOLIA ENVIRONNEMENT
103	Jan Wouters	N-VA	Municipal elections 2012	EXL
104	Jef Eggermont	N-VA	Municipal elections 2012	PONTES
105	Johan Geleys	CD&V	Municipal elections 2012	GEMEENTEN
106	Johan Peeters	SP.A	Municipal elections 2012	TCG CARLYLE GLOBAL PARTNERS LLC
107	Johan Van Nieuwenhove	Vlaams Belang	Municipal elections 2012	AUTONOOM GEMEENTEBEDRIJF SPORTAG
108	Joris Giebens	Groen	Municipal elections 2012	ANTWERPEN SPORTSTAD
109	Karel Geys	SP.A	Municipal elections 2012	SD WORX HOLDING
110	Karim Bachar	SP.A	Municipal elections 2012	ANTWERPEN SPORTSTAD
111	Karim Bachar	sp.a - Groen	Municipal elections 2012	ANTWERPEN SPORTSTAD
112	Karolien Mondelaers	CD&V	Municipal elections 2012	INTERCOMMUNALE VERENIGING VOOR HULP AAN GEHANDICAPTEN IN LIMBURG
113	Kathleen Parthoens	CD&V	Municipal elections 2012	ACHILLES ASSOCIATES
114	Kathleen Peleman	sp.a - Groen	Municipal elections 2012	FREE CLINIC
115	Katleen De Coninck	N-VA	Municipal elections 2012	BIOFORUM VLAANDEREN
116	Kerstin Hopf	N-VA	Municipal elections 2012	AUTONOOM GEMEENTEBEDRIJF SPORT ACTIEF MECHELEN
117	Koen Beulen	CD&V	Municipal elections 2012	HAWKFIELD CORPORATION N.V.
118	Koen Laenens	N-VA	Municipal elections 2012	WATER-LINK
119	Koen Palinckx	N-VA	Municipal elections 2012	DIGIPOLIS
120	Kris Mercken	CD&V	Municipal elections 2012	KATTEVENNEN
121	Kris Van der Coelden	SP.A	Municipal elections 2012	DEN AZALEE
122	Krista Claeys	CD&V	Municipal elections 2012	AG - RCA

123	Kristof Devos	N-VA	Municipal elections 2012	ILVA
124	Leen Verbist	sp.a - Groen	Municipal elections 2012	STAD ANTWERPEN
125	Liesbet Stevens	SP.A	Municipal elections 2012	BUURTWERK'T LAMPEKE
126	Lieve Maes	N-VA	Federal elections (2010-2014)	CULTUURCENTRUM HASSELT
127	Lieve Maes	N-VA	Federal elections (2014-2018)	CULTUURCENTRUM HASSELT
128	Lieve Maes	N-VA	Flemish elections (2014-2018)	CULTUURCENTRUM HASSELT
129	Lieve Stallaert	Groen	Municipal elections 2012	HOTEL- EN TOERISMESCHOOL SPERMALIE, VERENIGING ZONDER WINSTOOGMERK
130	Lieven Dehandschutter	N-VA	Municipal elections 2012	PROVINCIE OOST-VLAANDEREN
131	Lieven Lybeer	CD&V	Municipal elections 2012	IMOG
132	Linda Verlinden	N-VA	Municipal elections 2012	PONTES
133	Lisa Geets	N-VA	Municipal elections 2012	HOTEL- EN TOERISMESCHOOL SPERMALIE, VERENIGING ZONDER WINSTOOGMERK
134	Lotte Trippaers	CD&V	Municipal elections 2012	KATTEVENNEN
135	Luc Hermans	CD&V	Municipal elections 2012	FONDS VERHELST
136	Luc Martens	CD&V	Municipal elections 2012	DE KARMELIETEN
137	Luc Moerkerke	CD&V	Municipal elections 2012	CENTRUM ALGEMEEN WELZIJNSWERK OOST-BRABANT
138	Luc Thiessen	CD&V	Municipal elections 2012	HOME SINT-JOZEF
139	Luk Lemmens	N-VA	Municipal elections 2012	STICHTING ADMINISTRATIEKANTOOR ROMEN HOLDING
140	Marc Hendrickx	N-VA	Municipal elections 2012	VINCI
141	Marc Hendrickx	SP.A	Flemish elections (2010-2014)	VINCI
142	Marc Hendrickx	N-VA	Flemish elections (2014-2018)	VINCI
143	Marc Lemaitre	SP.A	Municipal elections 2012	STAD KORTRIJK
144	Marijke Henne	N-VA	Municipal elections 2012	BPCE SA
145	Marleen Demuyndt	Groen	Municipal elections 2012	VORMINGSCENTRUM OPVOEDING EN KINDEROPVANG
146	Marleen Van den Eynde	Open Vld	Flemish elections (2010-2014)	WATER-LINK
147	Marnic De Meulemeester	CD&V	Flemish elections (2010-2014)	INCOZINA SOCIAAL VERZEKERINGSFONDS
148	Marnic De Meulemeester	Open Vld	Flemish elections (2014-2018)	INCOZINA SOCIAAL VERZEKERINGSFONDS
149	Martine Bruggeman	N-VA	Municipal elections 2012	BRUGGE PLUS
150	Martine Vrints	N-VA	Municipal elections 2012	STAD ANTWERPEN
151	Matthias De Ridder	N-VA	Municipal elections 2012	AUTONOOM GEMEENTEBEDRIJF SPORTAG
152	Maxime Callaert	N-VA	Municipal elections 2012	PROVINCIE OOST-VLAANDEREN

153	Mehmet Sadik Karanfil	Open Vld	Municipal elections 2012	LIBERAAL ARCHIEF / LIBERAS VZW
154	Melikan Kucam	N-VA	Municipal elections 2012	SD WORX HOLDING
155	Mie Branders	PVDA+	Municipal elections 2012	INTEGRATIE EN INBURGERING ANTWERPEN
156	Mieke Wellens	SP.A	Municipal elections 2012	OXYRANE UK LTD.
157	Mohamed Chebaa Amimou	PVDA+	Municipal elections 2012	ANTWERPEN SPORTSTAD
158	Mohamed Ridouani	SP.A	Municipal elections 2012	HELICS
159	Nancy Bourgoignie	SP.A	Municipal elections 2012	BATAVIA19
160	Nancy Moyaert	SP.A	Municipal elections 2012	INTERGEMEENTELIJKE VEREN. VR HET AFVALBEHEER VR OOSTENDE EN OMMELAND
161	Patrick De Vyt	Vlaams Belang	Municipal elections 2012	AG - RCA
162	Patrick Jacobs	Lijst A	Municipal elections 2012	VLAAMS INSTITUUT VOOR DE ZEE - INSTITUT FLAMAND DE LA MER
163	Patrick Paredaens	N-VA	Municipal elections 2012	WATER-LINK
164	Patrick Van Den Abbeele	N-VA	Municipal elections 2012	INTERCOMMUNALE VOOR ENERGIE
165	Paul Cordy	N-VA	Municipal elections 2012	229 COMMUNES ET LES PROVINCES FLAMANDES
166	Paul Cordy	N-VA	Flemish elections (2014- 2018)	229 COMMUNES ET LES PROVINCES FLAMANDES
167	Paul Goossens	CD&V	Municipal elections 2012	SOCIAAL VERHUURKANTOOR ANTWERPEN
168	Paul Stockman	CD&V	Municipal elections 2012	ILVA
169	Peggy Pooters	Vlaams Belang	Municipal elections 2012	ANTWERPEN SPORTSTAD
170	Peter Liefsoens	CD&V	Municipal elections 2012	INTERKABEL VLAANDEREN
171	Philippe De Backer	Open Vld	Federal elections (2014- 2018)	NATUURWERK
172	Pierre Neefs	SP.A	Municipal elections 2012	DIJLEDAL SOCIALE HUISVESTING LEUVEN
173	Piet De Bruyn	SP.A	Flemish elections (2010- 2014)	ENTIRIS
174	Piet De Bruyn	N-VA	Flemish elections (2014- 2018)	ENTIRIS
175	Piet Lombaerts	N-VA	Municipal elections 2012	229 COMMUNES ET LES PROVINCES FLAMANDES
176	Pieter Cuppens	CD&V	Municipal elections 2012	DE KADE
177	Resul Tapmaz	SP.A	Municipal elections 2012	KVLV, VROUWEN MET VAART
178	Ria Vanzieleghem	CD&V	Municipal elections 2012	EURONAV
179	Rik Dehollogne	N-VA	Municipal elections 2012	GEVAERT GABRIEL ELECTRO
180	Rita Gantois	N-VA	Federal elections (2014- 2018)	229 COMMUNES ET LES PROVINCES FLAMANDES
181	Roel Deseyn	CD&V	Federal elections (2010- 2014)	229 COMMUNES ET LES PROVINCES FLAMANDES

182	Roel Deseyn	CD&V	Federal elections (2014-2018)	229 COMMUNES ET LES PROVINCES FLAMANDES
183	Ronny Suy	Open Vld	Municipal elections 2012	PROVINCIE OOST-VLAANDEREN
184	Sabine Poleyn	Vlaams Belang	Flemish elections (2010-2014)	TECHNOPOLIS
185	Sami Souguir	Open Vld	Municipal elections 2012	WONINGENT
186	Sandrine De Crom	Open Vld	Municipal elections 2012	BRUGSE MAATSCHAPPIJ VOOR HUISVESTING
187	Sara Matthieu	Groen	Municipal elections 2012	IVAGO
188	Sofie Bracke	Open Vld	Municipal elections 2012	DIGIPOLIS
189	Sofie Heyrman	Groen	Municipal elections 2012	THERAPEUTISCH KINDERDAGVERBLIJF HET VEER
190	Sonja Becq	CD&V	Federal elections (2010-2014)	Z.ORG KU LEUVEN
191	Sonja Becq	CD&V	Federal elections (2014-2018)	Z.ORG KU LEUVEN
192	Stefaan Vercamer	CD&V	Federal elections (2010-2014)	ELCOFIN
193	Stefaan Vercamer	CD&V	Federal elections (2014-2018)	ELCOFIN
194	Stephanie D'hose	Open Vld	Municipal elections 2012	IVAGO
195	Stijn Vangeneugden	CD&V	Municipal elections 2012	ACHILLES ASSOCIATES
196	Sven Taeldeman	SP.A	Municipal elections 2012	229 COMMUNES ET LES PROVINCES FLAMANDES
197	Tatjana Scheck	SP.A - CD&V	Municipal elections 2012	HET ZIEKENHUISNETWERK ANTWERPEN
198	Tine Eerlingen	N-VA	Municipal elections 2012	STAD LEUVEN
199	Tine Eerlingen	SP.A	Flemish elections (2010-2014)	STAD LEUVEN
200	Tine Heyse	Groen	Municipal elections 2012	229 COMMUNES ET LES PROVINCES FLAMANDES
201	Vanessa Vens	SP.A	Municipal elections 2012	INTERGEMEENTEELIJKE VEREN. VR HET AFVALBEHEER VR OOSTENDE EN OMMELAND
202	Veerle De Beule	N-VA	Municipal elections 2012	STAD SINT-NIKLAAS
203	Vincent Van Peteghem	CD&V	Federal elections (2014-2018)	VDK BANK
204	Viviane Wittock	SP.A	Municipal elections 2012	STAD ANTWERPEN
205	Wendy Simons	N-VA	Municipal elections 2012	DIGIPOLIS
206	Wim Demuyt	CD&V	Municipal elections 2012	MR NOBERT QUANDT STEFAN
207	Wim Jochems	N-VA	Municipal elections 2012	STORM HOLDING 2
208	Wout De Meester	Groen	Municipal elections 2012	PROVINCIE OOST-VLAANDEREN
209	Wout Maddens	Open Vld	Municipal elections 2012	DE POORT VZW, VOOR WONEN EN WERK
210	Wouter Allijns	Open Vld	Municipal elections 2012	STAD KORTRIJK
211	Youro Casier	SP.A	Federal elections (2014-2018)	229 COMMUNES ET LES PROVINCES FLAMANDES

212	Zander Vliegen	Team 2040	Municipal elections 2012	PONTES
213	Zeneb Bensafia	Groen	Municipal elections 2012	KVLV, VROUWEN MET VAART
214	Zuhal Demir	N-VA	Federal elections (2010-2014)	INTEGRATIE EN INBURGERING ANTWERPEN
215	Zuhal Demir	N-VA	Municipal elections 2012	INTEGRATIE EN INBURGERING ANTWERPEN
216	Zuhal Demir	N-VA	Federal elections (2014-2018)	INTEGRATIE EN INBURGERING ANTWERPEN