International Review of
Accounting, Banking and Finance
Vol 16, No. 2, Summer, 2024, Pages 1-31

IRABF

The influence of political relationships and cultural environment on debt contracts

Tzu-Ching Weng [1¯], Chieh-Wen Kuo Chen [1], Yi-Shan Yu [2]

1. *Feng Chia University*
2. *National Chung Hsing University*

Accepted May 2024

ABSTRACT

This study takes global listed companies from 1999 to 2018 as the research object to explore whether companies with political connections will be affected by cultural differences in the countries where creditors belong, thereby affecting the setting of debt contract conditions. The empirical results show that the debt contract conditions between a company and its creditors vary depending on whether the company has political connections. However, after taking into account the national cultural characteristics of creditors, the influence of politically connected enterprises on debt contract conditions changes. For example, under the national cultural characteristics of high power distance, uncertainty avoidance, masculinity, and long-term orientation, politically connected enterprises cannot enjoy preferential debt contract conditions for borrowing debt. Politically connected companies enjoy preferential debt contract conditions only under the national cultural characteristics of high permissiveness.

Keywords: Political Relations, Cultural Environment, Debt Contracts
JEL: M41, M48

¯ E-mail: tcweng@fcu.edu.tw

1. Introduction

Generally speaking, there are two types of sources of funds for enterprises, one is equity financing and the other is debt financing. Debt financing mainly involves borrowing from financial institutions. In recent years, debt financing has gradually become an important financing channel for enterprises, but the borrowing company must bear the borrowing costs of the debt contract. In addition to affecting the investment decisions of enterprises, borrowing costs also affect the operating risks of enterprises (Chen et al. 2009). During the debt financing process, a debt contract (Contract Term, CT) will be signed between the creditor and the company. The terms of this contract depend on the creditor's assessment of the company's default risk or debt repayment ability. When there is information asymmetry between creditors and enterprises, it will affect the formulation of the content of the debt contract, and creditors will reflect the unobtainable information and risks they face in the contract conditions (Gross and Roberts 2011). In contrast, debtors will also take some actions to strengthen their bargaining power in order to obtain favorable borrowing conditions. The board of directors is the company's highest executive body and has the ability to influence the company's decision-making. If the board of directors performs its functions and effectively supervises the company's managers, it can reduce conflicts of interest and agency problems caused by the separation of management rights and ownership. The interested parties (including creditors) could be protected and corporate governance and operating performance can be improved.

An efficient board of directors can reduce the company's cost of debt capital (Lorca et al. 2011), but the costs of board diversity outweigh the benefits and instead bring higher risks to the company (Nian J et al. 2017). Previous literature pointed out that directors with political backgrounds will bring higher default risks to the company, so the company's credit risk will be higher and it will incur higher debt capital costs (Weng and Ji, 2014), but some studies have also found that the board of directors with political connections have a lower incidence of financial reporting fraud (Liu and Li, 2017). Therefore, whether a company's managers or board members are politically connected will exacerbate conflicts of interest and agency problems between the company and shareholders, thereby affecting the company's operations, especially when the company has debt financing needs. Is it because the company is politically connected? The information asymmetry between creditors and potential borrowing companies, which affects the content of debt contracts, is one of the topics that this study is interested in exploring.

Previous literature has pointed out that companies with political connections can easily obtain tax incentives, purchase contracts, or financial bailouts from the government to gain competitive advantages. Moreover, creditors may underestimate the risk of default because of the company's political connections, thus granting companies preferential debt contract conditions (Duchin and Sosyura 2012; Faccio 2010; Goldman et al. 2009; Faccio et al. 2006; Drope and Hansen 2004). Shen and Lin (2016) find that the relationship between company management and the ruling party can eliminate financial financing constraints and thereby increase the amount of investment. However, since companies with political backgrounds are more likely to conceal, cover up, and delay financial reporting, this increases the information costs of key stakeholders (Schipper 1989; Leuz et al. 2003), which may affect the company's long-term performance (Leuz and Oberholzer-Gee 2006; Menozzi et al. 2011). Due to the impact of political relationships on enterprises, previous literature mostly analyzed a single country, and the definitions of political relationships are also different (Li et al. 2008; Faccio et al. 2006; Menozzi et al. 2011; Shen et al. 2015), this study adopts Faccio's (2006) definition of politically connected companies, takes listed companies in the Compustat global database as the research object, and examines the impact of the political connections of corporate board members in various countries on the setting of debt contract conditions to improve the empirical evidence.

On the other hand, creditors will consider several evaluation criteria when entering into debt contracts with enterprises, and these evaluation criteria may differ depending on different cultural

backgrounds. Previous studies have shown that cultural differences lead to information asymmetry (Mian 2006) and agency problems (Petersen and Rajan 2002). To reduce information asymmetry, creditors will set restrictions on the loan term, loan interest, number of mortgages or financial restrictions through debt contracts (Melnik and Plaut 1986; Dennis and Mullineaux 2000). Whether the differences of cultural environment will affect the relationship between political relations and the content of debt contracts is the second research topic of our study. In order to clarify the impact of cultural environment on debt contracts, this study refers to the six cultural scales constructed by Hofstede et al. (2010): power distance, uncertainty avoidance, individualism, masculine traits, long-term orientation, and permissiveness.

The empirical results of this study show that companies with board members with political backgrounds can enjoy lower loan interest rates, a smaller number of financial restrictions measured by accounting information, and a lower chance of being required to provide collateral. National culture will affect the debt borrowing conditions of politically connected companies. For example, in a national culture with high power distance, uncertainty avoidance, and long-term orientation, politically connected companies will not be able to enjoy preferential borrowing rates. In a national culture with high power distance and masculine characteristics, a larger number of financial restrictions based on accounting information will be set when politically connected companies borrow. In a national culture with high power distance, uncertainty avoidance, masculine traits, and long-term orientation, there is a higher chance that politically connected companies will be required to provide collateral when borrowing. However, under the characteristics of a highly individualistic and liberal country, politically connected companies are less likely to be required to provide collateral when borrowing debt. In addition, the stricter the quality of legal controls in a country, the less likely companies are to enjoy preferential debt contract terms. The higher the degree of people's compliance and confidence in national laws and regulations, the more preferential debt contract terms companies are able to enjoy.

This study has the following contributions. First, it uses listed companies from multiple countries collected in the Compustat global version database as the research object, rather than focusing on a single country, which improves the convincingness of the empirical results on political relations and debt contract conditions. The second is to emphasize the differences in national cultural characteristics, resulting in information asymmetry between creditors and debtors and other consequences, which will also affect the debt conditions of politically connected companies, provide new documentary evidence on the impact of the cultural environment on creditors and debtors. The impact of the debtor's contracting mechanism and the lack of consistent results in previous literature on the impact of political connections on debt terms provide a reasonable explanation. In addition, in order to ensure the robustness of the empirical results, the overall economic and legal environment variables of each country are included to control the impact of the overall economic environment. Moreover, in terms of debt contract variables, compared with Chen et al. (2014)'s borrowing interest rate, provision of collateral, loan amount, and loan period, the number of financial restriction clauses based on accounting information is additionally included as measurement variables. It can be supplemented to explain the implications of political relationships and earnings management using accounting information as a contracting mechanism. The results of this study can provide new literature on the debt financing market, and could also be used as a reference for capital market participants in the contracting mechanism. They may also be used to explain that politically connected enterprises can obtain preferential borrowing conditions under those national cultural characteristics, rather than universally. Available to all countries.

2. Literature discussion and establishment of research hypotheses

This section includes a discussion of the literature on political relationships and debt contract terms, as well as cultural environment and debt contracts, and establishes research hypotheses.

2.1 Literature related to political relations and debt contract terms

Referring to relevant literature, the politically connected companies are companies whose directors, CEOs, management or major shareholders (directly or indirectly control at least 10% of the equity) are heads of state, members of Congress, heads of central or local government ministries. Companies with political connections are common in various countries, and companies with this characteristic account for approximately 8% of the global stock market value (Faccio 2006). In Asian, directors, CEOs or managers are often appointed by the government (Fan et al. 2007). Taking Chinese enterprises as an example, party membership represents their political status. The party membership of private enterprise owners has a positive and significant impact on the performance of their companies (Li et al. 2008). When senior executives of state-owned listed companies have political connections, they may weaken the independence of the board of directors (Ding et al. 2014).

There are pros and cons of whether a company's political connections can bring benefits to the company. Several research results supporting positive benefits show that the government uses its political power to assist and actively formulate regulations that are beneficial to a specific enterprise (Frye and Shleifer 1997), or the government formulates tax incentives to benefit specific industries and products (Goldman et al. 2009). This means that enterprises enjoy lower tax preferences (Adhikari et al. 2006), obtain more favorable debt financing conditions (Khwaja and Mian 2005; Claessens et al. 2008), easily enter industries regulated by the government (Luo and Liu 2009) , obtain government procurement contracts (Rocholl et al. 2009), influence the government's resource allocation (Acemoglu et al. 2011), improve the company's operational or financial performance (Li et al. 2008) or reduce the default risk faced by creditors in corporate financing.

On the other hand, research results that obtain negative benefits show that companies may be subject to political interference and fail to maximize shareholder interests (Shleifer and Vishny 1998), or political interference may lead to poor corporate governance and worsen information asymmetry. serious (Shleifer and Vishny1994; Walker and Reid2002), resulting in serious agency problems (Boubakri et al. 2008; Chan et al. 2006; Johnson and Mitton 2003), and even companies deliberately conceal their operating conditions due to political coercion, resulting in the quality of accounting information. Due to factors such as poor performance (Chaney et al. 2011), companies suffer from political connections, or prefer small firms for audits (Srinidhi et al. 2010).

To sum up, politically connected companies establish political and business networks through their political connections, obtain special benefits or competitive advantages, protect the company from changes in the legal environment, enjoy tax benefits, financial bailouts, capital injections, or preferential borrowing conditions. and costs, which are the benefits brought by political connections. The downside is that companies with political connections have less demand for high audit quality and can easily avoid audits and supervision by accountants. Their accounting information has low transparency. Moreover, because of their political connections, they are less subject to government supervision, resulting in poor corporate governance quality.

Debt financing is one of the important sources of financing for enterprises. In addition to affecting the investment decisions of enterprises, debt costs also affect the operating risks of enterprises (Chen et al. 2009). When the debtor's default risk is high, the risk premium required by creditors is relatively high, causing the debtor to have higher borrowing capital costs (Sengupta 1998). Agency problems arise due to the information asymmetry between company management, shareholders and creditors, and company managers and shareholders may harm creditors due to their self-interested behavior (Jensen and Meckling 1976). Therefore, creditors will regulate or restrict corporate behavior through debt contracts and reflect the systemic risks that may be caused by information asymmetry in debt contracts (Easley et al. 2002; Easley and O'Hara 2004). When there is the risk of information asymmetry, creditors, in addition to adjusting the debtor's borrowing interest rate, can require the company to provide sufficient collateral to reduce the uncertainty faced by creditors (Rajan and Winton 1995). Creditors may also clearly state accounting data as financial restrictions as a supervisory mechanism to protect their own interests (Leftwich 1983). If a

company defaults, creditors have the opportunity to restrict dividend payments, adjust borrowing rates, pay off debts in advance, and require the debtor to renegotiate the debt contract (Dichev and Skinner 2002).

Although companies with high agency costs or poor corporate governance have relatively high default risks (Chen et al. 2009), creditors will increase loan interest rates (Zhang 2008; Chaney et al. 2011), set financial restrictions. (Leftwich1983; DeAngelo et al. 1994; Dichev and Skinner 2002) or providing collateral (Rajan and Winton 1995). However, previous research results show that companies with political connections are more likely to obtain financial bailouts or financial assistance. Therefore, since this study predicts that companies with political connections will enjoy more favorable debt contract terms, we provide the research hypotheses as follows:

Hypothesis 1: Companies with political connections enjoy preferential debt contract terms.

Hypothesis 1a: Companies with political connections enjoy lower loan interest rates.

Hypothesis 1b: Companies with political connections enjoy fewer financial restrictions based on accounting information.

Hypothesis 1c: Companies with political connections are less likely to be required to provide collateral.

2.2 Related literature on national cultural environment and debt contracts

Culture is a living complex of knowledge, beliefs, art, morals, laws, customs, and individuals' acquired technical abilities. Culture can be used to identify different groups, people, or countries (Adler1983). Hofstede (1980) proposed the national cultural scale theory and summarized four national cultural characteristics: power distance (Power Distance), uncertainty avoidance (Uncertainty Avoidance), individualism vs. collectivism (Individualism vs. Collectivism), masculinity vs. flexibility (Masculinity vs. Femininity). subsequently, Hofstede (2001) proposed the cultural characteristics of countries with Eastern Confucianism: long term vs. short term orientation. Later, in the study of Hofstede et al. (2010), national cultural traits with differences in cultural values between Eastern and Western cultures were added: indulgence vs. restraint.

Previous studies have found that cultural differences have a profound impact on corporate financial management decisions and economic development (Fan et al. 2012; Zheng et al. 2012; Zhu and Cai 2014). Different national cultural environments affect the attitudes and values of corporate governance of companies in that country (Cheung and Chan 2007; Licht 2001). Company managers, influenced by their own cultural background, also have different values, which results in different management behaviors (Hambrick and Brandon1988). Doupnik (2008) finds that the cultural characteristics of different countries will lead to different earnings management behaviors. In a conservative cultural background, a company's capital structure is relatively stable, that is, its debt ratio is low (Chui et al. 2002). In addition, the information asymmetry and agency problems between enterprises and creditor banks are also affected by cultural differences (Petersen and Rajan2002; Mian2006). For example, Zhu and Cai (2014) show that there are large cultural differences with American enterprises. When a foreign company issues corporate bonds in the United States, investors will incur higher information collection costs, so the debtor will face higher debt costs. Furthermore, the strength of a company's political and geographical relationships will also affect the information asymmetry between creditors and debtor banks, as well as the cost of information collection (Brett and Okumura 1998; Adair et al. 2001; Ting-Toomey 2007). Therefore, this study believes that different national cultural environments will affect the setting of contract terms when politically connected companies borrow money. This article uses six cultural scales constructed by Hofstede et al. (2010) as measurement variables of the national cultural environment, and establish research hypothesis 2 as follows:

Hypothesis 2: The national cultural environment will affect the preferential debt contract terms enjoyed by enterprises with political connections.

3. Research Design

This section includes the establishment of the empirical model, definition of variables, as well as the research period, sample selection and data sources.

3.1 Establishment of empirical model

This study explores the relationship between politically connected businesses (POBD), national cultural environment (CUL) and debt covenants (CT). The empirical model is established as follows, where α1 of model (1) is to verify hypothesis 1 whether politically connected enterprises (POBD) enjoy preferential debt contract terms (CT). It is expected that α1 <0, that is, politically connected enterprises enjoy lower borrowing interest rates, a smaller number of financial restrictions based on accounting information, and a lower chance of being required to provide collateral. The measurement of national cultural environment (CUL) variables adopts six cultural aspects from Hofstede et al. (2010) as proxy variables, namely power distance (PD), uncertainty avoidance (UA), individualism (IDV), Masculine traits (MAS), long-term orientation (LTO), and indulgence (INDU) are calculated from 0 to 100. The higher the score, the higher the cultural environment traits of the country. For the six cultural characteristics, models (2a) to (2f) were established respectively. It is expected that α14 is not equal to 0, and the sign direction of α15 depends on the strength of the influence of individual country cultural aspects and corporate political relations on the debt contract terms. The subscripts i and t represent the company and time respectively.

Model 1：

$$CT_{it} = \alpha_0 + \alpha_1 POBD_{it} + \alpha_2 LOAN_{it} + \alpha_3 MAT_{it} + \alpha_4 FIXLIO_{it} + \alpha_5 PP_{it} + \alpha_6 SIZE_{it} + \alpha_7 LEV_{it} + \alpha_8 PPE_{it} + \alpha_9 CR_{it} + \alpha_{10} CAP_{it} + \alpha_{11} GDP_{it} + \alpha_{12} RQ_{it} + \alpha_{13} RL_{it} + \theta YEAR + \phi COUNTRY + \lambda IND + \varepsilon_{it} \quad (1)$$

Model 2a：

$$CT_{it} = \alpha_0 + \alpha_1 POBD_{it} + \alpha_2 LOAN_{it} + \alpha_3 MAT_{it} + \alpha_4 FIXLIO_{it} + \alpha_5 PP_{it} + \alpha_6 SIZE_{it} + \alpha_7 LEV_{it} + \alpha_8 PPE_{it} + \alpha_9 CR_{it} + \alpha_{10} CAP_{it} + \alpha_{11} GDP_{it} + \alpha_{12} RQ_{it} + \alpha_{13} RL_{it} + \alpha_{14} PD_{it} + \alpha_{15} POBD_{it} * PD_{it} + \theta YEAR + \phi COUNTRY + \lambda IND + \varepsilon_{it} \quad (2a)$$

Model 2b：

$$CT_{it} = \alpha_0 + \alpha_1 POBD_{it} + \alpha_2 LOAN_{it} + \alpha_3 MAT_{it} + \alpha_4 FIXLIO_{it} + \alpha_5 PP_{it} + \alpha_6 SIZE_{it} + \alpha_7 LEV_{it} + \alpha_8 PPE_{it} + \alpha_9 CR_{it} + \alpha_{10} CAP_{it} + \alpha_{11} GDP_{it} + \alpha_{12} RQ_{it} + \alpha_{13} RL_{it} + \alpha_{14} UA_{it} + \alpha_{15} POBD_{it} * UA_{it} + \theta YEAR + \phi COUNTRY + \lambda IND + \varepsilon_{it} \quad (2b)$$

Model 2c：

$$CT_{it} = \alpha_0 + \alpha_1 POBD_{it} + \alpha_2 LOAN_{it} + \alpha_3 MAT_{it} + \alpha_4 FIXLIO_{it} + \alpha_5 PP_{it} + \alpha_6 SIZE_{it} + \alpha_7 LEV_{it} + \alpha_8 PPE_{it} + \alpha_9 CR_{it} + \alpha_{10} CAP_{it} + \alpha_{11} GDP_{it} + \alpha_{12} RQ_{it} + \alpha_{13} RL_{it} + \alpha_{14} IDV_{it} + \alpha_{15} POBD_{it} * IDV_{it} + \theta YEAR + \phi COUNTRY + \lambda IND + \varepsilon_{it} \quad (2c)$$

Model 2d：

$$CT_{it} = \alpha_0 + \alpha_1 POBD_{it} + \alpha_2 LOAN_{it} + \alpha_3 MAT_{it} + \alpha_4 FIXLIO_{it} + \alpha_5 PP_{it} + \alpha_6 SIZE_{it} + \alpha_7 LEV_{it} + \alpha_8 PPE_{it} + \alpha_9 CR_{it} + \alpha_{10} CAP_{it} + \alpha_{11} GDP_{it} + \alpha_{12} RQ_{it} + \alpha_{13} RL_{it} + \alpha_{14} MAS_{it} + \alpha_{15} POBD_{it} * MAS_{it} + \theta YEAR + \phi COUNTRY + \lambda IND + \varepsilon_{it} \quad (2d)$$

Model 2e：

$$CT_{it} = \alpha_0 + \alpha_1 POBD_{it} + \alpha_2 LOAN_{it} + \alpha_3 MAT_{it} + \alpha_4 FIXLIO_{it} + \alpha_5 PP_{it} + \alpha_6 SIZE_{it} + \alpha_7 LEV_{it} + \alpha_8 PPE_{it} + \alpha_9 CR_{it} + \alpha_{10} CAP_{it} + \alpha_{11} GDP_{it} + \alpha_{12} RQ_{it} + \alpha_{13} RL_{it} + \alpha_{14} LTO_{it} + \alpha_{15} POBD_{it} * LTO_{it} + \theta YEAR + \phi COUNTRY + \lambda IND + \varepsilon_{it} \quad (2e)$$

Model 2f：

$$CT_{it} = \alpha_0 + \alpha_1 POBD_{it} + \alpha_2 LOAN_{it} + \alpha_3 MAT_{it} + \alpha_4 FIXLIO_{it} + \alpha_5 PP_{it} + \alpha_6 SIZE_{it} + \alpha_7 LEV_{it} + \alpha_8 PPE_{it} + \alpha_9 CR_{it} + \alpha_{10} CAP_{it} + \alpha_{11} GDP_{it} + \alpha_{12} RQ_{it} + \alpha_{13} RL_{it} + \alpha_{14} INDU_{it} + \alpha_{15} POBD_{it} * INDU_{it} + \theta YEAR + \phi COUNTRY + \lambda IND + \varepsilon_{it} \quad (2f)$$

3.2 Variable definition

(1) Strain number (CT)

This study uses three debt contract conditions (CT), including loan interest rate (INT), the number of financial restrictions based on accounting information (NFC), and whether to provide collateral (COL), as the variables of the empirical model. described as follows:

A. Loan interest rate (INT)

The loan interest rate takes the natural logarithm and is measured by the number of additional points greater than LIBOR (Bushman and Wittenberg-Moerman 2012; Kim and Song 2011; Graham et al. 2008; Nini2004).

B. Number of financial restrictions based on accounting information (NFC)

NFC is the number with accounting information as the restriction clause.

C. Provide collateral (COL)

COL is a dummy variable. If there is a collateral set, its value is 1, otherwise it is 0.

Since debt contract conditions are related to debt contract characteristics, in order to avoid doubts about collinearity between variables, refer to the method of Chen et al. (2014). When the dependent variable is INT, NFC and COL are put into the empirical model as Debt contract characteristic variables; when the variable is NFC, COL is put into the empirical model as one of the control variables of debt contract characteristics.

(2)Independent variables

A.Political Relations (POBD)

To measure political connections (POLBD), refer to the definition of Faccio (2006), the company has at least one major shareholder (directly or indirectly controlling at least 10% of the voting rights) or director who has served as a head of state, head of a ministry, member of Congress, or with a political party. Politicians who have close relationships are said to have "political connections." If the enterprise meets the above conditions, its value is 1, otherwise it is 0.

B. National Cultural Environment (CUL)

Regarding the national cultural environment, six cultural scales from Hofstede et al. (2010) are used as proxy variables, namely power distance (PD), uncertainty avoidance (UA), individualism (IDV), masculinity (MAS), long-term Orientation (LTO) and permissiveness (INDU), the six cultural scales are calculated from 0 to 100. The higher the score, the higher the cultural characteristics. The respective explanations are as follows:

a. Power distance (PD)

"Power distance" refers to the degree to which the powerless in a group accept uneven distribution of power or unfair treatment. The higher the power distance, the higher the organizational members' recognition of the hierarchical gap caused by power and wealth. The greater the power distance, the more power is concentrated in a few people, and organizational members are more likely to obey orders; otherwise, equality is emphasized (Hofstede et al. 2010). For example: Japanese corporate culture has a relatively large power distance, and subordinates are more likely to obey instructions or regulations from their superiors; while American corporate culture is more egalitarian, with a closer relationship between managers and employees, and supervisors are willing to listen to their subordinates' opinions. In a national culture with high "power distance", people in this country often succumb to authority or superior instructions, attach importance to group goals and ignore the pursuit of personal goals (Keswani et al. 2014). On the contrary, in a national culture with low "power distance", its people pursue equality of power and proactive personal behavior, and are willing to express their opinions and ideas. For example: Asia, Africa, Eastern Europe and Latin-speaking countries have high cultural characteristics of power distance; Germany and English-speaking countries have low cultural characteristics of power distance.

b. Uncertainty avoidance (UA)

the cultural trait of "uncertainty avoidance" refers to the attitudes and risk-taking levels of members of the group. In a national culture with a high degree of "uncertainty avoidance", people tend to be conservative and cautious, less willing to take risks, and try to reduce uncertainties as much as possible. On the contrary, group members are more receptive to innovative ideas and new things, and tend to be calm and thoughtful. For example, countries in Central Europe, Japan, and Latin-speaking countries have high cultural characteristics of "uncertainty avoidance", like a stable life, and are resistant to unknown things; countries in Northern Europe and English-speaking countries have relatively low cultural characteristics of uncertainty avoidance, and people are more capable Accept different behaviors and encourage innovation.

c. Individualism/groupism (IDV)

"Individualism/collectivism" culture refers to the degree of trade-off between personal achievement and group interests in a group. In an individualistic national culture, its members have low personal connection with the group culture, tend to focus only on themselves and their relatives, are confident and optimistic (Markus and Kitayama 1991; Heine et al. 1999), and have a positive attitude (Keswani et al. 2014). On the contrary, in a collectivist national culture, group members have a deep bond with their environment, have a strong sense of collectivism, and value the sense of belonging, responsibility, and loyalty to the group. For example: Western countries and developed countries tend to be individualistic, while Eastern countries and developing and low-income countries tend to be collectivist.

d. Masculine traits (MAS)

The national culture of "masculine traits/flexible traits" means the distribution of gender role tendencies and values of this group. A national culture with "masculine traits", in which group members focus on work performance, have a strong sense of social competition, value achievements, judge personal success in terms of money and materials, and resolve group conflicts

by obeying the winner; they have decisive, positive and heroic characters (Keswani et al. al. 2014). For example: Germanic-speaking countries, Latin-speaking countries and Japan have prominent masculine traits. A national culture with "flexible traits" means that its members value education, quality of life and interpersonal relationships among members, resolve conflicts in a fair and objective manner, and have a humble and considerate character. For example, the Nordic countries and New Zealand have remarkable flexibility.

e. Long-term orientation (LTO)

The national culture of "long-term orientation/short-term orientation" refers to a nation's values on long-term interests and short-term interests. In a national culture with a long-term orientation, group members attach importance to influencing the future, have an attitude of planning ahead, saving, and perseverance, and have a sense of shame (Hofstede et al. 2001). For example: East Asian countries are characterized by the most long-term orientation. In a national culture with a short-term orientation, group members value the current situation, prefer short-term and immediate current values and life, and have less future planning and less time patience. For example: the United States, Australia, Latin America, Africa and other countries have short-term orientation characteristics.

f. Permissiveness (IND)

"Permissiveness/restraintism" refers to group members' desire for freedom and control, and their attitude towards pleasure and pursuit of satisfaction. In a permissive national culture, group members prefer to enjoy life and value autonomy in life. Countries or regions that tolerate cultural characteristics have more people who feel happy and have higher birth rates. Minkov (2007) found that in the national culture of liberalism, there is a cultural trait of short-term orientation. In a constraintist national culture, group members have ascetic beliefs and tend to manage members' needs and desires through laws and moral norms. In the national culture of constraintism, there are cultural traits of long-term orientation (Minkov 2007). For example, countries in the Americas, Western Europe, and some Saharan African countries have constraintist cultural characteristics, while countries in Eastern Europe, Asia, and the Mediterranean region have both cultures (Hofstede et al. 2010).

(3)Control variables

Referring to previous literature, debt contract characteristics, company characteristics, and overall economic characteristics were selected as control variables. (Shen and Lin 2016; Chen et al. 2014; Costello and Witternberg-Moerman 2011; Kim et al. 2011; Bae and Goyal 2009; Graham et al.2008; Asquith et al.2005; Hope2003; Leuz et al.2003; LaPorta et al.1998).

A. Control variables of debt contract characteristics

Including the total loan amount (LOAN), loan period (MAT), term loan (FIXLO), and performance measurement loan interest terms (PP). Among them, the total loan amount is the natural logarithm of the total loan amount of the company. The higher the total loan amount, the higher the default risk borne by the creditor. However, when the total loan amount is very high and produces economies of scale, the creditor may also charge a lower loan interest rate, so it is not expected direction of impact.

The loan period is measured as the number of months between the start date of the debt contract and the maturity date. The longer the loan period, the creditor may have to bear the debtor's default risk and charge a higher loan interest rate (Graham et al. 2008). It is expected that the relationship with the debt contract The terms are positively related.

Term loan is a dummy variable. If it is a term loan, its value is 1, otherwise it is 0. For performance-measured loan interest clauses, refer to the method of (Asquith et al. 2005). Whether the contract contains performance-measured loan interest clauses is used as a control variable for financial restriction clauses. If so, its value is 1, otherwise it is 0.

B. Control variables of company characteristics

Referring to previous literature, this article selects control variables related to the credit risk of debt-raising companies (Costello and Witternberg-Moerman 2011; Kim et al. 2011; Bae and Goyal 2009; Graham et al. 2008), including company size (SIZE), liabilities ratio (LEV), fixed asset ratio (PPE), current ratio (CR). Among them, company size is measured by taking the natural logarithm of total assets. The debt ratio is total liabilities divided by total assets at the end of the year. The fixed asset ratio is the net property, plant and equipment divided by the average total assets; the current ratio is the current assets divided by the current liabilities at the end of the year.

C. Control variables of overall economic characteristics

Referring to the methods of Hope (2003), Leuz et al. (2003), LaPorta et al. (1998), the capitalization level of the securities market (CAP), the per capita annual gross product (GDP), and the quality of legal regulation (RQ), and the legal environment (RL) as variables measuring overall economic characteristics. Among them, CAP controls the activity of each country's securities market (Hope2003), GDP controls the degree of economic development of each country (Leuz et al. 2003), RQ controls the degree of formulation and implementation of government regulations and policies of each country (LaPorta et al. 1998), RL is to control people's confidence in and compliance with regulations in various countries (LaPorta et al. 1998).

3.3 Research period, sample selection and data sources

This study uses manual verification as a source of data on companies with political connections to compile lists of people who currently or have held political-related positions such as central government officials, public opinion representatives, and political party positions in the past to check whether board members of the company have ever held such positions. Have held political positions during the sample study period. Debt contract-related information is obtained from Reuters Loan Pricing Corporation's (LPC), DealScan database, and debt-raising company financial information is obtained from the Compustat global version database. The six national cultural scale data are taken from the data compiled by Hofstede et al. (2010). Other variables, such as: capitalization level of the securities market (CAP), per capita annual gross product (GDP), legal control system (RQ), legal environment (RL), etc., are taken from the World Bank (The World Bank).

Since the legal regulatory quality (RQ) and legal environment (RL) data have only been included since 1996, this research period focused on global listed companies from 1999 to 2018. From the Compustat global version database and DealScan database, after excluding the financial and insurance industry and excluding missing samples of national cultural scale and financial variables, a total of 64,891 sample observations were selected. Then, after deleting the missing values of national-level control variable data, 9,868 sample observations were finally obtained (Table 1 Panel A). Table 1 Panel B shows the industrial distribution of the sample. Among them, manufacturing accounts for 45.54% of the total sample, followed by transportation, transportation, water, electricity and health industries, accounting for 18.08%. Panel C shows the distribution of countries in the sample. Among them, the sample of American companies accounts for 77.74%, followed by the sample of British companies, which accounts for 3.01%.

Table 1
Sample screening, industry distribution and country distribution

Panel A：Sample screening process

		Industry	SIC4 code	sample number	sample%
initial observations	64,891	Agriculture, forestry, fishery and animal husbandry		8	0.08%
Less: Samples with missing data on		Mining industry	10-14	601	6.09%

country-level control variables					
Securities market capitalization level (CAP)	(11,534)	construction industry	15-17	164	1.66%
Per capita annual gross product (GDP)	(10,858)	manufacturing	20-39	4,494	45.54%
Regulated Quality (RQ)	(16,778)	Transport, traffic, water, electricity and health industries	40-49	1,784	18.08%
legal environment(RL)	(15,943)	wholesale industry	50-51	451	4.57%
final sample observations	9,868	retail trading industry	52-59	863	8.75%
		consumer services	70-89	1,439	14.58%
		Other industries	99	64	0.65%
		total		9,868	100.00%

Panel B：Sample country distribution

Country	ISO code number of samples	number of samples	sample %	Country	ISO code number of samples	number of samples	sample %
Argentina	ARG	5	0.05%	*Ireland*	IRL	132	1.34%
Australia	AUS	168	1.70%	*Italy*	ITA	64	0.65%
Austria	AUT	2	0.02%	*Japan*	JPN	160	1.62%
Belgium	BEL	10	0.10%	*South Korea*	KOR	70	0.71%
Brazil	BRA	50	0.51%	*Luxembourg*	LUX	29	0.29%
Canada	CAN	166	1.68%	*Mexico*	MEX	16	0.16%
Switzerland	CHE	67	0.68%	*Netherlands*	NLD	59	0.60%
Chile	CHL	20	0.20%	*Norway*	NOR	35	0.35%
China	CHN	6	0.06%	*New Zealand*	NZL	12	0.12%
Germany	DEU	206	2.09%	*Pakistan*	PAK	2	0.02%
Denmark	DNK	3	0.03%	*Peru*	PER	1	0.01%
Egypt	EGY	5	0.05%	*Philippines*	PHL	21	0.21%
Spain	ESP	70	0.71%	*Portugal*	PRT	3	0.03%
Finland	FIN	5	0.05%	*Russian Federation*	RUS	30	0.30%
France	FRA	203	2.06%	*Sweden*	SWE	29	0.29%
United Kingdom	GBR	297	3.01%	*Thailand*	THA	5	0.05%
Greece	GRC	14	0.14%	*Turkey*	TUR	6	0.06%
Hong Kong	HKG	38	0.39%	*United States*	USA	7671	77.74%
India	IND	167	1.69%	*South Africa*	ZAF	21	0.21%
		Total sample				9868	100.00%

4. Empirical results and analysis

This section includes narrative statistical descriptions of sample variables, correlation analysis, and regression results analysis.

4.1 Narrative Statistics

In order to avoid the sample being affected by extreme values, the loan interest rate (INT), total loan amount (LOAN), company size (SIZE), debt ratio (LEV), fixed asset ratio (PPE), current ratio (CR), securities market capital Variables such as the level of economic development (CAP), per capita annual gross domestic product (GDP), legal regulatory quality (RQ), and legal environment (RL) are treated with a 1% winsorized process.

Table 2 shows the narrative statistics of the sample variables in this study. Looking at the variables of debt contract terms, the average loan interest rate (INT) is about 0.195, the median is 0.405, and the first quartile is -0.470, showing that some countries Loan interest rates show negative growth (Liu et al., 2016). The average number of financial restriction clauses (NFC) based on accounting information in debt contract conditions is about 1.314, indicating that creditors will require the debtor to meet the performance threshold with at least one accounting number, and on average about 38% of the sample observations have been the requirement to provide collateral as collateral/collateral (COL) shows that more than half of the borrowings are unsecured.

In terms of independent variables, the rate of board members with political connections (POBD) is about 1.3%, indicating that most sample companies have board members who do not have political connections. In terms of the national cultural environment, power distance (PD) is used to measure national culture. The average PD is 41.908, showing a low power trait. It shows that the national cultural environment of the sample company shows the tendency of the people to pursue power equality and personal proactive behavior, willing to express their opinions and ideas rather than being required to obey. Uncertainty avoidance (UA) is used to measure national culture. The average value of UA is 49.007, which means that the national culture of the sample company shows a higher risk preference, and the people are more accepting of different behaviors and encourage innovation. Using individualism (IDV) to measure national culture, the average IDV is 85.292, which shows that the sample company exhibits a strong individualistic national culture. Its members have low connection with the group culture, and their members are confident and objective. Masculine traits (MAS) are used to measure national culture. The average MAS value is 60.950, which shows that the sample company presents a high masculine trait culture. Members focus on work performance, have a strong sense of social competition, resolve conflict groups by obeying the winner, and are heroic. doctrinal character. Using long-term orientation (LTO) to measure national culture, the average LTO is approximately 32.462, which shows that the sample companies pay less attention to future long-term impacts and focus on short-term current status and value. Using permissiveness (INDU) to measure national culture, the average INDU is 64.601, which shows that the national culture of the sample company values autonomy in life, which is consistent with Minkov's (2007) finding that there is a short-term orientation in the permissive national culture. By comprehensively measuring the six characteristics of national culture, the national cultural characteristics of the sample company show that members value equality of power, value individual rights, like innovation and pursue risks, and value work performance and short-term results.

In terms of control variables for debt contract characteristics, the average of the natural logarithm of the total loan amount (LOAN) is approximately 19.962, the average length of the loan period (MAT) is approximately 48.355 months, and the sample ratio of term loans (FIXLO) is approximately 28.1%, showing that most debtors borrow money because they have financial needs. About 44.2% of the sample observations will be based on performance measurement (PP) as a condition for loan interest.

For the control variables of company characteristics, the average company size (SIZE) is 7.995, the debt ratio (LEV) is approximately 32.712%, the average fixed asset ratio (PPE) is 33.0%, and the average current ratio (CR) is 1.633. It shows that the financial structure of the sample company is sound, current liabilities are less than current assets, and the proportion of liabilities to assets is less than 40%. In terms of control variables for the overall economy, the average capitalization level (CAP) of the stock market is 4.720, which shows that the total stock market value of the sample company exceeds more than 4 times the national average annual gross product per person. The average number of (GDP) is about 29.668, and the average number of legal regulatory quality (RQ) and legal environment (RL) exceeds 1, indicating that the quality of the legal environment is good.

Table 2
Description statistics

variable	Average	Standard deviation	First quartile	Median	Third quartile
INT	0.195	0.892	-0.470	0.405	0.865
NFC	1.314	1.427	0.000	1.000	2.000
COL	0.380	0.485	0.000	0.000	1.000
POBD	0.013	0.113	0.000	0.000	0.000
PD	41.908	8.890	40.000	40.000	40.000
UA	49.007	11.512	46.000	46.000	46.000
IDV	85.292	14.258	91.000	91.000	91.000
MAS	60.950	8.784	62.000	62.000	62.000

LTO	32.462	15.918	26.000	26.000	26.000
INDU	64.601	10.289	68.000	68.000	68.000
LOAN	19.962	1.434	19.114	20.030	20.946
MAT	48.355	26.925	36.000	60.000	60.000
FIXLO	0.281	0.449	0.000	0.000	1.000
PP	0.442	0.497	0.000	0.000	1.000
SIZE	7.995	1.752	6.787	8.016	9.246
LEV	32.712	19.727	19.189	30.249	42.834
PPE	0.330	0.235	0.137	0.271	0.489
CR	1.633	0.896	1.034	1.424	1.986
CAP	4.720	0.323	4.613	4.820	4.950
GDP	29.668	1.103	29.838	30.139	30.304
RQ	1.468	0.352	1.436	1.577	1.621
RL	1.490	0.334	1.526	1.547	1.605

Note: *INT*: Lending rates
NFC: Number of financial restrictions based on accounting information
COL: Whether to require collateral
POBD: Enterprises with political connections
PD: power distance
UA: uncertainty avoidance
IDV: individualism
MAS: masculine traits
LTO: long term orientation
INDU: permissiveness
LOAN: Take the logarithm of the total loan amount
MAT: loan period
FIXLO: Is it a term loan?
PP: Are there loan interest conditions for performance measurement?
SIZE: Company Size
LEV: debt ratio
PPE: fixed asset ratio
CR: current ratio
CAP: Securities market capitalization level
GDP: Average annual gross product per capita
RQ: Legal control quality
RL: legal environment

4.2 Correlation coefficient analysis

Table 3 is the correlation coefficient table of the variables in this study. The relationship between politically connected companies with boards of directors (POBD) and debt covenants (CT). The table shows that POBD is related to loan interest rates (INT) and financial restrictions based on accounting information. There is a negative significant relationship between quantity (NFC) and whether to provide collateral (COL), indicating that companies with political connections can obtain low loan interest rates, have fewer financial terms based on accounting information to limit the quantity, and are required to provide collateral when borrowing. The probability is low, consistent with the expectation of Hypothesis 1.

The relationship between national culture and debt contract conditions shows that power distance (PD) has a positive and significant relationship with INT, NFC, and COL respectively, indicating that the stronger the power distance characteristic of the national culture, the more organizational members will yield to authority, and the debtor will be less able to obtain favorable benefits. Debt Covenant Conditions. The degree of uncertainty avoidance (UA) has a positive and significant relationship with INT, NFC, and COL respectively, which shows that the stronger the uncertainty avoidance characteristics of the national culture, the organizational members are less willing to take risks and try to reduce uncertainties, so the debtor cannot Obtain favorable debt covenant terms. Masculine traits (MAS) and permissiveness (INDU) have a positive and significant relationship with INT, NFC, and COL respectively, which means that the stronger the masculine traits of the national culture, the stronger the organization's sense of social competition, and the way to resolve conflicts by obeying the winner. As a group, debtors are less likely to obtain favorable debt contract terms; and in a national culture with stronger leniency characteristics, organizational members prefer to enjoy life and value the autonomy of life, and debtors are less likely to obtain favorable debt contract terms. However, the national culture of individualism (IDV) and long-term orientation (LTO) has a negative and significant relationship with INT, NFC, and COL, indicating that organizational members value personal interests, hold self-confidence and optimism, and debtors enjoy the ability to negotiate debt contracts. The more advantages, the better the ability to

obtain favorable debt contract conditions. From the correlation coefficients between cultural characteristics of six countries and debt contract conditions, it can be seen that the national cultural environment will affect the formulation of debt contract terms.

Table 3
Pearson correlation

Variable	INT	NFC	COL	POBD	PD	UA	IDV	MAS	LTO	INDU	LOAN	MAT	FIXLO	PP	SIZE	LEV	PPE	CR	CAP	GDP	RQ
INT	1																				
NFC	0.28 a	1																			
COL	0.52 a	0.45 a	1																		
POBD	-0.03 a	-0.08 a	-0.03 a	1																	
PD	0.11 a	0.18 a	0.06 a	0.16 a	1																
UA	0.11 a	0.23 a	0.11 a	0.11 a	0.55 a	1															
IDV	-0.13 a	-0.30 a	-0.17 a	-0.06 a	-0.71 a	-0.63 a	1														
MAS	0.05 a	0.08 a	0.10 a	-0.09 a	-0.22 a	-0.09 a	0.19 a	1													
LTO	-0.19 a	-0.31 a	-0.18 a	0.11 a	0.43 a	0.67 a	-0.73 a	-0.06 a	1												
INDU	0.10 a	0.26 a	0.13 a	-0.07 a	-0.71 a	-0.56 a	0.81 a	0.09 a	-0.75 a	1											
LOAN	-0.20 a	-0.24 a	-0.16 a	0.10 a	-0.03 a	0.09 a	-0.05 a	-0.02 a	0.14 a	-0.07 a	1										
MAT	0.18 a	0.05 a	0.17 a	0.00	0.12 a	0.03 a	-0.10 a	-0.07 a	0.007 a	-0.12 a	0.12 a	1									
FIXLO	0.31 a	0.02 b	0.19 a	0.00	0.24 a	0.11 a	-0.23 a	-0.07 a	0.13 a	-0.22 a	0.05 a	0.30 a	1								
PP	-0.04 a	0.48 a	0.14 a	-0.04 a	-0.20 a	-0.18 a	0.26 a	0.08 a	-0.24 a	0.24 a	-0.02 c	-0.01	-0.18 a	1							
SIZE	-0.35 a	-0.37 a	-0.33 a	0.07 a	-0.02 a	0.16 a	-0.13 a	-0.13 a	0.16 a	-0.06 a	0.73 a	-0.06 a	-0.08 a	-0.09 a	1						
LEV	0.28 a	0.03 a	0.20 a	0.00	0.06 a	0.03 a	-0.03 a	-0.01	0.03 a	-0.04 a	0.21 a	0.15 a	0.25 a	-0.07 a	0.06 a	1					
PPE	-0.04 a	-0.02 b	-0.08 a	-0.04 a	0.08 a	-0.02 b	-0.07 a	-0.04 a	-0.02 b	-0.03 a	-0.00	-0.02 c	-0.02 a	-0.05 a	0.12 a	0.16 a	1				
CR	0.13 a	-0.15 a	0.14 a	-0.03 a	-0.09 a	-0.13 a	0.12 a	0.03 a	-0.15 a	0.12 a	-0.26 a	0.06 a	-0.01	0.08 a	-0.31 a	-0.26 a	-0.29 a	1			
CAP	-0.01	-0.49 a	0.12 a	-0.03 a	-0.30 a	-0.45 a	0.51 a	0.11 a	-0.49 a	0.51 a	-0.09 a	-0.03 a	-0.12 a	0.19 a	-0.14 a	-0.01	0.00	0.09 a	1		
GDP	0.17 a	-0.54 a	0.19 a	-0.07 a	-0.32 a	-0.33 a	0.72 a	0.36 a	-0.54 a	0.49 a	-0.10 a	-0.05 a	-0.15 a	0.24 a	-0.15 a	-0.01	-0.06 a	0.14 a	0.44 a	1	
RQ	-0.10 a	-0.33 a	0.05 a	-0.05 a	-0.80 a	-0.35 a	0.63 a	0.14 a	-0.33 a	0.65 a	-0.01	-0.16 a	-0.26 a	0.20 a	0.01	-0.06 a	-0.10 a	0.04 a	0.40 a	0.27 a	1
RL	-0.01	-0.27 a	0.06 a	-0.04 a	-0.81 a	-0.34 a	0.64 a	0.10 a	-0.27 a	0.60 a	0.07 a	-0.09 a	-0.25 a	0.15 a	0.04 a	-0.05 a	-0.13 a	0.07 a	0.36 a	0.32 a	0.87 a

Note: 1. a, b, and c represent 1%, 5%, and 10% statistical significance respectively. 2. Variable definition details are shown in Table 3.

4.3 Analysis of regression results

(1) Political relations and debt contract terms

The results on whether politically connected companies enjoy preferential debt contract conditions are listed in Table 4. The results in columns (1)-(3) show that companies with politically connected boards (POBD) have a negative and significant relationship with INT, NFC, and COL., the regression coefficients are -0.181, -0.742, and -0.479 respectively, and the statistical test values are -2.940, -3.770, and -1.970 respectively, indicating that because the board members have political backgrounds, the company enjoys more negotiation ability in negotiating debt terms. , thus enjoying lower loan interest rates, fewer financial restrictions as measured by accounting information, and a lower chance of being required to provide collateral. Therefore, Hypothesis 1a, Hypothesis 1b, and Hypothesis 1c are supported.

In terms of control variables, the larger the company's total loan amount (LOAN), the more creditors will require financial restrictions based on accounting information and the provision of collateral to protect creditors' risk premiums. The longer the borrowing period (MAT) of a company, the greater the creditor's risk of default. Therefore, creditors will require higher loan interest rates, a greater number of financial restrictions measured by accounting information, and the provision of collateral to protect the length of the loan period. The risk premium that comes with it. Similarly, if it is a term loan (FIXLO) for an enterprise, it means that the enterprise's capital needs often exist, and the enterprise will not have control over the ability to negotiate borrowing conditions. Therefore, creditors will require higher loan interest rates and financial restrictions, and provide collateral.

For the company characteristics, the larger the company size (SIZE) and the higher the fixed asset ratio (PPE), the stronger the ability to negotiate for debt, the more likely it is that it can enjoy lower loan interest rates, fewer financial restrictions, and lower Opportunities are asked to provide collateral. Companies with higher debt ratios (LEV) will face higher loan interest rates and be required to provide collateral when borrowing debt to protect creditors' credit risk premiums.

In terms of overall economic variables, the capitalization level of the securities market (CAP) has a positive and significant relationship with INT and NFC, which means that the more prosperous the securities market is, the loan conditions in the debt market will be relatively strict. Legal regulatory quality (RQ) has a positive relationship with INT, NFC, and COL respectively, which means that the more rigorous the formulation and implementation of government regulations and policies, the more debtors will be required to pay higher interest rates, more restrictions, and collateral, to avoid the debt market facing higher default risks. Legal environment (RL) has a negative relationship with INT, NFC, and COL respectively, which means that the stronger the national confidence and compliance with laws and regulations, the lower the risk of default in the debt market, and the debtor can enjoy lower interest rates when borrowing. Less likely to be asked to provide collateral.

Table 4
Regression results of political connections on debt contract conditions

		Column (1)	Column (2)	Column (3)
		INT	NFC	COL
variable	Expected symbols	coefficient (t value)	coefficient (z value)	coefficient (z value)
POBD	-	-0.181***	-0.742***	-0.479***
		(-2.940)	(-3.770)	(-1.970)
FC	+/-	0.068***		
		(12.270)		
COL	+/-	0.540***	0.449***	
		(35.470)	(28.300)	
LOAN	+/-	-0.010	0.068**	0.098***

		(-1.210)	(2.370)	(3.010)
MAT	+	0.001***	0.002**	0.011***
		(4.660)	(2.500)	(5.210)
FIXLO	+/-	0.305***	0.389***	0.735***
		(19.770)	(6.990)	(11.440)
PP	+/-	-0.142***	2.197***	0.594***
		(-10.360)	(40.600)	(11.260)
SIZE	+/-	-0.133***	-0.324***	-0.536***
		(-18.410)	(-13.030)	(-17.810)
LEV	+	0.008***	-0.001	0.027***
		(21.060)	(-1.060)	(16.290)
PPE	+/-	-0.131***	-0.213	-0.690***
		(-3.120)	(-1.320)	(-3.910)
CR	+/-	0.032***	0.113***	0.135***
		(3.980)	(3.550)	(4.190)
CAP	+/-	0.071*	0.489***	0.115
		(1.950)	(2.880)	(0.710)
GDP	+/-	0.033***	0.489***	0.373***
		(4.250)	(13.270)	(9.520)
RQ	+/-	0.605***	0.874***	1.615***
		(9.500)	(2.940)	(4.960)
RL	+/-	-0.500***	-0.376*	-1.020***
		(-7.910)	(-1.160)	(-2.810)
Intercept		-1.118***		-13.129***
		(-4.310)		(-10.610)
Year		Include	Include	Include
Country		Include	Include	Include
IND		Include	Include	Include
F value		186.640***		
Adj. R^2		0.570		0.451
Wald Chi-square			5146.670***	1864.730***
Pseudo R^2			0.237	0.230
Number of samples		9868	9868	9868

Note: 1. ***, **, and * represent significant levels of 1%, 5%, and 10% respectively. If there are expected signs, one-tailed test is used, and the rest are two-tailed test. 2. The loan interest rate (INT) is winsorized by 1%. The statistical methods in columns 1, 2, and 3 are the ordinary least squares method, the sequential logistic regression method, and the logistic regression method respectively. 3. Detailed variable definitions are shown in Table 1. 4. Statistics in parentheses after adjusting for uneven variances. 5. The VIF of each variable does not exceed 3.

(2) Political relations, national culture and debt contract terms

Table 5 shows the regression results of political connections, national cultural environment and debt contract conditions. The variable in Panel A is loan interest rate (INT). From the results in column (1), we know that politically connected enterprises (POBD) have a negative and significant impact on INT. The regression coefficient is -0.392 (t-value -2.180), indicating that politically connected enterprises (POBD) have a negative and significant impact on INT. Related companies can obtain lower borrowing interest rates, and hypothesis 1a is supported. Using power distance (PD) to measure national culture has a positive and significant impact on INT, with a regression coefficient of 0.010 (t-value=6.303), indicating that the higher the power distance, the cultural characteristics, the debtor's interest on borrowing funds is relatively higher. The joint impact of political connection and power distance cultural characteristics on loan interest rates. The cross-product term (POBD*PD) of the two has a positive and significant relationship with INT. The regression coefficient is 0.012 (t-value=3.330), indicating that the national cultural characteristics of power distance have a significant impact on loans. The influence of interest rates is stronger than the influence of political connections. Therefore, although companies with political connections can enjoy preferential borrowing interest rates, in the cultural environment of high power distance countries, companies still need to pay higher interest rates when borrowing, that is, the influence of

national cultural characteristics of power distance on the debt market is stronger than the influence of personal political connections of directors and supervisors. That is, in countries with high power distance, companies cannot obtain debt benefits by taking advantage of political connections. Hypothesis 2 is supported.

The strain number of Panel B in Table 5 is NFC. From the results in column (1), POBD has a negative significant impact on NFC (regression coefficient=-1.747, z value=-2.290), and PD has a negative significant relationship with NFC (regression coefficient= -0.058, z value= -4.480), and the cross-multiplication term of the two (POBD*PD) has a positive and significant relationship with NFC, with a regression coefficient of 0.028 and a z value of 1.710. The strain coefficient of Panel C is COL, POBD has a negative significant relationship with COL (regression coefficient =-3.443, z value =-2.600), PD has a negative relationship with COL (regression coefficient= -0.018, z value= -1.940), and both The cross-multiplying term (POBD*PD) has a positive and significant relationship with COL, with a regression coefficient of 0.007 and a z value of 2.790, indicating that politically connected enterprises (POBD) enjoy a smaller number of accounting information and financial restrictions when borrowing, and a lower Opportunities are required to provide collateral, and in national cultures with high power distance, organizational members are highly obedient. Therefore, creditors are not inclined to require financial restrictions on the number of terms and to provide collateral. However, when companies with political connections raise debt, On the contrary, they will be required to have more financial restrictions based on accounting information and provide sufficient collateral protection. The results are similar to those of Panel A, which means that in countries with a high power distance cultural environment, politically connected companies raise debt. However, they are unable to enjoy preferential loan contract conditions. The possible reason for this result is that companies are more inclined to use short-term debt rather than long-term debt under the national cultural characteristics of high power distance (Zheng et al. 2012). Therefore, companies are more There is no room for negotiation of favorable debt covenant terms. Moreover, power distance has a positive relationship with earnings adjudication (Doupnik 2008). The higher the power distance, the greater the degree of earnings management (Guan and Pourjalali 2010), resulting in a more serious information mismatch between creditors and debtors. Creditors will Increase the risk premium of lending to debtors. Therefore, in a national culture with high power distance, politically connected companies cannot obtain preferential debt contract terms. In other words, national cultural characteristics will affect the borrowing conditions of politically connected companies. Hypothesis 2 is obtained. support.

The results in column (2) of Table 6 show that the variable coefficient of Panel A is the loan interest rate (INT), POBD has a negative and significant relationship with INT (regression coefficient=-0.752, t-value= -5.020), and hypothesis 1a is supported. Using the degree of uncertainty avoidance (UA) to measure national culture, UA has a negative and significant impact on INT, with a regression coefficient of -0.005 (t-value= -6.510), indicating a highly uncertain national culture that prefers debt contract terms with low interest rates. As for the joint impact of political connections and uncertainty avoidance national culture on loan interest rates, the cross product of the two (POBD*UA) has a positive and significant relationship with INT, with a regression coefficient of 0.016 (t-value= 6.080), indicating the degree of uncertainty avoidance. Under a high national culture, although the debt market shows low interest rates, companies with political connections cannot obtain preferential borrowing rates. Similarly, the results of Panel C column (2) show that POBD*UA and COL are positively significant. relationship, the regression coefficient is 0.113 (z-value= 7.490). The higher the national cultural characteristics that express the degree of uncertainty avoidance, the higher the chance that companies with political connections will be required to provide collateral, which means that the influence of national culture on debt terms Stronger influence than political connections. The possible reason for this phenomenon is that companies under the national cultural characteristics of high uncertainty avoidance are more inclined to use short-term debt rather than long-term debt (Zheng et al. 2012), and when the company wants to avoid the impact of negative consequences, such as breach of debt terms, failure

to meet analyst forecasts, etc., the higher the national culture of uncertainty avoidance, the greater the earnings management will be to avoid the potential impact of negative events (Doupnik 2008). In this way, the information mismatch between creditors and debtors will become more serious. Creditors will increase the risk premium of lending to debtors. Moreover, companies prefer to use short-term debt financing, leaving less room for negotiation on preferential borrowing conditions, resulting in a highly political situation. Under the national cultural characteristics of high uncertainty avoidance, affiliated enterprises cannot obtain favorable borrowing interest rates. That is, national culture will affect the debt terms of politically affiliated enterprises. Hypothesis 2 is supported.

The results in column (3) of Table 6 show that POBD has no significant relationship with INT, NFC, and COL. Using individualism (IDV) to measure national culture, IDV has a positive and significant influence on INT, NFC, and COL. The regression coefficients are 0.011 (t-value= 9.610), 0.026 (z-value= 4.480), and 0.017 (z-value= 3.570) respectively, indicating in a highly individualistic national culture, debt contract terms are stricter. Under this national cultural trait, companies with political connections cannot obtain favorable borrowing rates or quantities with smaller financial restrictions (POBD*IDV does not apply to INT and NFC), but the chance of being asked to provide collateral is lower than that of companies without political connections.

The results in column (4) of Table 5 show that POBD has a negative and significant relationship with NFC, indicating that politically connected companies can obtain fewer financial restrictions based on accounting information when borrowing. Using masculine traits (MAS) to measure national culture, MAS has a negative and significant influence on INT, NFC, and COL. The regression coefficients are -0.014 (t-value -13.500), -0.010 (z-value = -2.550), and -0.048 (z-value= -9.900), indicating that in a highly masculine national culture, organizations value work performance and competition, so the terms of debt contracts are looser. However, in this kind of national culture, companies with political connections cannot obtain favorable conditions when borrowing debt. POBD*MAS has a positive and significant relationship with NFC, with a regression coefficient of 0.062 (z-value=2.320). POBD*MAS has a positive and significant relationship with COL. There is a positive and significant relationship, with a regression coefficient of 0.125 (z-value= 2.250), which means that in a highly masculine national culture, group members pay attention to work performance, have a strong sense of social competition, and resolve group conflicts by obeying the winner (Keswani et al. 2014), therefore, instead of relying on relationships, we discuss matters on the basis of facts. Therefore, in this national cultural environment, politically connected companies will be required to have more financial restrictions based on accounting information and provide collateral. That is, national culture will affect the borrowing conditions of politically related enterprises, and hypothesis 2 is supported. The possible reason for this phenomenon is that in countries with high levels of masculine traits, companies use earnings management more commonly (Doupnik 2008; Guan and Pourjalali 2010), resulting in more serious information mismatches between creditors and debtors. In addition, companies located in a highly masculine national culture prefer to use short-term debt (Zheng et al. 2012). Therefore, there is less room for negotiation of preferential debt contracts. Therefore, in a highly masculine culture, companies with political connections are less able to the phenomenon of obtaining favorable debt covenant terms.

The results in column (5) of Table 5 show that POBD has a negative and significant relationship with INT and COL, which means that when companies with political connections borrow money, they can obtain lower debt interest payments and have a higher chance of being required to provide collateral. Low. Using long-term orientation (LTO) to measure national culture, LTO has a negative and significant influence on INT, NFC, and COL. The regression coefficients are -0.007 (t-value= -10.080), -0.039 (z-value= -11.540), and -0.023 (z-value= -6.870), indicating that in a national culture with high long-term orientation characteristics, debtors can enjoy preferential debt contract conditions for borrowing. However, politically connected enterprises cannot enjoy preferential conditions for borrowing debt under such national cultural characteristics.

POBD* LTO has a positive and significant relationship with INT and COL respectively, and the regression coefficients are 0.020 (t-value= 5.680) and 0.128 (z-value= 4.820) respectively. The possible reason is that despite the long-term orientation of the national culture, companies are less inclined to engage in earnings management (Doupnik, 2008), but because companies with political connections are more likely to conceal financial information (Schipper 1989; Leuz et al. 2003), the quality of accounting information is poor (Shleifer and Vishny, 1994; Borisova et al. 2012; Chaney et al. 2011; Kusnadi and Srinidhi, 2016), causing the information mismatch between creditors and debtors to become more serious. Therefore, creditors increased the risk premium of loans, making it impossible for politically connected enterprises to enjoy preferential borrowing conditions under the national culture of long-term orientation, the results support that national culture affects the borrowing conditions of politically connected companies.

The results in column (6) of Table 6 show that POBD has a positive relationship with INT and COL (regression coefficients are 1.161 and 9.727 respectively). Using permissiveness (INDU) to measure national culture, INDU has a positive and significant influence on INT, NFC, and COL, with regression coefficients of 0.011, 0.052, and 0.025 respectively, indicating that under a highly permissive national culture, debtors cannot obtain borrowed funds. favorable conditions. However, under a highly liberal national culture, companies with political connections can obtain more favorable borrowing conditions when borrowing funds. For example, the POBD*INDU result shows a lower interest rate (regression coefficient= -0.017, t-value= -3.010). The POBD*INDU results show a lower chance of being asked to provide collateral (regression coefficient= -0.163, z-value= 5.040). The possible reason is that the national culture of liberalism has short-term cultural characteristics (Minkov, 2007), which is different from the long-term national cultural characteristics. Therefore, politically connected enterprises cannot enjoy preferential borrowing under the national culture of long-term orientation. conditions, but under a permissive (short-term orientation) national culture, preferential debt terms can be enjoyed.

Table 5
Regression results of political relations and national cultural environment on debt contract conditions

Panel A strain number: INT						
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
variable	**coefficient (t value)**	**coefficient (t value)**	**coefficient (t value)**	**coefficient (t value)**	**coefficient (t value)**	**coefficient (t value)**
POBD	-0.392**	-0.752***	0.268	0.482	-0.779***	1.161***
	(-2.180)	(-5.020)	(0.850)	(1.430)	(-4.770)	(3.210)
PD	0.010***					
	(6.030)					
POBD*PD	0.012***					
	(3.330)					
UA		-0.005***				
		(-6.510)				
POBD*UA		0.016***				
		(6.080)				
IDV			0.011***			
			(9.610)			
POBD*IDV			-0.002			
			(-0.430)			
MAS				-0.014***		
				(-13.500)		
POBD*MAS				0.006		
				(1.100)		
LTO					-0.007***	
					(-10.080)	
POBD*LTO					0.020***	
					(5.680)	
INDU						0.011***
						(10.260)

POBD*INDU						-0.017***
						(-3.010)
FC	0.067***	0.067***	0.068***	0.064***	0.064***	0.066***
	(12.030)	(12.050)	(12.330)	(11.540)	(11.470)	(11.920)
COL	0.537***	0.534***	0.534***	0.512***	0.527***	0.531***
	(35.320)	(35.310)	(35.570)	(34.310)	(35.230)	(35.080)
LOAN	-0.013	-0.014*	-0.023***	0.011	-0.008	-0.007
	(-1.540)	(-1.660)	(-2.800)	(1.390)	(-1.050)	(-0.900)
MAT	0.001***	0.001***	0.001***	0.001***	0.001***	0.001***
	(4.850)	(4.390)	(4.460)	(3.480)	(4.690)	(4.970)
FIXLO	0.309***	0.309***	0.315***	0.304***	0.309***	0.310***
	(20.220)	(20.380)	(20.790)	(20.270)	(20.470)	(20.430)
PP	-0.146***	-0.144***	-0.145***	-0.141***	-0.149***	-0.150***
	(-10.700)	(-10.550)	(-10.670)	(-10.320)	(-10.950)	(-10.990)
SIZE	-0.131***	-0.129***	-0.121***	-0.158***	-0.132***	-0.134***
	(-18.280)	(-17.800)	(-16.760)	(-22.110)	(-18.620)	(-19.050)
LEV	0.008***	0.008***	0.008***	0.008***	0.008***	0.008***
	(21.330)	(21.490)	(21.590)	(21.290)	(21.570)	(21.220)
PPE	-0.142***	-0.129***	-0.121***	-0.114***	-0.139***	-0.144***
	(-3.360)	(-3.050)	(-2.900)	(-2.710)	(-3.310)	(-3.470)
CR	0.029***	0.028***	0.028***	0.023***	0.025***	0.026***
	(3.630)	(3.530)	(3.540)	(2.940)	(3.180)	(3.240)
CAP	0.112***	-0.007	0.015	0.027	-0.043	-0.025
	(3.060)	(-0.180)	(0.410)	(0.760)	(-1.200)	(-0.680)
GDP	0.027***	0.030***	-0.041***	0.077***	0.004	0.013*
	(3.390)	(3.790)	(-3.760)	(9.370)	(0.450)	(1.690)
RQ	0.476**	0.613***	0.482***	0.842***	0.493***	0.396***
	(7.090)	(9.460)	(7.540)	(13.390)	(7.820)	(6.010)
RL	-0.594***	-0.537	-0.588***	-0.712***	-0.412***	-0.452***
	(-9.100)	(-8.390)	(-9.190)	(-11.570)	(-7.820)	(-7.450)
Intercept	-0.365	-0.289	0.768**	-1.552***	0.526*	-0.635**
	(-1.250)	(-1.00)	(2.390)	(-5.930)	(1.750)	(-2.430)
F value	172.690***	172.450***	169.690***	176.800***	175.800***	175.520***
Adj. R^2	0.573	0.574	0.577	0.585	0.579	0.577
Number of samples	9868	9868	9868	9868	9868	9868

Panel B Strain Number: NFC

	(1)	(2)	(3)	(4)	(5)	(6)
variable	coefficient (z value)	coefficient (z value)	coefficient (z value)	coefficient (z value)	coefficient (z value)	coefficient (z value)
POBD	-1.747**	-0.759	-0.599	-4.390***	0.335	-1.796
	(-2.290)	(-1.270)	(-0.300)	(-2.670)	(0.650)	(-1.100)
PD	-0.058***					
	(-4.480)					
POBD*PD	0.028*					
	(1.710)					
UA		-0.031***				
		(-7.710)				
POBD*UA		0.002				
		(0.150)				
IDV			0.026***			
			(4.480)			
POBD*IDV			-0.002			
			(-0.100)			
MAS				-0.010**		
				(-2.550)		
POBD*MAS				0.062**		
				(2.320)		
LTO					-0.039***	
					(-11.540)	
POBD*LTO					-0.019	
					(-1.400)	

INDU						0.052***
						(6.530)
POBD*INDU						0.017
						(0.690)
COL	1.442***	1.446***	1.444***	1.445***	1.418***	1.437***
	(28.110)	(28.010)	(28.150)	(28.030)	(27.500)	(27.950)
LOAN	0.069	0.058**	0.061**	0.074**	0.093***	0.090***
	(2.360)	(1.990)	(2.080)	(2.550)	(3.100)	(3.000)
MAT	0.003***	0.003***	0.003***	0.002***	0.003***	0.003***
	(2.860)	(2.920)	(2.860)	(2.590)	(3.480)	(2.860)
FIXLO	0.397***	0.398***	0.397***	0.387***	0.390***	0.390***
	(7.110)	(7.100)	(7.130)	(6.960)	(6.960)	(6.990)
PP	2.180***	2.188***	2.194***	2.193***	2.150***	2.177***
	(40.540)	(40.570)	(40.630)	(40.470)	(39.840)	(40.380)
SIZE	-0.328***	-0.313***	-0.137***	-0.329***	-0.341***	-0.343***
	(-12.890)	(-12.380)	(-12.630)	(-13.210)	(-13.090)	(-13.250)
LEV	-0.001	-0.001	-0.002	-0.002	-0.002	-0.002
	(-0.930)	(-0.960)	(-1.090)	(-1.090)	(-1.060)	(-1.100)
PPE	-0.254	-0.259	-0.206	-0.224	-0.253	-0.264***
	(-1.550)	(-1.590)	(-1.280)	(-1.380)	(-1.610)	(-1.630)
CR	0.105***	0.101***	0.108***	0.109***	0.093***	0.098***
	(3.290)	(3.170)	(3.390)	(3.390)	(2.940)	(3.050)
CAP	0.618***	-0.004	0.290	0.424**	-0.049	-0.130
	(3.810)	(-0.020)	(1.500)	(2.430)	(-0.210)	(-0.540)
GDP	0.490***	0.501***	0.344***	0.517***	0.319***	0.456***
	(12.920)	(13.010)	(7.660)	(12.810)	(7.300)	(11.180)
RQ	-0.040	0.564**	0.483	0.931***	0.049	-0.422
	(-0.100)	(1.820)	(1.460)	(3.120)	(0.170)	(-1.030)
RL	-0.792**	-0.176	-0.479	-0.431	0.334	0.138
	(-2.470)	(-0.490)	(-1.470)	(-1.330)	(1.010)	(0.390)
LR Chi-square	5094.300***	5015.400***	5204.250***	5145.520***	4364.420***	4938.340***
Pseudo R^2	0.239	0.240	0.238	0.238	0.243	0.240
Number of samples	9868	9868	9868	9868	9868	9868

Panel C strain number: COL

	(1)	(2)	(3)	(4)	(5)	(6)
variable	**coefficient (z value)**	**coefficient (z value)**	**coefficient (z value)**	**coefficient (z value)**	**coefficient (z value)**	**coefficient (z value)**
POBD	-3.443***	-6.795***	2.873	6.894**	-5.647***	9.727***
	(-2.600)	(-5.960)	(1.340)	(2.320)	(-3.730)	(5.270)
PD	-0.018*					
	(-1.940)					
POBD*PD	0.0074***					
	(2.790)					
UA		-0.006				
		(-1.630)				
POBD*UA		0.113***				
		(7.490)				
IDV			0.017***			
			(3.570)			
POBD*IDV			-0.032***			
			(-3.220)			
MAS				-0.048***		
				(-9.900)		
POBD*MAS				0.125**		
				(2.250)		
LTO					-0.023***	
					(-6.870)	
POBD*LTO					0.128***	
					(4.820)	
INDU						0.025***
						(4.040)

POBD*INDU						-0.163***
						(5.040)
LOAN	0.092***	0.103***	0.084**	0.160***	0.109***	0.099***
	(2.820)	(3.160)	(2.560)	(4.850)	(3.210)	(2.950)
MAT	0.011***	0.011***	0.011***	0.010***	0.010***	0.011***
	(5.190)	(4.910)	(4.970)	(4.420)	(3.210)	(5.040)
FIXLO	0.748***	0.747***	0.752***	0.751***	0.751***	0.753***
	(11.630)	(11.540)	(11.610)	(11.500)	(11.610)	(11.680)
PP	0.588***	0.610***	0.590***	0.596***	0.566***	0.581***
	(11.150)	(11.530)	(11.210)	(10.960)	(10.730)	(11.020)
SIZE	-0.533***	-0.551***	-0.522***	-0.613***	-0.547***	-0.540***
	(-17.450)	(-18.520)	(-17.050)	(-20.720)	(-17.180)	(-17.140)
LEV	0.026***	0.027***	0.026***	0.027***	0.027***	0.027***
	(16.240)	(16.370)	(16.240)	(15.950)	(16.390)	(16.260)
PPE	-0.678***	-0.621***	-0.682***	-0.584***	-0.685***	-0.662***
	(-3.820)	(-3.500)	(-3.880)	(-3.320)	(-3.940)	(-3.790)
CR	0.132***	0.140***	0.130***	0.117***	0.127***	0.130***
	(4.070)	(4.300)	(4.010)	(3.560)	(3.920)	(4.010)
CAP	0.226	0.063	0.000	-0.073	-0.321	-0.077
	(1.320)	(0.340)	(0.000)	(-0.380)	(-1.470)	(-0.360)
GDP	0.354***	0.372***	0.269***	0.564***	0.280***	0.330***
	(8.750)	(9.360)	(5.620)	(10.460)	(6.450)	(7.940)
RQ	1.409***	1.964***	1.377***	2.511***	1.490***	1.234***
	(3.720)	(6.000)	(4.060)	(8.460)	(4.380)	(3.270)
RL	-1.157***	-1.399***	-1.074***	-1.947***	-1.019***	-0.991***
	(-3.010)	(-3.850)	(-2.940)	(-6.130)	(-2.760)	(-2.720)
Intercept	-11.844***	-12.578***	-10.489***	-15.396***	-7.371***	-12.017***
	(-8.060)	(-9.160)	(-7.240)	(-11.070)	(-5.630)	(9.980)
LR Chi-square	1844.680***	1879.010***	1870.130***	1959.070***	1807.350***	1810.110***
Pseudo R^2	0.232	0.236	0.231	0.245	0.238	0.234
Number of samples	9868	9868	9868	9868	9868	9868

Note: 1. ***, **, * indicate 1%, 5% and 10% significance respectively. The regression model includes the variables of YEAR, COUNTRY, and IND. 2. Variable definitions are detailed in Table 1. 3. The statistics in parentheses are after adjusting for uneven variables.

Based on the results in Table 5, national culture will affect the debt borrowing conditions of politically connected enterprises. Only under the cultural characteristics of a highly permissive country, politically connected enterprises can enjoy preferential debt contract conditions. However, under high power distance and uncertainty, politically connected enterprises can enjoy preferential debt contract conditions. Under the national culture of avoidance, masculinity and long-term orientation, companies with political connections cannot enjoy preferential debt contract conditions when borrowing debt.

(3) Additional testing

Since the sample is significantly biased towards the United States as a single country (up to 77.74%), the samples of American companies are excluded and the non-American samples are analyzed separately. The empirical results are listed in Table 6. As shown in the table, the results of the entire sample (Table 5) are similar to the results of the sample after excluding the United States (Table 6), indicating that only under the cultural characteristics of a highly liberal country, politically connected enterprises can enjoy preferential borrowing rates and are less likely to When asked to provide collateral, under the national culture of high power distance, uncertainty avoidance, and long-term orientation, politically connected enterprises cannot enjoy preferential borrowing rates when borrowing debts, and the chances of being asked to provide collateral are relatively low. higher. The results of the remaining control variables are similar to Table 6 and will not be described in detail.

Table 6
Additional analysis - Regression results of political relations and national cultural environment on debt contract conditions

Panel A strain number: INT						
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
variable	**coefficient (t value)**	**coefficient (t value)**	**coefficient (t value)**	**coefficient (t value)**	**coefficient (t value)**	**coefficient (t value)**
POBD	-0.214	-0.583***	0.457	0.309	-0.500	0.912***
	(-0.770)	(-3.220)	(1.240)	(0.980)	(-1.340)	(2.630)
PD	0.004*					
	(1.950)					
POBD*PD	0.007**					
	(2.180)					
UA		-0.005***				
		(-5.460)				
POBD*UA		0.012***				
		(4.450)				
IDV			0.011***			
			(8.710)			
POBD*IDV			-0.005			
			(-0.990)			
MAS				-0.011***		
				(-9.440)		
POBD*MAS				-0.004		
				(-0.720)		
LTO					-0.010***	
					(-10.440)	
POBD*LTO					0.011*	
					(1.730)	
INDU						0.008***
						(5.680)
POBD*INDU						-0.014**
						(-2.330)
FC	0.104***	0.096***	0.096***	0.109***	0.092***	0.100***
	(4.320)	(4.690)	(4.870)	(5.480)	(4.620)	(4.970)
COL	0.662***	0.652***	0.644***	0.600***	0.643***	0.656***
	(13.300)	(13.490)	(13.770)	(12.690)	(13.590)	(13.670)
LOAN	-0.034**	-0.042**	-0.070***	-0.005	-0.053***	-0.031*
	(-2.050)	(-2.450)	(-4.060)	(-0.320)	(-3.120)	(-1.810)
MAT	0.001***	0.001**	0.001**	0.001*	0.001***	0.001***
	(2.750)	(2.400)	(2.400)	(1.670)	(2.780)	(3.340)
FIXLO	0.315***	0.315***	0.343***	0.297***	0.318***	0.324***
	(7.730)	(7.850)	(8.630)	(7.480)	(7.950)	(8.000)
PP	-0.236***	-0.226***	-0.240***	-0.197***	-0.209***	-0.241***
	(-4.450)	(-4.880)	(-5.150)	(-4.100)	(-4.560)	(-5.240)
SIZE	-0.066***	-0.055***	-0.034***	-0.105***	-0.042***	-0.063***
	(-5.430)	(-4.050)	(-2.590)	(-7.850)	(-3.190)	(-4.760)
LEV	0.008***	0.008***	0.008***	0.007***	0.008***	0.008***
	(7.060)	(7.490)	(7.690)	(6.810)	(7.470)	(7.070)
PPE	-0.108	-0.121	-0.170**	-0.095	-0.216***	-0.141*
	(-1.290)	(-1.500)	(-2.160)	(-1.200)	(-2.780)	(-1.750)
CR	-0.006	-0.013	0.006	-0.004	-0.002	-0.007
	(-0.220)	(-0.520)	(0.220)	(-0.140)	(-0.100)	(-0.290)
CAP	0.151***	-0.207***	-0.180***	-0.179***	-0.183	-0.201***
	(3.710)	(-5.140)	(-4.540)	(-4.560)	(-4.640)	(-5.010)
GDP	0.020	0.000	-0.059***	0.053***	0.077***	-0.008
	(-1.040)	(0.010)	(-2.940)	(2.620)	(3.520)	(-0.410)
RQ	0.313***	0.353***	0.172**	0.632***	0.179**	0.165*
	(3.440)	(4.240)	(2.040)	(7.220)	(2.130)	(1.800)
RL	-0.389***	-0.378***	-0.375***	-0.609***	-0.211**	-0.278***
	(-4.680)	(-4.620)	(-4.610)	(-7.060)	(-2.530)	(-3.330)
Intercept	2.176***	1.983***	3.061***	0.388	0.090	1.377**
	(3.420)	(3.220)	(4.830)	(0.620)	(0.140)	(2.220)
F value	44.740***	67.140***	66.760***	67.470***	69.970***	65.420***
Adj. R^2	0.253	0.268	0.284	0.292	0.292	0.270

Number of samples	2197	2197	2197	2197	2197	2197

Panel B Strain Number: NFC

	(1)	(2)	(3)	(4)	(5)	(6)
variable	coefficient (z value)	coefficient (z value)	coefficient (z value)	coefficient (z value)	coefficient (z value)	coefficient (z value)
POBD	1.283	0.531	-1.361	-3.040	0.648	-2.482
	(1.310)	(0.610)	(-0.890)	(-1.610)	(0.470)	(-1.470)
PD	-0.005					
	(-0.540)					
POBD*PD	-0.021					
	(-1.250)					
UA		-0.018***				
		(-4.150)				
POBD*UA		-0.009				
		(-0.610)				
IDV			0.014**			
			(2.310)			
POBD*IDV			0.018			
			(0.890)			
MAS				0.005		
				(1.100)		
POBD*MAS				0.055*		
				(1.710)		
LTO					-0.010**	
					(-2.400)	
POBD*LTO					-0.013	
					(-0.500)	
INDU						0.010
						(1.610)
POBD*INDU						0.043
						(1.520)
COL	1.528***	1.539***	1.499***	1.567***	1.471***	1.532***
	(9.180)	(9.160)	(9.050)	(9.340)	(8.800)	(9.210)
LOAN	-0.232***	-0.296***	-0.264**	-0.254***	-0.251***	-0.225***
	(-3.100)	(-3.960)	(-3.480)	(-3.430)	(-3.390)	(-3.060)
MAT	-0.000	-0.001	-0.003	0.000	-0.000	-0.000
	(-0.110)	(-0.390)	(-0.130)	(0.080)	(-0.010)	(-0.040)
FIXLO	-0.258	-0.223	-0.217	-0.261	-0.264	-0.263
	(-1.450)	(-1.230)	(-1.210)	(-1.470)	(-1.490)	(-1.480)
PP	2.625***	2.632***	2.607***	2.621***	2.642***	2.610***
	(15.910)	(15.960)	(15.880)	(15.970)	(16.190)	(15.890)
SIZE	-0.128**	-0.057	-0.097*	-0.097*	-0.099*	-0.126**
	(-2.360)	(-1.030)	(-1.740)	(-1.750)	(-1.790)	(-2.350)
LEV	-0.009*	-0.008	-0.008*	-0.009*	-0.008*	-0.009*
	(-1.850)	(-1.630)	(-1.740)	(-1.900)	(-1.690)	(-1.880)
PPE	-0.954***	-1.002***	-0.976***	-0.941**	-0.982***	-1.009***
	(-2.730)	(-2.860)	(-2.800)	(-2.700)	(-2.820)	(-2.890)
CR	0.261***	0.206**	0.254***	0.265***	0.235***	0.247***
	(2.840)	(2.230)	(2.770)	(2.900)	(2.570)	(2.680)
CAP	0.117	0.026	0.088	0.108	0.153	0.063
	(0.750)	(0.180)	(0.590)	(0.730)	(1.000)	(0.420)
GDP	-0.292***	-0.184**	-0.364***	-0.299***	-0.180**	-0.280***
	(-3.880)	(-2.420)	(-4.640)	(-4.140)	(-2.130)	(-3.810)
RQ	0.372	0.231	0.246	0.247	0.250	0.154
	(1.010)	(0.660)	(0.680)	(0.670)	(0.690)	(0.390)
RL	-0.576*	-0.420	-0.597*	-0.312	-0.334	-0.393
	(-1.670)	(-1.240)	(-1.800)	(-0.890)	(-0.970)	(-1.150)
LR Chi-square	539.950***	558.390***	544.370***	542.270***	543.550***	542.750***
Pseudo R^2	0.214	0.221	0.215	0.215	0.215	0.215
Number of samples	2197	2197	2197	2197	2197	2197

Panel C strain number: COL						
	(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**
variable	**coefficient (z value)**	**coefficient (z value)**	**coefficient (z value)**	**coefficient (z value)**	**coefficient (z value)**	**coefficient (z value)**
POBD	-1.398	3.661***	2.379**	5.052***	-4.113**	6.797***
	(-1.530)	(-3.600)	(2.120)	(4.000)	(-2.440)	(4.490)
PD	0.000					
	(0.020)					
POBD*PD	0.041***					
	(2.790)					
UA		-0.003				
		(-0.780)				
POBD*UA		0.070***				
		(5.220)				
IDV			0.014***			
			(2.850)			
POBD*IDV			-0.019			
			(-1.260)			
MAS				-0.021***		
				(-5.320)		
POBD*MAS				-0.081***		
				(-3.290)		
LTO					-0.009**	
					(-2.540)	
POBD*LTO					0.093***	
					(3.190)	
INDU						0.005
						(0.950)
POBD*INDU						-0.107***
						(-3.730)
LOAN	0.092	0.106*	0.059	0.161***	0.092	0.093*
	(1.620)	(1.860)	(1.020)	(2.770)	(1.610)	(1.660)
MAT	0.006***	0.005***	0.005***	0.005***	0.005***	0.005***
	(3.200)	(3.020)	(3.280)	(3.140)	(3.160)	(3.170)
FIXLO	0.594***	0.595***	0.626***	0.576***	0.581***	0.603***
	(4.330)	(4.300)	(4.550)	(4.170)	(4.230)	(4.400)
PP	0.734***	0.735***	0.711***	0.806***	0.737***	0.727***
	(4.740)	(4.740)	(4.620)	(5.150)	(4.780)	(4.700)
SIZE	-0.062	-0.093**	-0.021	-0.161***	-0.063	-0.066
	(-1.500)	(-2.130)	(-0.500)	(-3.650)	(-1.470)	(-1.590)
LEV	0.031***	0.033***	0.031***	0.030***	0.032***	0.032***
	(8.710)	(9.020)	(8.780)	(8.290)	(8.890)	(8.830)
PPE	0.5955**	0.753***	0.377	0.657**	0.433	0.653**
	(2.100)	(2.620)	(1.350)	(2.320)	(1.530)	(2.280)
CR	0.283***	0.285***	0.292***	0.276***	0.296***	0.277***
	(3.460)	(3.470)	(3.580)	(3.360)	(3.650)	(3.390)
CAP	0.068	0.038	0.044	0.025	0.041	0.057
	(0.490)	(0.280)	(0.320)	(0.180)	(0.300)	(0.420)
GDP	-0.107	-0.145**	-0.161**	0.001	-0.069	-0.097
	(-1.610)	(-2.160)	(-2.370)	(0.010)	(-0.900)	(-1.460)
RQ	-0.600**	-0.277	-0.881***	0.096	-0.599**	-0.654**
	(-1.960)	(-0.950)	(-3.020)	(0.320)	(-2.050)	(-2.020)
RL	0.651**	0.290	0.630**	-0.072	0.533*	0.639**
	(2.220)	(1.000)	(2.220)	(-0.240)	(1.830)	(2.180)
Intercept	-2.854	-1.565	-1.364	-4.928**	-3.108	-3.285
	(-1.360)	(-0.750)	(0.630)	(-2.220)	(-1.390)	(-1.530)
LR Chi-square	238.470***	265.340***	238.600***	277.520***	249.850***	247.460***
Pseudo R^2	0.115	0.128	0.115	0.134	0.121	0.120
Number of samples	2197	2197	2197	2197	2197	2197

Note: 1. ***, **, * indicate 1%, 5% and 10% significance respectively. The regression model includes the variables of YEAR, COUNTRY, and IND. 2. Variable definitions are detailed in Table 1. 3. The statistics in parentheses are after adjusting for uneven variables.

5. Conclusion and recommendations

This study focuses on the content of debt contract conditions and examines whether politically connected companies will be affected by cultural differences in the country to which they belong, thereby affecting the setting of debt contract conditions for creditors and debtors. This article takes global listed companies from 1996 to 2015 as the research object, and uses the six national cultural scales proposed by Hofstede et al. (2010) to measure national cultural characteristics to explain the impact of the national cultural environment on the formulation of debt contract content.

Empirical results show that the debt contract conditions between a company and its creditors will be affected by whether the company has political connections. When companies with political connections borrow debt, they enjoy lower borrowing rates and fewer financial restrictions based on accounting information. The number of terms is less likely to be required to provide collateral. However, after taking into account national and cultural characteristics, the results show that the national cultural environment affects the preferential debt covenant terms enjoyed by politically connected industries. For example, in a national culture with high power distance, uncertainty avoidance, masculine traits, and long-term orientation, the information mismatch between creditors and debtors is more serious. Therefore, companies with political connections cannot enjoy preferential treatment for borrowing debt. debt covenant conditions. However, in a highly liberal national culture, there is a cultural trait of short-term orientation. Different from the national cultural trait of long-term orientation, the information mismatch between creditors and debtors is relatively mild. Therefore, enterprises with political connections are more likely to be affected by liberalism. (Short-term orientation) national culture can enjoy preferential debt terms.

This study defines whether a company has political connections based on whether the company's board members hold politically-related positions. However, political connections may come from invisible relationships, such as friendships between company managers and government officials, and long-term political and business friendly relationships between consortiums, but because the data cannot be obtained, this article does not take into account this political relationship, which is one of the research limitations of this article. Secondly, national culture is individually measured by the six traits proposed by Hofstede et al. (2010). It is impossible to calculate an overall national culture score for an individual country. Which type of cultural traits it is classified into is another study of this article. restrictions. The results of this article illustrate the impact of the national cultural environment on the contracting mechanism between creditors and debtors, and provide a reasonable explanation for the lack of consistent results in previous literature on the relationship between politically connected enterprises and debt terms, and also provide new insights into the debt financing market. literature, and provide capital market participants with a reference basis for a contracting mechanism.

References

Acemoglu, D., M. Golosov, and A. Tsyvinski. 2011.Power fluctuations and political economy. ***Journal of Economic Theory***, 146(3): 1009-1041.

Adair, W. L., T. Okumura, and J. M. Brett. 2001. Negotiation behavior when cultures collide: the United States and Japan. ***Journal of Applied Psychology***, 86(3): 371.

Adhikari, A., C. Derashid, and H. Zhang. 2006. Public policy, political connections, and effective tax rates: Longitudinal evidence from Malaysia. ***Journal of Accounting and Public Policy***, 25(5): 574-595.

Adler, N. J. 1983. Cross-cultural management research: The ostrich and the trend. ***Academy of management Review***, 8(2): 226-232.

Asquith, P., A. Beatty, and J. Weber. 2005. Performance pricing in bank debt contracts. ***Journal of Accounting and Economics***, 40(1): 101-128.

Bae, K. H., and V. K. Goyal. 2009. Creditor rights, enforcement, and bank loans. ***The Journal of Finance***, 64(2): 823-860.

Borisova, G., P.Brockman, J. M. Salas, and A. Zagorchev. 2012. Government ownership and

corporate governance: Evidence from the EU. ***Journal of Banking and Finance***, 36(11): 2917-2934.

Boubakri, N., J. C. Cosset, and W. Saffar. 2008.Political connections of newly privatized firms. ***Journal of Corporate Finance***, 14(5): 654-673.

Brett, J. M., and T. Okumura. 1998. Inter-and intracultural negotiation: US and Japanese negotiators. ***Academy of Management Journal***, 41(5): 495-510.

Bushman, R. M., and R. Wittenberg-Moerman. 2012.The role of bank reputation in "certifying" future performance implications of borrowers' accounting numbers. ***Journal of Accounting Research***, 50(4): 883-930.

Chan, K. H., K. Z. Lin, and P. L. L. Mo. 2006.A political–economic analysis of auditor reporting and auditor switches. ***Review of Accounting Studies***, 11(1): 21-48.

Chaney, P. K., M. Faccio, and D. Parsley. 2011.The quality of accounting information in politically connected firms. ***Journal of Accounting and Economics***, 51(1): 58-76.

Chen, K. C., Z. Chen, and K. J. Wei. 2009.Legal protection of investors, corporate governance, and the cost of equity capital. ***Journal of Corporate Finance***, 15(3): 273-289.

Chen, Y. S., C. H. Shen, and C. Y. Lin. 2014. The benefits of political connection: Evidence from individual bank-loan contracts. ***Journal of Financial Services Research***, 45(3): 287-305.

Cheung, H. Y., and A. W. Chan. 2007. How culture affects female inequality across countries: An empirical study. ***Journal of Studies in International Education***, 11(2): 157-179.

Chui, A. C., A. E. Lloyd, and C. C. Kwok. 2002. The determination of capital structure: is national culture a missing piece to the puzzle? ***Journal of International Business Studies***, 33(1): 99-127.

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

Costello, A. M., and R. Witternberg-Moerman. 2011. The impact of financial reporting quality on debt contracting: Evidence from internal control weakness reports. ***Journal of Accounting Research***, 49(1): 97-136.

DeAngelo, H., L. DeAngelo, and D. Skinner. 1994. Accounting choice in troubled companies. ***Journal of Accounting and Economics***,17(1): 113-143.

Dennis, S. A., and D. J. Mullineaux. 2000. Syndicated loans. ***Journalof Financial Intermediation***, 9(4): 404-426.

Dichev, I. D., and D. J. Skinner. 2002.Large–sample evidence on the debt covenant hypothesis. ***Journal of Accounting Research***, 40(4): 1091-1123.

Ding, S., C. Jia, Z. Wu, and X. Zhang. 2014. Executive political connections and firm performance: Comparative evidence from privately-controlled and state-owned enterprises. ***International Review of Financial Analysis***, 36(December): 153-167.

Doupink, T.S. 2008. Influence of culture on earnings management: A note. ***Abacus*** 44(3):317-340.

Drope, J. M., and W. L. Hansen. 2004. Purchasing protection? The effect of political spending on US trade policy. ***Political Research Quarterly***, 57(1): 27-37.

Duchin, R., and D. Sosyura. 2012. The politics of government investment. ***Journal of Financial Economics***, 106(1): 24-48.

Easley, D., and M. O'Hara. 2004. Information and the cost of capital. ***The Journal of Finance***, 59(4): 1553-1583.

Easley, D., S. Hvidkjaer, and M. O'Hara. 2002. Is information risk a determinant of asset returns? ***The Journal of Finance***, 57(5): 2185-2221.

Faccio, M. 2006. Politically connected firms. ***American Economic Review***, 96(1): 369-386.

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

Faccio, M., and D. C. Parsley. 2009. Sudden deaths: Taking stock of geographicties. ***Journal of Financial and Quantitative Analysis***, 44(03): 683-718.

Faccio, M., Masulis, R. W., and J. McConnell. 2006.Political connections and corporate bailouts.

The Journal of Finance, 61(6): 2597-2635.

Fan, J. P. H., S. Titman, and G. Twite. 2012. An international comparison of capital structure and debt maturity choices. ***Journal of Financial and Quantitative Analysis***, 47(1): 23-56.

Fan, J., T. Wong, and T. Zhang. 2007.Politically connected CEOs, corporate governance and post-IPO performance of China's newly partially privatized firms. ***Journal of Financial Economics***, 84(2): 330-357.

Frye, T., and A. Shleifer. 1997. The invisible hand and the grabbing hand. ***The American Economic Review***, 87(2): 354-358.

Goldman, E., J. Rocholl, and J. So. 2009. Do politically connected boards affect firm value? ***The Review of Financial Studies***, 22 (6): 2331-2360.

Goss, A., and G. S. Roberts. 2011.The impact of corporate social responsibility on the cost of bank loans. ***Journal of Banking & Finance***, 35(7): 1794-1810.

Graham, J. R., S. Li, and J. Qiu. 2008.Corporate misreporting and bank loan contracting. ***Journal of Financial Economics***, 89(1): 44-61.

Guan, L., and H. Pourjalali. 2010. Effect of cultural environmental and accounting regulation on earnings management: A multiple year-country analysis. ***Asia-Pacific Journal of Accounting & Economic***, 17(1): 99 – 127.

Hambrick, D. C., and G. L. Brandon. 1988. *Executive Values*. Elsevier Science/JAI Press.

Heine, S. J., D. R. Lehman, H. R. Markus, and S. Kitayama. 1999. Is there a universal need for positive self-regard? ***Psychological Review***, 106 (4): 766.

Hofstede, G. 1980. *Culture's consequences: International differences in work related values.* Beverly Hills, Sage.

Hofstede, G. 2001. *Culture's consequences: Comparingvalues, behaviors, institutions and organizations across nations 2nd Ed.* Thousand Oaks, Sage.

Hofstede, G. 2011. Dimensionalizing cultures: The Hofstede model in context. ***Online Readings in Psychology and Culture***, 2(1): 8.

Hofstede, G., G. J. Hofstede, and M. Minkov. 2010. *Cultures and organizations: Software of the mind revised and expanded*. McGraw-Hill, New York.

Hope, O. K. 2003. Disclosure practices, enforcement of accounting standards, and analysts' forecast accuracy: An international study. ***Journal of Accounting Research***, 41(2): 235-272.

Hu, F., and S. Leung. 2012. Appointment of politically connected top executives and subsequent firm performance and corporate governance: Evidence from China's listed SOEs. ***2012 Financial Markets & Corporate Governance Conference***, Bundoora, Australia.

Jensen, M. C., and W. H. Meckling. 1976. Theory of the firm: Managerial behavior, agency costs and ownership structure. ***Journal of Financial Economics***, 3(4): 305-360.

Johnson, S., and T. Mitton. 2003. Cronyism and capital controls: evidence from Malaysia. ***Journal of Financial Economics***, 67(2): 351-382.

Keswani, A., A. F. Miguel, and S. B. Ramos. 2014. Lazy Investors, lazy fund managers, lousy performance: National culture and mutual fund management. ***Conference of Financial Management Association Annual Meeting,*** *Nashville, Tennessee.*

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

Kim, J. B., and B. Y. Song. 2011. Auditor quality and loan syndicate structure. ***Auditing: A Journal of Practice & Theory***, 30(4): 71-99.

Kusnadi, Y., and B. Srinidhi. 2016. Cross-country differences in the effect of political connections on stock price informativeness. ***Asian Finance Association Conference 2016****, June 26-28*. Research Collection School of Accountancy. Available at: https://ink.library.smu.edu.sg/soa_research/1538.

LaPorta, R., F. Lopez-de-Silanes, A. Shleifer, and R. W. Vishny. 1998.Law and finance. ***Journal of Political Economy***, 106(6): 1113-1155.

Leftwich, R. 1983. Accounting information in private markets: Evidence from private lending agreements. ***The Accounting Review***, 58(1): 23-42.

Leuz, C., and F. Oberholzer-Gee. 2006. Political relationships, global financing, and corporate transparency: evidence from Indonesia. ***Journal of Financial Economics***, 81(2): 411-439.

Leuz, C., D. Nanda, and P. D. Wysocki. 2003. Earnings management and investor protection: An international comparison. ***Journal of Financial Economics***, 69(3): 505-527.

Li, H., L. Meng, Q. Wang, and J. Zhang. 2008. Political connections, financing and firm performance: Evidence from Chinese private firms. ***Journal of Development Economics***, 87(2): 283-299.

Licht, A. N. 2001. The mother of all path dependencies: Toward a cross-cultural theory of corporate governance systems. ***Delaware Journal of Corporate Law*** 26 (February): 147-205.

Lorca, C., J. P. Sánchez-Ballesta, and E. García-Meca. 2011. Board effectiveness and cost of debt. ***Journal of Business Ethics***, 100(4): 613-631.

Luo, D., and X. Liu. 2009. Political connections, industry access restrictions, and firm performance. ***Journal of Management World*** 5: 97-106.

Markus, H. R., and S. Kitayama. 1991. Culture and the self: Implications for cognition, emotion, and motivation. ***Psychological Review***, 98(2): 224.

Melnik, A., and S. Plaut. 1986. Loan commitment contracts, terms of lending, and credit allocation. ***The Journal of Finance***, 41(2): 425-435.

Menozzi, A., M. G. Urtiaga, and D. Vannoni. 2011. Board composition, political connections, and performance in state-owned enterprises. ***Industrial and Corporate Change***, 21(3): 671-698.

Mian, A. 2006. Distance constraints: The limits of foreign lending in poor economies. ***The Journal of Finance***, 61(3): 1465-1505.

Minkov, M. 2007. What makes us different and similar: A new interpretation of the world values survey and other cross-cultural data. KlasikaIStil Publishing House.

Nini, G. P. 2004. The role of local banks in promoting external finance: A study of syndicated lending to emerging market borrowers. ***Federal Reserve Bank of New Work Working Paper***.

Petersen, M. A., and R. G. Rajan 2002. Does distance still matter? The information revolution in small business lending. ***The Journal of Finance***, 57(6): 2533-2570.

Rajan, R., and A. Winton. 1995.Covenants and collateral as incentives to monitor. ***The Journal of Finance***, 50(4): 1113-1146.

Rocholl, J., E. Goldman, and J. So. 2009. Do politically connected boards affect firm value? ***Review of Financial Studies***, 22(6): 2331-2360.

Schipper, K. 1989. Commentary on earnings management. ***Accounting Horizons***, 3(4): 91-102.

Sengupta, P. 1998. Corporate disclosure quality and the cost of debt. ***The Accounting Review***, 73(4): 459-474.

Shen, C.-H., C.-Y. Lin, and Y.-C. Wang. 2015. Do strong corporate governance firms still require political connection, and vice versa? ***International Review of Economics and Finance***, 39(September): 107-120.

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

Shleifer, A. and R. W. Vishny. 1998.*The Grabbing Hand: Government Pathologies and Their Cures.* Cambridge: Harvard University Press.

Shleifer, A., and R. W. Vishny. 1994.Politicians and firms. ***The Quarterly Journal of Economics***, 109(4): 995-1025.

Srinidhi, B., H. Zhang, and T. Zhang. 2010. Political connection, transparency and auditor choice: Evidence from family-owned firms in China. SSRN Research Journal. Available at: DOI: 10.2139/ssrn.1729062.

Ting-Toomey, S. 2007. Intercultural conflict training: Theory-practice approaches and research challenges. ***Journal of Intercultural Communication Research***, 36(3): 255-271.

Tu, G., B. Lin, and F. Liu. 2013. Political connections and privatization: Evidence from China. ***Journal of Accounting and Public Policy***, 32(2): 114-135.

Tylor, E. B. 1871. *Primitive Culture: Researches into The Development of Mythology, Philosophy, Religion, Art, and Custom*. London, John Murray.

Walker, G. and T. Reid. 2002.Upgrading Corporate Governance in East Asia. ***Journal of International Banking Law***, 17(3): 59-66.

Zhang, J. 2008. The contracting benefits of accounting conservatism to lenders and borrowers. ***Journal of Accounting and Economics***45(1): 27-54.

Zheng, X., S. El Ghoul, O. Guedhami, and C. C. Y. Kwok. 2012.***National culture and corporate debt maturity. Journal of Banking and Finance***, 36(2): 468-468.

Zhu, H., and K. Cai. 2014. Cultural distance and bond pricing: Evidence in the Yankee and rule 144A bond markets. ***The Journal of Financial Research***, XXXVII (3): 357-383.