Sustainability Orientation and Political Firm Environmental Performance

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Abstract
In this study, our main contribution is that political connections are considered the main channel to increase environmental performance. With the support of resource dependency theory, we argue that these connections are external and internal resources of the firms. This happen because the government can easily play a role in sustainable development, they can get green subsides to impact the firm's profitability positively However, based on the previous literatures, we explored that the impact of political connection on environmental performance in developing and under-developing countries. This study is useful for the private politically connected firms because politically exposed person provide numerous benefits. However, political connections are prevalence in chemical, infrastructure, investment, and miscellaneous industry. To sum up, all evidence proved that political connections have a significant positive impact on environmental performance.

Keywords: political connections, environmental performance, green subsidies, miscellaneous, chemical industry

Introduction

Corporate sustainability is considered mainstream, and numerous firms have taken meaningful steps to enhance their environmental performance. The political spectrum has the main role in supporting corporate sustainability. Global channels such as global terrorism, poverty, deprecation, climate change are known as wicked problems. In such conditions,business people need financial resources from outside the firms. These connections are a valuable source to get financial incentives. To maintain the sustainability need of three things such as environmental, social and governance performance. These drivers can be achieved with the help of political connections(Hui, 2008).

Political business activities are increasing in China. Most they take the employees in the firms that that are elected in election. In this way, their overwhelming firm performance(Wong, 2010). Some authors argue that beginning plays a significant role to enhance this connection. Green development has been a more focused topic nowadays. With the increasing value of green finance, shareholders are forcing for its implementation. Political connections have influenced both corporate behaviors and performance. These connections are deemed the most vital resources for the corporation. Numerous scholars are focusing on the political connection impact on environmental performance.

Some argue that politically connected firms are more likely to take responsibility for the environment and significantly impact performance. This dispute led to a question that does political connections have a significant impact on environmental performance or not?From the last few decades, the trend of environmental performance is increasing rapidly. Also, government links are considered more useful to the main performance. All the studies show that social and environmental disclosures influenced firm performance. In both developing and under-developing country, the political links are proliferation rapidly.

At the global level, found a remarkable political association with corporations. Generally speaking, political connections are known as external and internal resources of the corporations. We are trying to explore that enterprise with green development can maintain environmental performance at the industry level on this background. Our main theory is the resource dependency theory that argues that political connections are a significant resource channel. In this way, firms can get green subsides that are valuable to increase firm environmental performance. On this background, our main contribution is that political connections have a significant impact on environmental performance.

Research Method

Resource dependency theory focuses on the different roles of boards in providing the resources. This theory is based on the concept that there is a need for external resources for superior growth. Funds can be generated from external environments. The resources can also be made from power. There are direct associations between energy and resources. Resource dependency theory is based on the concept that directors have a crucial role in assessing their corporation's funds. This theory is a base concept that new representatives mean to provide a source to your corporation for their success. In this way, investors mostly invest. While most of the studies prove that provision of resources are the small channel through which corporation can escalate the firms' performance. Most studies have shown that directors provide a source to their firms like market information, supplier's social groups and various policymakers (Johnson et al., 1996).

Politically connected boards are a single way to enhance the performance of firms. They provide sources, finance from external sources and promote firms' progress (Goldman et al., 2009). Most studies argue that it is a better way of financing (Khawaja & Mian, 2004).Politically connected boards have better performance rather than others. Appointments of political allies give higher stock prices (Niessen & Ruenzi, 2010).

To summarize, politically connected boards are known as active elements for generating resources. In-depth analysis is the speculative tool to boost the progress of firms. These corporations play a leading role in the case of environmental issues. Therefore, investors would like to invest in such firms. Politically connected firms are considered one of the myth topic in the field of business. In the same vein, Political connections can benefit from m*arket* competition, taxes advantages, and a competitive market. Consequently, these connections are beneficial for firm value, and their loss has a detrimental effect on firm efficiency. However, political capital is deemed as the vehicle of firm performance. In this study, we are trying to elaborate that political capital has influenced the firm performance. Mostly, the firm can get benefit from retired government servants who give benefits with their social networks. The death of directors mitigates the political capital. To sum up, from the green finance perspective, if a firm is with governmental linked can not to escape from the environmental responsibility.

As discussed previously, political capital involves enhancing the firm values. On the other side, some studies prove that a politician's sudden death has a significant negative impact on the firm value. After the sudden death of a political member, investors do not invest in such corporations. To this, the most developing country like the USA bears more losses rather than developing country. Mostly, countries are taking benefits from their social networks. Their sudden death has a significant negative influence on a firm s value. Overall, all this evidence prove that political connections have a positive and negative impact on firm performance.

Similarly, previous studies prove that they are overwhelming support to enhance performance. Politically connected firms are known as Leading Corporation in the business world. These are more influence and attractive rather than others. They provide internal and external resources to the firms. At the time of the financial crisis, they provide benefits to the firm in various ways. Due to political benefits, their revenue is high rather than other corporations. These firms give low-interest rate to corporations. They can easily get government contract at a low rate. Political peers pay the low-income tax due to their powers and influence. Therefore, it is the largest way of capital for corporations. Also, these are assets of the corporation for the achievement of their goals.

Research Gap

Corporations are forced to employ sustainable practices with the increasing demand of shareholders to save the environment. For the past decade, researchers and practitioners. They have witnessed a growing stream of responsible environmental sector.

The political connections are like a "double-edged sword. A considerable literature supports that political connection influences financial performance. For example, it reduces the earnings management (Ding, Zhang, & Zhang, 2007), safeguards firms from the effects of non-financial scandals (Yu, Zhang, & Zheng, 2015), and positively affects corporate strategies (Peng, Tan, & Tong, 2004). In contrast, recent studies revealed the dark side of political connection and suggested that the politically connected firms are expropriating the right of minor shareholders by their undue influence.

Because of these inconsistent results, the impact of the political ties on sustainability remains theoretically and empirically uncovered. However, hardly any study investigates the issue of the politically connected firm on sustainability. In green development, the World Health Organisation (WHO) has influenced the listed corporations to maintain firm performance (Schrettle et al., 2014). The nexus between political connections and firm performance significant impact on firm behaviour. The corporate board could strengthen the sustainability mechanism by successfully developing business-government exchanges and establishing their business relationships with the government representatives (Van Marrewijk, 2003).

Thus, this study focus on the political connections on corporate environmental performance. It is an essential issue that investors would like to invest in a politically connected firm or not due to government asylum. Most of the studies prove that politically connected firms are more high level of green technology than non-connected peers. According to resources, dependency theory firms need external sources, and politically connected firms can access source form outside the performance. Specifically, the emerging country need sources, and these connections are more beneficial for them. This study's main contribution is to check the impact of politically connected firms of Malaysia and green finance.

Significance of the Study

The associations between firms and politician are common phenomena all over the world. Most of the studies exhibit that political connections positively impact firms' value, and politically connected firms have accounted for a considerable percentage of the world stock market. Empirical evidence supports that closer ties with the government can control market failure avoid ideological discrimination, but privatized firms cannot handle all these tasks (Hay & Shleifer, 1998). A wide of founders are politically connected, and they like to appoint the second generation as directors so, this thing will be economically significant and reduce the transfer cost (Bennedsen et al., 2015).

Different approaches prove that politically connected firm have more access to long-term financing than non-connected firms (Ling et al., 2016). There is the existence of political connections have to impact on firms' performance in India. After the rigorous study, it is safe to assume that political connection has influenced stock prices. Due to involvement in corruption, most of the political leaders cannot work with firms (Datta & Ganguli, 2014). Similarly, the positive relationship between political connections and access to short-term loans. The results emphasize that a politically connected firm can access loans more quickly than non-politically connected firms (Bencheikh & Taktak, 2017).

This study focuses on the export firm of politically connected firms and takes a significant positive impact on firm performance. They suggest that political influence increases the sale of export firms. Therefore, these firms' performance better than others (Guo et al., 2020). The impact of political connections with the liquidity effect on the efficiency of firms. For this purpose, they had taken the data of China stock market, and results indicate that political connections firms are positively associated with higher liquidity (M. Ding & Suardi, 2014). However, political connections have an impact on the managerial, financial decision of firms. Their study reveals associations between political connections and capital structure, debt maturity, excess cash holdings, leverage and long-term debts.

At the global scale, hundreds of leaders, professionals and business owners do work to enhance the idea to maximize profit. Surprisingly, the massive studies argue that political connections have a role in amplifying corporation. A core argument is that political connections provide adequate resources to the corporation to enhance their profit. In a similar vein, the theory suggests that valuable resources are beneficial to kill competitive that can be transacted into superior growth.

Such companies move to boost performance with better sustainability. Initially, they need support to hit revenue. These associations, financial risk, and provide exclusive opportunity to boost the performance (Eccles et al., 2012). Significantly, these connections influence peers who are more salubrious for financial support and ramp up sales. Therefore, the government acts as a business guarantor and the potential source for accelerating growth. Government around the world are more focus on pollution control. Therefore, these associations are more vital rather than non-politically firms.

Problem statement

Does political connection impact environmental performance or not?

Objective

1) Political connection impact on environmental performance?
2) Political connections impact firm performance in a developing country rather than non-politically firms.
3) The political connection has an impact on the under developing country rather than non-political firms.

Hypothesis. Political connections have the positive impact on the firm environmental performance as compared to non-political firms.

Literature review

Corporate governance is considered in every sphere of all societies, whether in general society, political environment and corporate environment. Most of the studies prove that a superior corporate level can boost the public faith and confidence in the political environment.Good governance is more prevalent in the corporate world to enhance performance (Durnev & Kim, 2005). From the last few decades, corporate governance has gained more value. Most of the studies prove that corporate governance is enhancing due to deregulation of the firms (Joyner & Payne, 2002).

One more important factor is that better corporate governance is responsible for all corporations' greater accountability to their customers ((Bushman & Smith, 2001)). All this evidence prove that the corporate boards should monitor the implementation of the strategy.They should also disclose the reports of their organization. Corporate governance deal with in such a way that investors would want to invest in the business. It also includes ethics, behaviour and accounting. Most studies elaborate that the economic system needs more support for decarbonisation. The energy sector takes a core role in global emissions 20121(World Resources Institute, 2016). Corporate governance covers many areas, such as reporting to the firm s' owner, managers, and stakeholders.

There are tremendous changes in society. Currently, people thinking, and behaviour and the business environment are changing. Sustainability is a huge challenge in increasing performance with suitable sustainability(Székely & Knirsch, 2005). This paper is trying to explain how the business response to this challenge. In simple words, sustainability is defined as the process that substantiates development. Corporate sustainability is known as the skill of corporation through which they can run their firms and positively impact the ecosystem, society and economic process. However, some authors believe that sustainability's economic dimension is more appropriate because it is beneficial to provide financial strength.

Sustainability is the way to enhance the firm's value by maximize positive social and minimize the negative impact of economic and social issues. All the enterprises should understand how to how to develop it. For instant, efficient use of resources can increase the long term economic goals. Sustainability creates strategies that are useful to reduce environmental risk. It is an important part of business strategies and impacts the growth of shareholder value. All these shreds of evidence prove that corporate governance with sustainability can enhance the financial performance of firms. Furthermore, various business scandals, there is a need to educate businesses to deal with environmental issues inefficiently(Dyllick & Hockerts, 2002). Sustainability reporting is a way to create the latest opportunities as company's brand, and a sustainability report is a way to show business success and its strategies(Deloitte, 2013).

Most of the studies prove that sustainability reporting is a responsibility that the company will be responsible for economic, social and environmental issues. Accurate reporting of sustainability shows that the financial performance of the corporation. Some authors prove that sustainability reporting is beneficial for reducing management risk, direct labour cost, and removing the competition in the market. Some studies prove that due current rate of consumption of all the resources is caused by the environmental disaster (Fayers, 1999). To sum up, sustainability performance has a significant impact on the financial performance of the firms.

Some studies prove that due current rate of consumption of all the resources is caused by the environmental disaster. Suitability is more important for the business because the business has a main role in economic development. In the new era, marketing is becoming more competitive and thinking to maintain their success into the future. In recent years, corporate sustainability has gained numerous attention from investors and consumers. Therefore, corporations are encompassing social, economic and environmental sustainability. Developing such types of strategies that focus on both social and environmental aspect. Corporate sustainability is known as the aspect that enhances performance through social and environmental issues.

According to resources dependency theory, there is a positive association between well organizes strategies and financial performance. This thing leads to kill competitive and spur the business actives. According to slack theory, corporations need enough resources to main suitability activities. At the same time, trade-off theory explains that corporations are losing their profitability for the stable of sustainability. Overall, all this evidence proves a need for proactive management to main sustainability in the organization.

Political and business are regarded as well-known phenomena for the last few decades. Most studies prove that politically connected corporations are beneficial for environmental performance. In Canada, fifty listed corporation are found political connected. Because these corporations provide external resources to a firm that significantly impact the firm's performance, these are three types of discolors such as environmental, social, and governance. Besides, they provide more appropriate report rather than other firms. (Dicko et al., 2020).

Most of the studies prove that a positive association between financial analyst earning and corporate performance. Moreover, corporate discolors leads to enhance firm performance. Firm discolors are considered a more efficient way to forecast. More investors would invest in your firms(Cormier et al., 2007). Green subsidies play a vital role in enhancing firm performance. It is another financial source for firm support. It is a channel that leads the progress. Numerous studies prove that politically connected firms can easily get green subsidies rather than non-politically firms.

Therefore, these are more useful in the business fields than others (Lin et al., 2015).Most of the studies prove that CSR is known as the internal and external benefits of the firms. Currently, corporations are involving in CSR because it is a channel to kill competition from the market. Another important factor is that CSR is a strategy value that helps enhance the firm reputation (Branco & Rodrigues, 2006).Globally, the politician is considered as the most famous and wealthyentrepreneurs. For this reason, investors would like to do work with them. However, Political power is beneficial for corporation development.

Therefore, the investor tendency is more likely high in politically connected firms than non-political corporations (Maaloul et al., 2018). Environmental responsibility is the major duty of all industries. Most of the studies argue that research and development have not more expenditures to maintain environmental responsibility. Therefore, it is a significant impact on corporate financial performance(Lee et al., 2016).

In this era, the implementation of green infrastructure is more essential to spur firm development. In developing, country conglomerates have more value due to economic power. Most of the studies argue that political connections in a corrupt country like Indonesia are externally valuable for firms. Likewise, in the case of stateblock holder and family firms, they provide better monitoring rather than non-political firms(Wati et al., 2019).

Government has the main role in maintaining green infratstrue for water storm management. Politically connected firm scan built policy for it. Especially, the US Government can provide resources for the green infrastructure. Therefore, these corporations are more valuable in the US than non-political firms (Harrington & Hsu, 2018).

Discussion and conclusion

In this paper, we study two main issues: first, political connections impact environmental performance. Second, do political connections are beneficial to maintain environmental performance in the emerging country or not. Our study explores that political connections are more efficient in developing countries like China, the USA and candidate. While under developing country corruption rate is externally high, they cannot afford to maintain performance.

Consistence with the previous studies proves that political connections act as an umbrella to protect their companies from external threats. For the last few years, China is focusing on green infrastructure. We are trying to explore the government to make policy for implementing environmental protection on the national scale. In such a way, companies with political connections can performance environmental responsibility in an efficient manner. Furthermore, according to the resource dependency theory, politically connected firms have enough research and innovation resources. Therefore, these connections are channels to boost environmental performance.

In the business world, the connections between corporations and politician are deemed as core canny business idea. Previous studies prove that politically connected corporations are precious for firm’s performance because they have a high market share. Multinational sales are going rapidly over the last few decades due to political ties. Outpacing the most remarkable expansion of market growth has a magnificent impact on the firm's performance. Throughout history, politicians use various channels to enhance the firm's performance. Such types of enterprises use various channels to boost the progress, such as privileged access to loans, high market share and provide bailout during recession.Thepolitical connections are motivated to employ green practices and have received critical resources through political links. Thus, firms with political connections have betterenvironmental performances. Firm size included handling economic of scale, and it has a significant impact on the firm's performance—the distinctive characteristic of such types of firms, such as economy of scale and diverse capabilities. Some other studies confirm this argument that there is a significant association between firm’s performance and firm size.

Leverage is known as the most crucial determinant in this context of business. Theoretically, different researchers prove that debt mitigates the agency problem and can enhance its performance. In some country like Pakistan, with weak legal institutions and high managerial opportunistic behaviour, it is useful for firms to utilize such types of debt. This thing will ultimately induce a significant impact on the firm's performance. It can be measured based on the total debt to total assets. Most studies argue that politically connected firms can obtain preferential access to credit from Pakistan's banking sector.

The intricate nexus between corporation and politician has been considered the most intense public debate for the last few years—a massive number of studies documented that maintaining associations with a politician party corporation can gain financial advantages. Political leaders mostly use their power to grand economic advantages to the corporation, which is linked to the incumbent party. Therefore, the sale is deemed as a key factor to analysis the corporation performance. A complementary dimension of such types of corporations is high sale catch more investment opportunities, can utilize the latest technology, thus benefiting the company's performance. They have sufficient resources to protect the natural environment. Therefore, they have a significant impact on firm sales. Politically connected firms are more attractive to implement green practices and gain unfair benefits with the help of politically connections.

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