
Political connections and cash holdings in financially constrained firms: evidence from top 500 firms in Malaysia

Qian Long Kweh*

Benchmarking Research Group,
Faculty of Accounting,
Ton Duc Thang University,
Ho Chi Minh City, Vietnam
Email: qianlong.kweh@tdtu.edu.vn
*Corresponding author

Irene Wei Kiong Ting

Faculty of Industrial Management,
Universiti Malaysia Pahang,
26300 Gambang, Pahang, Malaysia
Email: irene@ump.edu.my

Noor Azlinna Azizan

College of Business Administration,
Prince Sultan University,
P.O. Box 53073, Riyadh, 11586, Kingdom of Saudi Arabia
Email: nazizan@psu.edu.sa

Norazlin Ahmad

Faculty of Industrial Management,
Universiti Malaysia Pahang,
26300 Gambang, Pahang, Malaysia
Email: azlin_ahmad0987@yahoo.com

Abstract: This study examined the association between political connections and corporate cash holdings, with a focus on financially-constrained firms. Using a unique dataset of the top 500 publicly listed firms in Malaysia as determined by market capitalisation for the years 2001–2004, this study measured political connections based on informal ties and government supports. The empirical results of this study show that firms with financial constraints have a lower level of cash holdings, while politically connected firms hold more cash. However, politically connected firms with financial constraints hold more cash. Taken together, this study shows that financially constrained firms are relatively conservative in their cash holdings when they are politically connected even though they are generally perceived as risky