



Political connections, financing and firm performance: Evidence from Chinese private firms ☆

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Abstract

This paper examines the role of affiliation with the ruling Communist Party in the operation of private enterprises in China. Using a nationwide survey of private firms, we find that the Party membership of private entrepreneurs has a positive effect on the performance of their firms when human capital and other relevant variables are controlled. We further find that Party membership helps private entrepreneurs to obtain loans from banks or other state institutions, and affords them more confidence in the legal system. Finally, we find Party membership to be more important to firm performance in regions with weaker market institutions and weaker legal protection.

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JEL classification

H7; K0; P2; P3

Keywords

Political connections; Financing; Firm performance; China

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