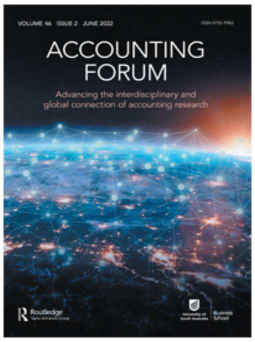

Accounting Forum

ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/racc20

Ownership structure and political spending disclosure

Hesham Ali, Emmanuel Adegbite & Tam Huy Nguyen

ACCOUNTING FORUM
2022, VOL. 46, NO. 2, 160–190
https://doi.org/10.1080/01559982.2021.1929006

Ownership structure and political spending disclosure

Hesham Ali [a,b], Emmanuel Adegbite [a,c] and Tam Huy Nguyen [a]

[a]Nottingham University Business School, Nottingham, UK; [b]Faculty of Commerce, Mansoura University, Mansoura, Egypt; [c]Accounting Department, James Cook University, Singapore

ABSTRACT

This study examines the link between ownership structure and political spending disclosure (PSD). We break down ownership into four different groups of shareholders: institutional, insider, governmental and foreign. Using a unique dataset provided by CPA-Zicklin for PSD and a panel dataset from S&P 500 companies between 2015 and 2018, our results reveal that institutional and governmental ownership are positively associated with the level of PSD, while insider ownership is negatively associated with the level of PSD. Additionally, while prior literature mainly investigated how ownership structure influences disclosure practices, we analyse the mechanisms through which ownership characteristics influence PSD. Our cross-sectional tests provide evidence that insider owners exhibit more PSD if they are pursing tax-related lobbying expenses and tax avoidance practices. Additionally, governmental owners demand lower PSD in firms with higher nonfinancial and financial reporting quality. Finally, institutional owners demand more PSD in the case of lower industry concentration. Overall, we conclude that different owners have distinct impacts and preferences on a firm's political strategy and various mechanisms uniquely operationalise the interactions between different owners and political transparency. Through agency theory, our results advance heated debates on PSD – an emerging, yet hitherto less examined, category of voluntary disclosure.

ARTICLE HISTORY
Received 12 May 2020
Accepted 7 May 2021

KEYWORDS
Political spending disclosure; corporate governance; ownership structure; voluntary disclosure; political transparency

ACCEPTED BY
Giovanna Michelon

1. Introduction

Corporate political spending disclosure (PSD) continues to draw substantial attention from firms, regulators and the media (Kong et al., 2017). Multiple large corporations in the US have begun to voluntarily issue PSD to communicate their activities to shareholders. According to the Centre for Political Accountability (CPA), the percentage of S&P 500 firms which voluntarily report PSD increased from 5% in 2004 to over 60% in 2016 (CPA, 2016), signalling an important research avenue.[1] Corporate PSD is a voluntary disclosure that informs stakeholders about a firm's utilisation of shareholders' resources towards political activities. It communicates useful, yet sensitive, information

CONTACT Hesham Ali hesham.hassanomarali@nottingham.ac.uk

[1]Also, since more transparent political reporting became a major concern for many activist groups, the public and regulators, US Steel Corporation, for example, was forced to disclose its political contributions (Porter, 2015).

that may bring additional risk, public scrutiny and reputation cost (Goh et al., 2020). However, PSD is one of the most under-researched topics in the disclosure literature. Mithani (2019) highlights the dearth of research on PSD despite significant demand from multiple stakeholders for more political transparency. This paper addresses this lacuna in literature by answering this research question: *what is influence of ownership structure on PSD?*

Firms are increasingly spending significant amount of owners' funds on political activities to bring more benefits to shareholders (Chen et al., 2015).[2] As ownership structure is heterogeneous in nature, given owners' diverse horizons and objectives, the relationship between PSD and ownership structure tends to be unclear and requires more examination. Moreover, it is important for policy makers to capture the role of ownership identity as a monitoring mechanism in corporate PSD policy. Recently, shareholder proposals on PSD are among the most frequently submitted proposals (Baloria et al., 2019) to the US Securities and Exchange Commission (SEC) and have become the most commented proposals in the SEC's history, with approximately 1.2 million comment letters (Goh et al., 2020). Our research enquiry is timely given the significant increase in the level of PSD and its attendant regulatory implications.

Theoretically, our research proceeds with the notions that corporate political spending can be indicative of agency problems (Aggarwal et al., 2012) and that undisclosed political spending can also increase agency costs. Undisclosed political contributions have led activist groups such as the CPA to become more active and vocal in demanding higher transparency over political spending (Baloria et al., 2019). Such demands were intensified when the US Supreme Court banned direct donations from firms to candidates, while allowing firms to freely advertise their opposition or advocacy for political candidates. Also, the SEC has received substantial pressure to mandate PSD. As a result, there have been calls for more understanding of the fundamental role of ownership structure because of its strong effect on governance (Adegbite, 2010), global monitoring (Judge, 2011, 2012) and for investigating determinants and consequences of PSD (Beets & Beets, 2019; Deboskey et al., 2018a, 2018b; Deboskey & Luo, 2018; Goh et al., 2020). Using a sample of S&P 500 firms from 2015 to 2018, we explore the effects of different ownership structures on PSD. Our results are as follows.

First, institutional ownership has a positive association with PSD, implying that institutional investment can be considered as an internal corporate governance mechanism for promoting PSD transparency. Second, insider ownership is negatively associated with PSD, suggesting that insiders tend to withhold important, yet sensitive, information about political spending because of their concerns about its potential negative outcomes and to preserve their influence. Third, governmental ownership has a positive association with PSD, indicating that higher governmental ownership increases firm's visibility and public scrutiny and, thereby, leads to more transparent PSD. Fourth, foreign ownership is not significantly associated with PSD. Consistent with agency theory, these results suggest that different types of owners have divergent preferences toward a firm's PSD. Our results are robust to relevant econometric models that consider various types of endogeneity problems, and to an alternative PSD proxy.

[2]According to the Center for Responsive Politics (CRP), the total annual spending on political activities in the US averaged more than $3.3 billion since 2008. In 2018, $3.45 billion was spent on corporate lobbying.

Additional analyses provide evidence about the channels through which ownership characteristics influence PSD. Since diverse owners have divergent preferences regarding corporate political transparency, the ownership structure-PSD nexus may depend on various mechanisms that can change owners' perceptions regarding corporate political transparency. Observably, Ozer and Alakent (2013) call for more research on investigating the channels that operationalise the interactions between ownership structure and corporate political strategy. In response, this study examines the mechanisms through which ownership structures affect corporate political strategy by focusing on issue-specific lobbying expenditures, tax avoidance, nonfinancial and financial reporting quality, as well as industry concentration.

As corporate lobbying can create agency problems because such expenses can represent manager's personal political orientation and not the interest of shareholders (Chen et al., 2015; Kong et al., 2017), certain types of lobbying expenses may influence ownership structure-PSD association. Additionally, prior research shows that ownership structure can influence corporate tax avoidance strategies (McGuire et al., 2014; Minnick & Noga, 2010). Similarly, Bauer et al. (2020) provide evidence on how aggressive tax planning may allow certain shareholders to extract benefits from firm's operations at the expense of other shareholders. Motivated by these insights, we explore the effect of issue-specific lobbying expenses and the degree of tax avoidance. Here, we provide evidence that insider owners issue more PSD in the case of pursuing tax-related lobbying expenses and tax avoidance. This implies that insider owners may strategically exhibit greater political transparency to convince other stakeholders that they are not extracting rents through tax lobbying and tax avoidance strategies.

Next, we examine how firm's overall reporting quality operationalises the relationship between ownership structure and PSD. Since owners' demand for more transparent PSD depends on the level of information asymmetry, it is expected that firm's overall financial reporting quality (as a proxy for information asymmetry) may influence the ownership structure-PSD relationship. DeBoskey et al. (2020) argue that firms that exhibit higher PSD could have higher nonfinancial and financial reporting quality. Further, Chaney et al. (2011) provide evidence that politically connected firms can afford the consequences of poor financial reporting quality because of political connections' protection. So, it can be argued that both nonfinancial and financial reporting quality may subsume the influence of ownership structure on PSD. To address that, we examine whether nonfinancial and financial reporting quality influence the ownership structure-PSD nexus and provide evidence that governmental owners demand lower PSD in firms with higher nonfinancial and financial reporting quality. This is consistent with the argument that owners' demand for more political transparency is lower when information asymmetry is lower.

Then, we investigate how industry concentration affects owners' perceptions regarding political transparency. Industry competitors may use firm's PSD to make inferences about firm's political connections and spending which can weaken firm's political position (Isidro & Marques, 2020). However, severe competition may motivate firms to exhibit more PSD to reduce information asymmetry and secure additional capital (DeBoskey et al., 2020; Goh et al., 2020). Motivated by such mixed views of industry competition, we provide evidence that institutional investors demand more PSD in the case of high industry competition (low industry concentration), suggesting that institutional owners prefer greater political transparency in investee firms operating in competitive industries to reduce information asymmetry and possibly secure external capital.

This paper contributes to the literature in several ways. First, it adds to the debate on PSD, which is an emerging and topical disclosure practice by investigating the influence of ownership structure in driving firm's political transparency. Second, this study extends the drivers of corporate political reporting, beyond those already identified in the literature such as political connections, political donations and institutional investors (Goh et al., 2020), gender diversity (Deboskey et al., 2018b), shareholder activism (Adegbite et al., 2012; Baloria et al., 2019), CEO political preference (Cohen et al., 2019), corporate community involvement disclosures (Yekini et al., 2017) and corporate presence on social media platforms (Lei et al., 2019). Third, while prior studies examined the influence of ownership structure on corporate disclosure policy, evidence on the analysis of mechanisms that influence the ownership structure-PSD association is rare. Hence, this study advances the literature by analysing the mechanisms through which ownership structure affects PSD by exploring the influence of issue-specific lobbying expenditures, tax avoidance, nonfinancial and financial reporting quality and industry concentration. In sum, our study outlines mechanisms through which the public and shareholders can influence PSD. Accordingly, policy makers and regulators may be able to configure ownership structures to reflect better PSD. This paper proceeds as follows. Section 2 reviews relevant literature. Section 3 presents the theoretical framework and hypothesis development. Research methodology is in Section 4. Section 5 and 6 report our main and additional analyses respectively. Section 7 concludes our study.

2. Literature review

2.1. Corporate political involvement

Firms connect politically using a combination of different tactics such as lobbying, political action committee (PAC) contributions, soft-money donations to political candidates and grassroots lobbying to gain access to politicians (Hillman et al., 2004). We argue that PSD is a part of corporate political strategy. Corporations actively involved in political activities may use PSD to signal their commitment and accountability regarding the firm's management of corporate treasury and owners' funds. Thus, PSD can facilitate lobbying objectives of corporations and their stakeholders. Politically connected corporations enjoy various benefits, for example, reduced tax rates, better access to credit, better prospects in obtaining government contracts (Goh et al., 2020), fewer enforcement actions and penalties from the SEC (Correia, 2014) and achieving better firm performance even in low-corruption contexts (Amore & Bennedsen, 2013).

However, some studies argued that politically connected firms may be opaque and often engage in risky activities that may bend existing rules (Correia, 2014; Yu & Yu, 2011). Given political connections' superior knowledge regarding tax law and enforcement changes, Kim and Zhang (2016) provide evidence that politically connected firms are more tax-aggressive than their counterparts. Besides, politically connected firms enjoy lower fraud detection rates, indicating that political connections can twist corporate governance attributes at firm-level (Yu & Yu, 2011). Likewise, Chaney et al. (2011) report that politically connected firms exhibit lower earnings quality than their counterparts, implying that poor-quality accounting information is not penalised because of politicians' protection. Recently, Elemes and Chen (2020) demonstrate that clients of politically connected audit firms are less probable to engage in earnings restatements, implying that political connections of audit firms have implications for audit quality. However, political connections and spending may lead to the deterioration of a firm's reputation, with attendant financial, legal and performance risks (Mullins & Zimmerman, 2010), raising a debatable question regarding the benefit of political connections to wider stakeholders.

2.2. Political spending disclosure

PSD is quite different from other types of voluntary disclosure. First, while some types of voluntary disclosure (e.g. corporate social responsibility – CSR) have guidance for their own form of reports, there is no specific guidance to report corporate political activities. Second, while some voluntary disclosures have "specified" places in annual reports, there is no requirement to include PSD in a specific place in annual reports, raising concerns regarding consistency, readability and comparability of PSD. Likewise, corporate political reporting is confusing and filled with terminologies that are difficult to understand by various stakeholders who are unfamiliar with such nomenclature (Nathan & Finsbury, 2014). Third, while some voluntary disclosure types are associated with a board committee, for instance the risk committee and CSR committee respectively oversee risk and CSR disclosures, it is still uncommon for the establishment of a specific committee for PSD. Fourth, PSD suggests a firm's willingness to spend significant amounts of owners' funds on risky non-business purposes.[3] Disclosure of such activities signals a surplus in firm's financial resources that could have otherwise been spent on increasing shareholder wealth. Additionally, PSD tends to be riskier than other forms of voluntary disclosure. While many forms of voluntary disclosure do not invite social media backlash, PSD provides an opportunity for firm's competitors to assault the firm, produce negative media coverage and entice greater scrutiny from various stakeholders (Lei et al., 2019). Indeed, Bagley et al. (2015) argue that various firms have been damaged by media reporting due to financing of political parties.

However, we argue that PSD can be considered as a socially responsible practice because corporations fund their political activities through shareholders' funds. Given the financial (Adegbite et al., 2019) and political (Uddin et al., 2018) dimensions of socially responsible practices, corporations should be under fiduciary responsibility to be transparent regarding PSD. Besides, corporations can strategically use PSD to relieve any media backlash. For example, during the 2020 US elections, as pro-Trump political contributions may lead to social media criticisms, corporations strategically utilised anti-Trump PSD to derive social media commendations. Similarly, many companies such as Facebook, Deloitte, the Bank of America, Coca-Cola and Google suspended their political donations after the violent events that took place in the Capitol riots, suggesting that corporations review their political contributions in light of recent events to satisfy their stakeholders (Goodwin, 2021).

[3]For example, in 2019, \$3.5 billion was spent by US firms on lobbying activities.

Notably, empirical research on PSD is still limited. Goh et al. (2020) reported that institutional ownership, socially responsible institutional investors, political connections and political contributions all have a positive effect on PSD. In addition, some studies have recently explored factors influencing PSD, such as gender diversity (Deboskey et al., 2018b), the existence of political contribution committee (Deboskey et al., 2018a) and shareholder activism (Baloria et al., 2019). Furthermore, using data compiled by the Federal Election Commission, Cohen et al. (2019) provided evidence that companies led by Republican CEOs exhibit lower PSD transparency. Finally, some studies argue that firms that are actively present on social media platforms such as Twitter are under high pressure to be more transparent about their PSD (Lei et al., 2019).

2.3. Ownership structure and political spending disclosure

Ownership structure has a significant effect on organisational relationships, decision making, R&D spending, capital structure, diversification, innovation and labour decisions (Alhababsah, 2019; Duqi et al., 2020; Hall, 2016; Oh et al., 2011). Also, ownership structure significantly influences voluntary disclosure in general (Allaya et al., 2018; Chau & Gray, 2002; Huafang & Jianguo, 2007; Zaini et al., 2020), and specifically CSR (Khan et al., 2013), integrated reporting (Raimo et al., 2020), forward-looking financial disclosure (Liu, 2015) and risk disclosure (Ntim et al., 2013). However, the relationship between ownership structure and PSD is largely unexplored. Corporate political transparency has significant implications for the firm and its shareholders. Several studies found divergence of interests and potential differences between managers and owners regarding firms' political strategies (Aggarwal et al., 2012; Ozer & Alakent, 2013). Due to the uncertain nature and inherent complexity of firm's political disclosures, shareholders experience information asymmetries when evaluating the success of their political investments. Additionally, executives may conduct riskier and short-term strategic political decisions that exhibit managerial opportunism. Therefore, shareholders have become more vigilant about questioning political investments' returns and demanding more transparent PSD. Yet existing scholarship, investigating the influence of ownership on corporate political strategy, has not examined how shareholders view PSD; much of the existing research has instead examined how ownership structure influences lobbying expenses or PAC (Hadani, 2007; Ozer & Alakent, 2013), which only partially reflect firm's PSD. We address this gap in our study.

3. Theoretical framework and hypotheses development

Theoretical foundations of voluntary disclosure in general and PSD in particular predominantly originate from the agency theory. Agency theory assumes goal-conflict between principals and agents, self-interest by each party and an information asymmetry gap (Jensen & Meckling, 1976). It indicates that firms utilise different sources to allay information asymmetry. In this case, firms may voluntarily disclose their political participation activities to decrease the differences between owners' expectations and company's performance and to persuade shareholders that executives are performing according to shareholders' interests. Furthermore, agency costs could be minimised through corporate governance regulations such as independent and diverse directors.

Given the information asymmetry gap and managers' unwillingness to disclose their political spending, corporate governance through ownership structure (Connelly et al., 2010) rather than regulation (Okike & Adegbite, 2012) may motivate corporations to be politically transparent. However, as not all owners have the same motivations and preferences, we argue that certain owners may have incentives to reduce corporate political transparency to maintain their influence.

Signalling theory (Hughes, 1986; Morris, 1987; Spence, 1973) indicates that increased disclosure signals the quality of the firm, and thus reduces adverse selection risk. While firms issue PSD to signal their commitment to political transparency, their readiness to respond to shareholders' demand for PSD and their credibility about political contributions (Deboskey et al., 2018a), proprietary cost concerns can disincentivize firms to voluntarily disclose information regarding their political activities and spending. Following this, political spending can be seen as a classification of spending that exhibits proprietary information including corporate regulatory changes and political connections (Baloria et al., 2019). In this case, disclosure of such sensitive information can attract investor activism and public attention that can otherwise be evaded. Observably, Schepers and Gardberg (2011) argue that companies seem to be less transparent when they participate heavily in political activities.

In sum, while agency theory suggests that firms use PSD to reduce information asymmetry, relieve shareholders and obtain legitimacy, certain owners may have motivations to reduce PSD. Notably, existing evidence reveals that different shareholders have divergent, rather than convergent, views about corporate strategic decisions. Accordingly, the ownership structure-PSD nexus may vary depending on the percentage of stocks owned by heterogeneous owners. Hence, we analyse our research (which is hinged on the question: what is the influence of ownership structure on PSD?) through the following four hypotheses relating to different types of ownership.

3.1. Institutional Ownership

Institutional ownership has a substantial impact on organisational decisions and strategies by having informational, influential and voting power advantages over other shareholders (Shleifer & Vishny, 1997). Since they usually own a significant proportion of firms' stock which is not expected to be sold in the short run, they are more attentive to firm's significant events and meetings than non-institutional shareholders. Although some institutional investors have short-term profit incentives, the majority are interested in long-term performance, which can be strengthened by good management practices such as transparent reporting (Mahoney & Roberts, 2007). Siegel and Vitaliano (2007) argue that institutional shareholders such as banks and pension funds provide credence services, which are characterised by significant information asymmetry between these institutions and their clients. They can signal their credibility and reliability to potential clients, and thereby differentiate their services, through more transparent reporting including that of PSD. In this case, institutional investors may insist on more PSD in their investee firms. Similarly, institutional investors' demand for more transparency is well-documented in the literature (Baloria et al., 2019). Empirically, Goh et al. (2020) provide evidence that institutional owners have significant positive relationship with

PSD. Based on agency theory, if more PSD reduces institutional investors' concerns regarding corporate political performance, a positive relationship is expected. Formally:

H1: Institutional ownership is positively associated with the level of PSD.

3.2. Insider ownership

An effective mechanism to reduce agency problems is to provide stocks to managers as this may align managers' and shareholders' interests. So, if managers hold a substantial proportion of firm's shares, they will implement decisions that increase shareholders' wealth and reduce information asymmetry. Johnson and Greening (1999) support that argument, showing a positive association between managerial ownership and CSR disclosures. Further, insiders with political connections tend to appoint one of the Big 4 auditors to enhance accounting information quality in order to convince shareholders that insiders are not using their political connections to extract private benefits (Guedhami et al., 2014). However, if managerial ownership exceeds a certain limit, entrenchment effect may take place (Jensen & Ruback, 1983). Similarly, Shleifer and Vishny (1997) state that when managers hold large portions of firms' shares, they may have motivations to decrease corporate disclosure to avoid public scrutiny, preserve their influential voting power and serve their own interests. Chau and Gray (2002) reported a negative relationship between insider ownership and voluntary disclosures. Regarding PSD, on the one hand, managers with large portions of a firm's shares may tend to be more politically transparent to support their legitimacy from political parties. On the other hand, self-interested managerial owners may have incentives to reduce corporate political transparency to facilitate asset expropriation and insider trading. In a similar vein, insiders with great share ownership may be so powerful that they do not consider shareholders' interests (Morck et al., 1988), and thereby, they may exhibit less political transparency. Likewise, higher insider ownership can decrease dismissal risk, induce insiders to influence firm's disclosure practices based on their self-interest and allow insiders to execute tighter control over corporate information flow and possession (Forst et al., 2019). Therefore, higher insider ownership can reduce financial reporting informativeness and PSD transparency. Nevertheless, insider owners may strategically utilise the time of political disclosures to conceal certain organisational practices. Ozer and Alakent (2013) provided evidence that insider ownership is negatively associated with firm's relational political approach. Overall, we develop the following hypothesis:

H2: Insider ownership is negatively associated with the level of PSD.

3.3. Governmental ownership

The government has the compelling authority of the nation through laws and regulations used to control the behaviour of all social actors at the personal and organisational levels (DiMaggio & Powell, 1983). Only a handful of studies have investigated the association between governmental ownership and corporate transparency, making it a fertile area for more research. While agency theory indicates that higher PSD can alleviate agency costs between managers and the government as an influential owner, governmental ownership can exacerbate agency costs through the impairment of effective managerial monitoring, including disclosure practices (Ntim et al., 2013). According to Ghazali (2007), government-owned firms tend to be politically sensitive as their activities are more visible in the public eye and there is a higher expectation that such firms will be responsible and conscious of their public duty. Furthermore, it is expected that government ownership will create pressure for companies to be more transparent as the government is trusted by the public and those companies would want to meet the public's expectations (Muttakin & Subramaniam, 2015), especially in developed economies. Following these lines of arguments, we posit that government ownership motivates managers to be more politically transparent, thereby increasing PSD. In the same vein, governmental owners may motivate corporate political transparency to convince shareholders that corporate insiders with political connections are not behaving opportunistically. Empirically, Khan et al. (2013), Muttakin and Subramaniam (2015), Ntim and Soobaroyen (2013) and Alshbili et al. (2018) provide evidence that government ownership has positive effects on the extent of voluntary disclosure. However, other studies report that government ownership lowers corporate transparency (Dam & Scholtens, 2012; Raimo et al., 2020). Despite mixed evidence, we predict positive association. Formally:

H3: Governmental ownership is positively associated with PSD.

3.4. Foreign ownership

Foreign shareholders face greater information asymmetry than domestic shareholders because of geographical separation, lack of knowledge of local operating environments and language barriers between shareholders and management (Huafang & Jianguo, 2007). Likewise, Mangena and Tauringana (2007) state that foreign shareholders incur more agency costs when investing in a foreign country. Further, Khanna et al. (2004) reveal that foreign shareholders from countries with better disclosure standards request higher disclosures to allay information asymmetry. One way for companies to signal their trustworthiness, reduce information asymmetry and minimise home bias for foreign shareholders is to increase their PSD. Analogously, Haniffa and Cooke (2005) show that managers use voluntary environmental and social disclosures to legitimise themselves, satisfy foreign investors and encourage flows of foreign capital. Following this, we argue that managers may use PSD to reduce agency problems among foreign investors and to aid their decision making. However, if foreign ownership became substantial, companies would be less motivated to obtain equity finance from the domestic market as the funds are obtained from the foreign market (Laidroo, 2009). Accordingly, foreign shareholders' demand for public information including political spending may decrease. Given the exploratory nature of this study, and as the literature is limited on PSD drivers, we develop a null hypothesis for this variable:

H4: Foreign ownership is not associated with PSD.

4. Research methodology

4.1. Data and Sample

Our initial sample included all companies listed in the S&P 500 index with available Disclosure Index and Corporate Political Accountability data supplied by the CPA-Zicklin

Center for a period of four years from 2015 to 2018.[4] After removing companies with missing accounting variables, and firms with missing data in the CPA-Zicklin database in all years,[5] the final sample consisted of 382 firms with 1,528 firm-year observations. Table 1 reports industry classification and the number of firms in each industry. It indicates an uneven distribution between 11 industrial classifications. However, such an imbalance will not influence our analysis as the adoption of a panel dataset overcomes this concern (Baltagi, 2008; Gujarati, 2003). Our data, including financial information, ownership structure and corporate lobbying expenses, were collected from Bloomberg, Bloomberg Terminal Ownership Summary and CRP.

4.2. Variables and model

To answer our research questions, we use the following empirical model as follows:

$$\begin{aligned} PSD = \beta_0 + \beta_1 INSTITUT + \beta_2 INSIDER + \beta_3 GOV + \beta_4 FOREIGN \\ + Firm\_Controls + Year\_Indicators + Industry\_Indicators + \varepsilon \end{aligned} \tag{1}$$

4.2.1. Dependent variable: political spending disclosure (PSD)

Using the CPA-Zicklin Index (Baloria et al., 2019; Deboskey et al., 2018a, 2018b; DeBoskey et al., 2020; Deboskey & Luo, 2018; Goh et al., 2020), PSD Index for each company in each year was calculated based on a total of 24 items, which we classified into three major dimensions: disclosure, policy and oversight.[6] The disclosure sub-index indicates whether firms disclose political contributions to government associations, trade associations, tax-exempt organisations, political parties, candidates or any other political organisation. The policy sub-index indicates whether the company discloses their policies regarding political spending and recipients' characteristics. The oversight sub-index considers the standards of board committees that are responsible for approvals and reviews of political spending, including their composition. It also indicates whether the firm publicly produces a political spending report and the internal processes to ensure compliance with policy. Full PSD index indicators and score assignments are provided in the online Appendix.

4.2.2. Independent and control variables

In this study, the main independent variables represent different forms of ownership. To start with, institutional ownership (*INSTITUT*) is the percentage of shares held by institutions (Goh et al., 2020). Insider ownership (*INSIDER*) is the proportion of shares

[4]It starts with 2015 because 2015 is the first year in which data about entire S&P 500 companies became available. For example, in 2011, CPA-Zicklin database was available for only top 100 firms in S&P 500 index. In 2012 and 2013, CPA-Zicklin database was available for only top 200 firms in S&P 500 index. In 2014, CPA-Zicklin database was available for only top 300 firms in S&P 500 index. The period ends with 2018, the most recent annual reports available at the time of the analysis.

[5]Following previous studies (Hany, 2012; Jonas, 2011; Ntim, 2016; Ntim et al., 2013), this criteria ensured that our data will be classified as a balanced panel data. There are many benefits of employing panel data such as less multicollinearity amongst variables and incorporating both cross-sectional and time-series observations (Gujarati, 2003; Wooldridge, 2010).

[6]The CPA-Zicklin Index is a unique dataset provided by the Carol and Lawrence Zicklin Center for Business Ethics Research of the Wharton School of University of Pennsylvania and the CPA.

Table 1. Industry classification and number of firms in each industry.

GICS (Global Industry Classification standard)	Number of companies	Percentage
Health Care	44	11.52%
Industrials	55	14.39%
Information Technology	51	13.35%
Consumer Staples	28	7.33%
Utilities	26	6.81%
Financials	52	13.61%
Real Estate	19	4.97%
Consumer Discretionary	57	14.92%
Energy	27	7.07%
Materials	20	5.23%
Telecommunication Services	3	0.78%
Total	382	100%

Note: This table presents number and proportion of firms in each industry based on GICS (Global Industry Classification Standard).

directly held by executives or managers (Ozer & Alakent, 2013). Governmental ownership (*GOV*) is the percentage of shares owned by the government (Ntim et al., 2013). Foreign ownership (*FOREIGN*) is the percentage of shares held by foreign investors (Haniffa & Cooke, 2005; Khan et al., 2013). The definitions and measurements of all variables are summarised in Table 2.

Following prior studies (Chan et al., 2014; Goh et al., 2020; Hyun et al., 2014; Irani & Oesch, 2013; Peters & Romi, 2014; Yekini et al., 2015), this study covers a number of control variables which potentially influence PSD including performance (*ROA*), leverage (*LEV*), size (*SIZE*), governance quality (*GOVERNANCE*), analyst following (*ANALYST*) and growth opportunities (*TOBINSQ*). Furthermore, Ali et al. (2014) provide evidence that industry concentration influences firm's disclosure strategy. Similarly, Goh et al. (2020) claim that a firm's industry concentration can represent the firm's proprietary costs and may influence its disclosure strategy. So, we control for industry competition as a proxy for proprietary costs. Further, while disclosures of political activities are voluntary for businesses, the Lobbying Disclosure Act of 1995 requires the disclosure of firms' lobbying expenditures and their PAC contributions. Therefore, we control for corporate lobbying expenditures from CRP. Finally, we include both industry and year-fixed effects. Industry indicators are based on the Global Industry Classification standard codes (GICS).

Since the period of our study could be influenced by the 2016 US elections, we tested the presence of such changing trends in our analysis. We used the Chow test for 2015–2016 and 2017–2018 periods. Untabulated results indicate that there are no structural breaks in our variables. To minimise the influence of outliers, we winsorized all continuous variables at the 1st and 99th percentiles. Following Wang and Hussainey (2013) and Yekini et al. (2015), the analysis was conducted using the Random Effects (RE) estimator with Generalised Least Square (GLS) regression after executing the Breusch–Pagan Lagrange Multiplier (LM) test for panel data. Further, random effect panel regression mitigates potential problems caused by unobserved firm effect (autocorrelation) and time effect (heteroscedasticity). It also controls for residual dependency problems that are often ignored in market-based accounting research (Gow et al., 2010).

Table 2. Definition of variables.

Variable	Definition and Measurement	References
PSD	Political Spending Disclosure Index Percentage, measured by total summed raw score of the CPA-Zicklin Index divided by total points of 72 (CPA–Zicklin data items 1–24)	Goh et al. (2020)
INSTITUT	Institutional Ownership, which is measured as the percentage of shares held by institutions to the number of float shares outstanding	Goh et al. (2020); Ozer and Alakent (2013)
INSIDER	Insider Ownership, which is percentage of shares directly held by individuals who are in firm management	Ozer and Alakent (2013)
GOV	Governmental Ownership, which is measured by percentage of shares owned by the government	Ntim et al. (2013)
FOREIGN	Foreign Ownership, which is measured by percentage of shares held by foreign investors	Haniffa and Cooke (2005); Khan et al. (2013)
ROA	Return on Asset, which is measured by net income divided by average total assets	Elamer et al. (2019)
LEV	Leverage, which is measured by total liabilities divided by total assets	Yekini et al. (2015)
ANALYST	Measured as the total number of analysts recommending for the security, at the end of each fiscal year	Deboskey et al. (2018b); Irani and Oesch (2013)
TOBINSQ	Calculated as follows: the market value of equity plus the book value of total liabilities, preferred stocks and minority interest divided by the book value of total assets	Peters and Romi (2014)
SIZE	Measured as the natural log of the market value of equity	Goh et al. (2020)
GOVERNANCE	Governance Quality, which is a proprietary Bloomberg score depending on firm's governance disclosure of environmental, social, and governance (ESG) data. This score ranges from 0 for firms that do not disclose governance data to 100 for firms that disclose maximum governance data	Deboskey et al. (2018a)
IndustryCon	The Herfindahl-Hirschman Index (HHI), which is measured as the aggregated value of the square of the market share of each firm competing in the industry (based on the Fama-French 48-industry classifications). A high HHI implies high industry concentration or low competition.	Berger and Hann (2007); Goh et al. (2020)
LobbyExp	Annual lobbying spending (in $millions). We divided this number by 1,000,000 to make the coefficient more interpretable.	Chen et al. (2015)

5. Results and discussions

5.1. Descriptive statistics

Descriptive statistics are reported in panel A of Table 3. The mean score of *PSD* is 46.46. The maximum is 100 and the minimum is 0, indicating a large variance across firms regarding their political transparency. *INSTITUT* has a mean score of 90.79, with a maximum of 99 and a minimum of 59.24, indicating that institutional investors control most S&P 500 firms.[7] *INSIDER* has a mean score of 1.72, with a maximum of 20.97 and a minimum of 0.02, indicating that S&P 500 firms are still providing their managers considerable stock ownership to incentivise them for better performance and to reduce agency conflicts. *GOV* has a mean score of 1.353, with a maximum of 2.59 and a minimum of 0, indicating limited state participation. *FOREIGN* has a mean of 18.35, indicating a considerable presence of foreign investors. *GOVERNANCE* has a mean of 60.60, suggesting superior governance disclosure in S&P 500 firms. Companies had an average annual lobbying expenditure of $1,848,869, as reported under the Lobbying Disclosure Act of 1995.[8] Panel B of Table 3 reports the degree of within and between groups'

[7]This is consistent with Mcgrath (2017) who noted that institutional investors own about 80% of S&P 500 firms.
[8]Since some political spending can be conducted through financial intermediaries, and thereby remains undisclosed in any public record, reported lobbying expenditures tend to be largely understated (Kong et al., 2017).

Table 3. Descriptive statistics for all variables.

Panel A

Variable	Obs	Mean	Std. Dev.	Min	Max
PSD	1,528	46.47	33.90	0	100.00
INSTITUT	1,528	90.79	9.98	59.24	99.70
INSIDER	1,528	1.72	3.64	0.03	20.97
GOV	1,528	1.35	0.45	0	2.59
FOREIGN	1,528	18.35	6.57	7.69	45.77
ROA	1,528	6.19	6.44	(14.66)	24.32
LEV	1,528	29.92	17.17	0	82.11
ANALYST	1,528	22.84	7.77	6.00	46.00
TOBINSQ	1,528	2.19	1.28	0.95	7.27
LOGSIZE	1,528	4.41	0.42	3.68	5.55
GOVERNANCE	1,528	60.61	7.14	50.00	76.79
IndustryCon	1,528	0.20	0.17	0.04	1.00
LobbyExp	1,528	1,848,869	2,795,328	0	13,900,000

Panel B

Year	Variable		Mean	Std. Dev.	Min	Max	Observations
2015–2018	PSD	overall	46.47	33.90	0.00	100.00	$N = 1528$
		between		31.99	0.00	100.00	$n = 382$
		within		11.30	−20.68	110.75	$T = 4$
2015		overall	42.10	32.95	0.00	100.00	$N = 382$
		between		32.95	0.00	100.00	$n = 382$
		within		0.00	42.10	42.10	$T = 1$
2016		overall	45.80	33.31	0.00	100.00	$N = 382$
		between		33.31	0.00	100.00	$n = 382$
		within		0.00	45.80	45.80	$T = 1$
2017		overall	47.89	34.28	0.00	100.00	$N = 382$
		between		34.28	0.00	100.00	$n = 382$
		within		0.00	47.89	47.89	$T = 1$
2018		overall	50.08	34.65	0.00	100.00	$N = 382$
		between		34.65	0.00	100.00	$n = 382$
		within		0.00	50.08	50.08	$T = 1$

Note: Panel A of this table presents the descriptive statistics of all variables. For variable definitions, see Table 2. Panel B of this table presents the degree of within and between group variances of PSD each year.

variances. A greater level of variance in PSD can be observed in between-group variance. One possible explanation is the voluntary nature of PSD, leading to wide differences in political reporting across firms. The larger proportion of between-group variation yields more support for the use of RE. Panel B of Table 3 reports an increasing trend of PSD over the years.

Table 4 reports the descriptive statistics for PSD by industry. Firms in real estate have the lowest average of 23.19 and firms in telecommunication services have the highest average of 70.35. The consumer discretionary sector, which has the highest representation of our sample, has an average PSD of 36.79. Further, firms in certain industries such as telecommunication services, utilities and health care make exceedingly high PSD in comparison with real estate and consumer discretionary firms. This suggests that firms' PSD varies across different industries, implying that different business sectors have inherent pressures to push firms to become politically transparent.

5.2. Correlation matrix

The correlation matrix in Table 5 reveals low correlation across all variables. Also, the variance inflation factor (VIF) was computed to check the multicollinearity. The mean

Table 4. Descriptive statistics for PSD according to industry.

PSD	Obs	Mean	Std.Dev.	Min	Max
Consumer Discretionary	228	36.79	30.62	0	97.14
Consumer Staples	112	52.08	30.94	0	94.29
Energy	108	55.12	27.93	0	100
Financials	208	54.07	36.54	0	100
Health Care	176	57.32	32.27	0	100
Industrials	220	41.14	32.07	0	97.14
Information Technology	204	39.23	37.81	0	100
Materials	80	44.18	32.76	0	97.14
Real Estate	76	23.20	27.99	0	94.29
Telecommunication Services	12	70.36	6.62	58.57	81.43
Utilities	104	60.56	28.27	5.71	97.14

Note: This table presents the descriptive statistics for PSD in each industry based on GICS (Global Industry Classification Standard).

VIF is 1.78, which is much lower than 10 and indicates that there is no issue of multicollinearity. The correlations between *PSD* and (*GOV* and *LobbyingExp)* are significantly positive. However, the correlations between *PSD* and (*INSTITUT* and *INSIDER)* are significantly negative, indicating that higher institutional, and insider ownership structures is correlated with lower *PSD*.

5.3. Results and discussions

5.3.1. PSD and ownership structure

The results in Table 6 suggest that ownership structure has significant effects on the level of PSD. These results are consistent with Ozer and Alakent (2013) who note that ownership structure affects corporate choices regarding political strategies. Specifically, we find that institutional ownership is positively associated with PSD, supporting the first hypothesis (H1). The importance of institutional ownership in relation to PSD ties in with prior studies that found positive association between institutional ownership and voluntary disclosures, such as earnings forecasts and CSR disclosures (Ajinkya et al., 2005; Lin et al., 2018; Oh et al., 2011). This positive relationship implies that institutional investors demand more political transparency from their investments. This may imply that institutional investors such as financial institutions and banks may use PSD to demonstrate their transparency to future clients and enhance their credibility (Bushee & Noe, 2000). We also endeavour to gain deeper insights on the influence of institutional ownership stability and concentration on PSD in the online Appendix.

In addition, our results show that insider ownership is negatively associated with PSD. This confirms our second hypothesis (H2) and is consistent with prior studies (Elshandidy et al., 2013; Ghazali, 2007; Khan et al., 2013; Oh et al., 2011; Raimo et al., 2020). However, this negative relationship should be considered with caution given that there are possibilities that insiders (i.e. executives and managers) and politicians may collude to extract private benefits (Guedhami et al., 2014). In doing so, managers and politicians may insist on reducing PSD to avoid public scrutiny. Consistent with type II agency conflict, we argue that self-interested managers may have incentives to reduce PSD to facilitate asset expropriation, extract perquisites at the cost of minority shareholders, manage informational possession in the firm and thereby safeguard themselves against political information leakage. As political information dissemination may

Table 5. Correlation matrix.

Variables	PSD	INSTITUT	INSIDER	GOV	FOREIGN	ROA	LEV	ANALYST	TOBINSQ	LOGSIZE	GOVERNANCE	IndustryCon	LobbyExp
PSD	1.00												
INSTITUT	−0.30***	1.00											
INSIDER	−0.13***	0.07**	1.00										
GOV	0.21***	−0.33***	−0.14***	1.00									
FOREIGN	−0.07**	0.02	0.58***	0.10***	1.00								
ROA	−0.07**	−0.00	0.08**	0.16***	0.15***	1.00							
LEV	−0.04	−0.00	0.04	0.04	0.05*	−0.04	1.00						
ANALYST	0.25***	−0.09***	0.05*	0.06*	0.03	0.06*	−0.08**	1.00					
TOBINSQ	−0.08**	0.09***	0.07*	0.09***	0.08**	0.62***	0.00	0.21***	1.00				
LOGSIZE	0.46***	−0.46***	−0.05*	0.28***	−0.04	0.17***	−0.05*	0.50***	0.21***	1.00			
GOVERNANCE	0.46***	−0.33***	−0.19***	0.24***	−0.09***	−0.11***	0.05	0.08**	−0.18***	0.32***	1.00		
IndustryCon	−0.08**	0.02	−0.00	−0.02	−0.07**	0.12***	0.09***	−0.10***	0.11***	−0.02	−0.05	1.00	
LobbyExp	0.42***	−0.43***	−0.06*	0.15***	−0.10***	−0.01	−0.04	0.21***	−0.05*	0.61***	0.32***	0.10***	1.00

Note: This table presents the correlation matrix of all variables. For variable definitions, see Table 2. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 6. Main regression results.

VARIABLES	1	2	3	4	5
INSTITUT	0.149**				0.183**
	(0.072)				(0.089)
INSIDER		−0.705***			−0.761***
		(0.266)			(0.269)
GOV			3.475***		3.319**
			(1.322)		(1.371)
FOREIGN				0.111	0.078
				(0.127)	(0.131)
ROA	−0.047	−0.045	−0.055	−0.048	−0.072
	(0.098)	(0.103)	(0.103)	(0.106)	(0.104)
LEV	0.080	0.076	0.072	0.077	0.068
	(0.061)	(0.061)	(0.062)	(0.062)	(0.062)
ANALYST	−0.074	−0.075	−0.064	−0.070	−0.061
	(0.125)	(0.158)	(0.157)	(0.157)	(0.156)
TOBINSQ	−3.377***	−3.004***	−3.262***	−3.191***	−3.180***
	(0.912)	(0.952)	(0.945)	(0.950)	(0.961)
SIZE	16.936***	14.607***	14.634***	15.748***	13.999***
	(2.879)	(3.090)	(3.073)	(3.044)	(3.152)
GOVERNANCE	0.815***	0.785***	0.786***	0.806***	0.748***
	(0.108)	(0.129)	(0.129)	(0.129)	(0.128)
IndustryCon	−15.543*	−15.234*	−14.521*	−14.518*	−14.880*
	(8.767)	(7.880)	(7.881)	(7.933)	(7.916)
LobbyExp	2.040***	1.884***	2.039***	2.000***	2.055***
	(0.433)	(0.475)	(0.475)	(0.477)	(0.483)
Constant	−85.799***	−58.620***	−65.406***	−69.220***	−76.413***
	(14.911)	(14.868)	(14.403)	(14.484)	(17.627)
Overall R^2	0.343	0.353	0.344	0.344	0.353
Year Indicators	Yes	Yes	Yes	Yes	Yes
Industry Indicators	Yes	Yes	Yes	Yes	Yes
Observations	1,528	1,528	1,528	1,528	1,528

Note: This table presents our main results regarding the influence of ownership structure (*INSTITUT*, *INSIDER*, *GOV*, and *FOREIGN*) on *PSD*. For variable definitions, see Table 2. The above table represents regression coefficients and standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

have severe corporate reputational risks (Deboskey & Luo, 2018), insiders with higher share ownership may issue less transparent PSD to prevent public accountability and stock price fluctuation. As Prabhat and Primo (2019) provide evidence that mandating corporate political donations is associated with greater corporate risk and stock price volatility, we add to this insight by arguing that insiders with greater share ownership may prefer to decrease PSD to maintain firm's stock price stability. Similarly, Shleifer and Vishny (1997) argue that when managers have a high percentage of firm's stocks, they are likely to reduce corporate disclosure (PSD in this case). Drawing on agency theory, while managerial ownership should incentivise managers to be more transparent, this may not be applicable to all kinds of accounting disclosures, especially risky ones such as PSD.

In terms of the impact of governmental ownership, Table 6 shows that it is positively associated with PSD, which clarifies findings from prior studies that government ownership fosters corporate transparency (Eng & Mak, 2003; Khan et al., 2013; Ntim et al., 2012; Ntim & Soobaroyen, 2013). This result confirms our third hypothesis (H3) and finds support in the argument of Muttakin and Subramaniam (2015), who claim that since the government is trusted by the public and would demand to meet the public's expectation, governmental ownership creates pressures for firms to be more transparent. Since state-owned enterprises may attract attention from the public, it is expected that they behave more transparently regarding their political participation. We argue that as governmental ownership increases, the issue of public accountability becomes very important and influential in firm's political strategies. Such companies tend to exhibit greater political transparency to ensure organisational legitimacy.

Finally, we do not find a statistically significant relationship between foreign ownership and PSD, supporting our fourth null hypothesis (H4). Our justification is that foreign investors, who suffer from information asymmetry, may not be fully aware of the local political environment and events that occur in other countries, leading to indifference towards PSD. Also, this insignificant relationship can be justified through the increasingly restricted laws regarding foreign ownership in the US, which minimise foreign-influenced political spending (Sozan, 2019).

5.3.2. PSD and firm specific characteristics

PSD is significantly higher for firms with larger size (*SIZE*) and better governance quality (*GOVERNANCE*) and lower for firms with more growth opportunities (*TOBINSQ*). Lobbying expenses (*LobbyExp*) is positively associated with PSD. This can be attributed to signalling, materiality and the desire to alleviate shareholders' concerns by increasing transparency regarding such expenditures (Kong et al., 2017). The level of industry concentration is negatively associated with PSD, indicating that firms exhibit more PSD in the case of lower industry concentration (higher industry competition). This finding is consistent with the argument that industry competition increases the difficulty of securing external funds, represented by a higher cost of capital. Hence, PSD can lessen information asymmetry and improve access to external capital (Valta, 2012). Our findings are also consistent with DeBoskey et al. (2020) who provide evidence of a negative association between political transparency and cost of debt, and with Isidro and Marques (2020) who provide evidence of the positive association between industry competition and firm transparency of non-GAAP disclosures.

We present our robustness and sensitivity analysis in the online Appendix. Our results are robust with alternative regression clustered by firm, different proxy for PSD, controlling for political connections, endogeneity tests, and various estimation models.

6. Analysis of mechanisms

In this section, we explore the channels through which ownership characteristics affect PSD. We argue that the effect of ownership structure variables on PSD may change based on different contexts and circumstances. Investigating these channels is important as owners have different preferences regarding corporate political strategies. As such, studying these mechanisms can deepen our understanding regarding ownership structure-PSD nexus. As foreign ownership does not show significant results, we suppress the estimated coefficients on foreign ownership in Table 7 and in the remaining tables for brevity.

6.1. Issue-specific lobbying expenditures and tax avoidance

Regarding lobbying expenditures, we chose the three largest categories (Federal Budget & Appropriations, Health Issues and Taxes) based on dollars spent on lobbying activities,

Table 7. Analysis of mechanisms – issue specific lobbying expenditures.

Variables	1	2	3	Variables	4	5	6	Variables	7	8	9
INSTITUT	0.119	0.117	0.063	INSIDER	−0.801***	−0.853***	−1.069***	GOV	2.793*	2.793**	3.312**
	(0.095)	(0.097)	(0.099)		(0.277)	(0.275)	(0.283)		(1.460)	(1.391)	(1.553)
FedBudget	−5.036			FedBudget	6.908**			FedBudget	3.474		
	(21.673)				(2.875)				(3.793)		
INSTITUT*FedBudget	0.145			INSIDER*FedBudget	0.326			GOV*FedBudget	2.607		
	(0.253)				(0.573)				(1.901)		
HealthIssues		−0.688		HealthIssues		4.182*		HealthIssues		−2.295	
		(10.607)				(2.492)				(4.020)	
INSTITUT*HealthIssues		0.053		INSIDER*HealthIssues		0.730		GOV*HealthIssues		4.078*	
		(0.127)				(0.473)				(2.303)	
Taxes			−22.995**	Taxes			4.913***	Taxes			4.334
			(9.855)				(1.693)				(2.804)
INSTITUT*Taxes			0.331***	INSIDER*Taxes			1.056***	GOV*Taxes			−0.145
			(0.120)				(0.357)				(1.534)
Control Variables	Yes	Yes	Yes	Control Variables	Yes	Yes	Yes	Control Variables	Yes	Yes	Yes
Constant	−95.753***	−98.658***	−92.413***	Constant	−70.072***	−72.805***	−67.782***	Constant	−78.769***	−81.827***	−78.600***
	(17.149)	(17.021)	(17.096)		(14.462)	(14.318)	(14.264)		(13.738)	(13.615)	(13.871)
Overall R^2	0.337	0.329	0.352	Overall R^2	0.35	0.343	0.359	Overall R^2	0.34	0.331	0.34
Year Indicators	Yes	Yes	Yes	Year Indicators	Yes	Yes	Yes	Year Indicators	Yes	Yes	Yes
Industry Indicators	Yes	Yes	Yes	Industry Indicators	Yes	Yes	Yes	Industry Indicators	Yes	Yes	Yes
Observations	1,528	1,528	1,528	Observations	1,528	1,528	1,528	Observations	1,528	1,528	1,528

Note: This table presents how issue specific lobbying expenditures operationalise ownership structure-PSD interaction. For variable definitions, see Table 2. *FedBudget*, *HealthIssues*, and *Taxes* represents issue specific lobbying expenditures for federal budget issues, health issues, and tax issues respectively following Brown et al. (2015) methodology. Control variables are included but suppressed for brevity reasons. The above table represents regression coefficients and standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

according to the CRP, from 2015 to 2018.[9] We then created interaction variables between ownership structure variables and certain lobbying expenditures in Table 7. Observably, the coefficient of *INSIDER*Taxes* is significant and positive at 1%, offering new evidence that the insider owners exhibit greater political transparency if they are pursing tax-lobbying activities. Since aggressive tax planning is one potential way through which corporate insiders can extract rents (Desai et al., 2007), managerial rent extraction through tax lobbying may incentivise corporate insiders to limit PSD. However, insider owners may increase PSD when they engage in tax-lobbying to convince the public that insiders are not extracting private benefits through aggressive tax planning. This appears to confirm that politicians and insiders, who insist on lobbying for certain issues, specifically tax-issues, may collude and reduce PSD to extract private benefits (Guedhami et al., 2014), but some pressures (e.g. from social activists demanding information regarding political influence on corporate tax) may force them to increase PSD. In this case, insider owners may increase PSD to convince the public that they are not behaving opportunistically through tax lobbying. These findings are consistent with the idea of tax planning being a means through which insiders can divert corporate resources, which could explain why certain stakeholders demand more PSD for tax-related lobbying activities.[10] Another argument is that tax-lobbying expenditures are spent on official state entities, meaning that these expenditures are kept in public records and can hardly be disguised. Therefore, insiders may increase PSD in such cases to reduce agency costs.

In the light of our prior findings, as well as previous research suggesting that aggressive tax planning exacerbates agency costs (Bauer et al., 2020) and those indicating insider owners' tendency towards tax avoidance (Cabello et al., 2019), we investigate how tax avoidance strategies operationalise the ownership structure-PSD nexus. Following prior studies (Hoopes et al., 2012; Huseynov et al., 2017; McClure et al., 2018), we use cash Effective Tax Rate (ETR), instead of GAAP ETR, as our proxy for tax avoidance which is calculated as percentage of cash tax payments to pretax book income.[11] Lower values of cash ETR represent higher level of tax avoidance. Interestingly, we find the coefficient of *INSIDER*CASHETR* in Table 8 to be negative and significant, indicating that insider owners exhibit more PSD when they engage in tax avoidance strategies. We interpret this interesting result in the light of the following arguments. First, as the demand for PSD has intensified significantly in the latest years, it is important for insiders with incentives to reduce tax payments to increase their engagement with PSD practices as this may develop a positive public perception regarding firm's ethical conduct and political transparency. This argument is in line with agency theory and with prior research that managers engaging in tax avoidance strategies tend to exhibit more ESG disclosures to create positive media reputation (Laguir et al., 2015; Lin

[9]We were unable to identify how much of annual lobbying expenses were directed toward each issue. However, CRP provides data regarding types and number of lobbied issues. So, we adopted Brown et al. (2015) methodology for calculating issue-specific lobbying expenditures by dividing number of specific issues by all other issues. We then multiplied this ratio by total amount of lobbying expenses to obtain issue-specific lobbying expenditures.

[10]For example, the coefficient of *INSTITUT*Taxes* is significant and positive at 1%, suggesting that institutional investors demand more PSDs when firms pursue tax-related lobbying expenditures.

[11]Please refer to Huseynov et al. (2017) and McClure et al. (2018) for details on how cash ETR has many improvements over GAAP ETR. We follow prior research and subtract other special items from the pretax book income as they can introduce some volatility in our tax avoidance measure (Dyreng et al., 2008; Minnick & Noga, 2010). Following prior research, Cash ETR is winsorized at 0 and 1 (Hjelström et al., 2020). We collected the data necessary to calculate tax avoidance from Compustat.

Table 8. Analysis of mechanisms – tax avoidance.

Variables	1	2	3
CASHETR	−15.345	−0.612	2.716
	(23.172)	(2.537)	(6.768)
INSTITUT	0.102		
	(0.098)		
INSTITUT*CASHETR	0.147		
	(0.255)		
INSIDER		−0.484*	
		(0.294)	
INSIDER*CASHETR		−1.027*	
		(0.597)	
GOV			4.178***
			(1.569)
GOV*CASHETR			−3.861
			(4.552)
Control Variables	Yes	Yes	Yes
Constant	−82.904***	−59.761***	−67.880***
	(17.663)	(15.218)	(14.704)
Overall R^2	0.344	0.355	0.344
Year Indicators	Yes	Yes	Yes
Industry Indicators	Yes	Yes	Yes
Observations	1,508	1,508	1,508

Note: This table presents how tax avoidance (CASHETR) operationalises ownership structure-PSD interaction. For variable definitions, see Table 2. The above table represents regression coefficients and standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

et al., 2017). Second, given prior evidence that politically connected firms are more likely to engage in tax avoidance tactics (Kim & Zhang, 2016), and that insiders owners utilise tax avoidance to expropriate wealth from shareholders (Cabello et al., 2019; McGuire et al., 2014), insiders owners, especially entrenched managers with great share ownership, may increase PSD. They may do this as a mechanism of gaining legitimisation from their political connections to facilitate their exploitation of corporate resources. We further argue that insider owners may strategically utilise the timing of claiming political transparency to conceal their tax avoidance strategies. Our evidence is also in line with Sikka (2010) who argue that firms claiming social conduct practices indulge in tax avoidance and evasion. Overall, we provide evidence that insider owners exhibit more PSD if they are pursing tax-related lobbying expenses and tax avoidance.

6.2. Non-financial disclosure quality and financial reporting quality

It can be argued that firm's PSD behaviour is influenced by its overall reporting strategy and the level of information asymmetry. Namely, firms with higher PSD could be firms with superior non-financial disclosure quality and financial reporting quality (DeBoskey et al., 2020). Also, prior research suggests that politically connected firms are more opaque and have lower financial reporting quality (Chaney et al., 2011). Since different owners have divergent preferences toward firm's political transparency, their orientations toward PSD can differ because of different levels of information asymmetry and overall reporting quality. For example, influential owners such as institutional and governmental owners, who already have access to corporate private and confidential information (Raimo et al., 2020), may demand lower PSD for firms with lower levels of information asymmetry. Therefore, we investigate how non-financial reporting quality and financial reporting quality operationalise the ownership structure-PSD

Table 9. Analysis of mechanisms – nonfinancial reporting quality.

Variables	1	2	3
GOVERNANCE	1.162	0.832***	1.183***
	(1.303)	(0.124)	(0.233)
INSTITUT	0.375		
	(0.917)		
INSTITUT*GOVERNANCE	−0.004		
	(0.015)		
INSIDER		1.014	
		(1.885)	
INSIDER*GOVERNANCE		−0.029	
		(0.031)	
GOV			21.763**
			(9.596)
GOV*GOVERNANCE			−0.298*
			(0.155)
Control Variables	Yes	Yes	Yes
Constant	−106.532	−60.890***	−88.521***
	(81.801)	(14.582)	(17.240)
Overall R^2	0.342	0.35	0.345
Year Indicators	Yes	Yes	Yes
Industry Indicators	Yes	Yes	Yes
Observations	1,528	1,528	1,528

Note: This table presents how nonfinancial reporting quality (*GOVERNANCE*) operationalises ownership structure-PSD interaction. For variable definitions, see Table 2. The above table represents regression coefficients and standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

nexus. We follow prior research and use the Bloomberg governance score as proxy for nonfinancial reporting quality (DeBoskey et al., 2020). To proxy for financial reporting quality, we follow McNichols (2002) and draw our measure for accruals quality based on the absolute value of Accruals Estimation Errors (*Abs_AEE*) (see the online Appendix for more details).

Observably, the coefficient of *GOV*GOVERNANCE* in Table 9 is significantly negative, implying that governmental owners' demand for PSD is lower in firms with higher nonfinancial reporting quality. It seems that governmental owners heavily rely on governance quality in demanding PSD. This provides evidence that governmental ownership and governance quality can be substitutive, instead of complementary, in their impact on PSD. This suggests that governmental owners' monitoring over corporate political activities is weaker in firms with higher environmental, social and governance (ESG) disclosures. Additionally, governmental owners' presence may allay information asymmetry because such owners have inherent authority to acquire political information from other privileged sources, even in the obscurity of political reporting (Raimo et al., 2020). So, governmental ownership, especially in firms with higher nonfinancial reporting quality, may push firms to issue less PSD.

Similarly, the coefficient of *GOV*Abs_AEE* in Table 10 is significantly positive, implying that the positive relationship between governmental ownership and PSD is more pronounced in firms with poorer financial reporting quality. In other words, governmental owners demand lower PSD in firms with higher financial reporting quality. This finding is consistent with our earlier analysis that governmental owners demand for transparent PSD is lower in firms with greater non-financial reporting quality. Overall, our findings are consistent with the notion that demand for more PSD is higher when information asymmetry is higher (Bhattacharya et al., 2013; S. Brown & Hillegeist, 2007; Eliwa et al., 2019).

Table 10. Analysis of mechanisms – financial reporting quality.

Variables	1	2	3
Abs_AEE	22.804	−0.217	−12.212**
	(16.673)	(2.018)	(5.694)
INSTITUT	0.204**		
	(0.091)		
INSTITUT*Abs_AEE	−0.267		
	(0.182)		
INSIDER		−0.555*	
		(0.318)	
INSIDER*Abs_AEE		−0.586	
		(0.493)	
GOV			1.608
			(1.558)
GOV*Abs_AEE			7.820**
			(3.984)
Control Variables	Yes	Yes	Yes
Constant	−92.178***	−60.200***	−62.878***
	(16.474)	(13.710)	(13.198)
Overall R^2	0.337	0.346	0.336
Year Indicators	Yes	Yes	Yes
Industry Indicators	Yes	Yes	Yes
Observations	1,417	1,417	1,417

Note: This table presents how financial reporting quality (Abs_AEE) operationalises ownership structure-PSD interaction. For variable definitions, see Table 2. The above table represents regression coefficients and standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

6.3. Industry concentration

Prior evidence suggests that the level of industry concentration shapes corporate disclosure policy (Ali et al., 2014). Similarly, it is possible that industry concentration level may change owners' perceptions regarding corporate political disclosure policy as different industry concentration and competition levels may have inherent forces that can change owners' preferences for political transparency. Correspondingly, we explore whether and how industry concentration level operationalises the interactions between ownership structure characteristics and PSD. We observe that the coefficient of *INSTITUT *IndustryCon* in Table 11 is negative and significant at 1%, implying that institutional investors demand more PSD in the case of lower industry concentration or higher industry competition. Given the recent evidence that corporate political transparency reduces firm's cost of debt (DeBoskey et al., 2020), institutional owners may insist on increasing PSD of their investee firms when they are operating in high competition environment to ease their access to external funds. Given the difficulty of securing external capital in industries with intensive competition, institutional owners can reduce information asymmetry by pressing firms to enhance PSD to reduce investee firms' cost of debt. This finding is in line with the premises of agency theory regarding the monitoring function of institutional ownership and with prior research that institutional ownership stability reduces corporate cost of debt (Elyasiani et al., 2010).

Overall, the results of the cross-sectional analyses indicate that the relationship between ownership structure and PSD depends on contingencies or conditions that corporations face. Consistent with agency theory, they indicate that different shareholders have divergent preferences regarding political transparency. Also, the foregoing shows how critical it is to consider the channels or mechanisms that configure the interactions between different owners and PSD such as issue-specific lobbying expenditures, the

Table 11. Analysis of mechanisms – industry concentration.

Variables	1	2	3
IndustryCon	94.485***	−16.594**	−17.273**
	(35.055)	(8.048)	(8.699)
INSTITUT	0.415***		
	(0.151)		
INSTITUT*IndustryCon	−1.221***		
	(0.386)		
INSIDER		−0.853**	
		(0.433)	
INSIDER*IndustryCon		0.701	
		(1.296)	
GOV			3.055*
			(1.716)
GOV*IndustryCon			2.132
			(4.234)
Control Variables	Yes	Yes	Yes
Constant	−108.763***	−58.125***	−64.657***
	(20.228)	(14.844)	(14.727)
Overall R^2	0.343	0.353	0.344
Year Indicators	Yes	Yes	Yes
Industry Indicators	Yes	Yes	Yes
Observations	1,528	1,528	1,528

Note: This table presents how industry concentration (*IndustryCon*) operationalises ownership structure-PSD interaction. For variable definitions, see Table 2. The above table represents regression coefficients and standard errors in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

degree of tax avoidance, nonfinancial and financial reporting quality and industry concentration as these mechanisms uniquely operationalise ownership-structure-PSD nexus.

7. Conclusion

Significant funds that corporations devote to political activities highlights the need for better understanding of the drivers of corporate political transparency. Using a sample from S&P 500 firms between 2015 and 2018, our study sheds light on these drivers, advancing the literature on the ownership structure-PSD nexus. First, our findings show that ownership structures play a vital role in shaping a firm's PSD. Second, while institutional ownership has a positive association with PSD, institutional owners demand more PSD in firms operating in higher competition. Third, we provide evidence that insider ownership negatively affects PSD, but insider owners exhibit more PSD for firms that engage in tax-lobbying activities and tax avoidance tactics. Fourth, governmental owners demand more PSD, but this demand is lower in firms with higher nonfinancial and financial reporting quality. Therefore, our findings suggest that the effect of ownership structure on PSD is contingent upon mechanisms that the operationalise ownership structure-PSD nexus such as issue-specific lobbying expenditures, tax avoidance, nonfinancial and financial reporting quality and industry concentration. Put together, these contributions to the literature shed light on the determinants of PSD – an important, yet relatively unexplored, disclosure practice.

Our study has several implications for regulators and policy makers. First, regulators should prevent corporate insiders from holding significant proportions of shares because large ownership worsens corporate political transparency. Second, our results show that different shareholders have divergent or competing views regarding PSD.[12] Accordingly, companies should create more developed intervention mechanisms including specialised political committees (see: Deboskey et al., 2018a) or PSD-focused divisions to handle conflicting views. Third, it is important to consider various boundary conditions including issue-specific lobbying expenditures, tax avoidance, nonfinancial and financial reporting quality and industry concentration in order to better understand how ownership structure drives PSD. Further, the increasing PSD indicates that efforts by many stakeholders (such as the UK Parliament, US Congress and some professional institutions such as the Chartered Financial Analyst Institute) are having a positive influence at enhancing political reporting.[13] However, as PSD is voluntary in nature, we recommend more attention to be paid to PSD quality. Namely, regulatory authorities can strengthen political reporting by informing managers to make "forward-looking" and "quantitative-oriented" political disclosures. We also suggest using a disclosure framework that satisfies the minimum criterion of reliability and relevance. For example, adopting a PSD framework consistent with the Global Reporting Initiative (GRI) can provide companies with standards, guidelines and rules regarding PSD, increasing its comparability, consistency, understandability and readability across firms. Furthermore, given that PSD information is dispersed in many places because of separate filings requirements with different organisations, making their collection a time-consuming process, we suggest the unification of the political reporting process into a single "political performance report". Our results will help regulators and policy makers in framing legislation and regulatory reforms to make ameliorations in both PSD and corporate governance. We acknowledge that the statistical relationships presented in our study do not necessarily imply causal relations. Since our disclosure and governance proxies may not fully represent managerial practice in totality, future research may utilise qualitative approaches such as case studies, interviews and observations. Also, given the rapid growing attention on political issues, we call for more research investigating the divers of corporate political spending transparency as it becomes an inescapable priority for businesses.

Acknowledgement

The authors would like to thank the editors and the two anonymous reviewers for their great comments and suggestions.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Funding

This work was supported by Egyptian Ministry of Higher Education.

[12]For example, while institutional ownership generally has a positive effect on PSD, some groups within institutional owners such as large institutional investors have a negative influence on PSD. Also, while governmental ownership has a positive influence on PSD, insider ownership has negative influence. Such competing strategic preferences may cause problematic and inefficient procedures in political investment decisions.

[13]More US firms than ever before become transparent over political spending (The Guardian, 2019).

ORCID

Hesham Ali http://orcid.org/0000-0003-4820-8356
Emmanuel Adegbite http://orcid.org/0000-0002-7370-2818
Tam Huy Nguyen http://orcid.org/0000-0001-7170-5882

References

Adegbite, E. (2010). *The determinants of good corporate governance: The case of Nigeria* [Doctoral dissertation]. Cass Business school, City, University of London. https://openaccess.city.ac.uk/id/eprint/19551/

Adegbite, E., Amaeshi, K., & Amao, O. (2012). The politics of shareholder activism in Nigeria. *Journal of Business Ethics*, *105*(3), 389–402. https://doi.org/10.1007/s10551-011-0974-y

Adegbite, E., Guney, Y., Kwabi, F. O., & Tahir, S. (2019). Financial and corporate social performance in UK listed firms: The relevance of non-linearity and lag effects. *Review of Quantitative Finance and Accounting*, *52*(1), 105–158. https://doi.org/10.1007/s11156-018-0705-x

Aggarwal, R. K., Meschke, F., & Wang, T. Y. (2012). Corporate political donations: Investment or agency? *Business and Politics*, *14*(1), 1–38. https://doi.org/10.1515/1469-3569.1391

Ajinkya, B., Bhojraj, S., & Sengupta, P. (2005). The association between outside directors, institutional investors and the properties of management earnings forecasts. *Journal of Accounting Research*, *43*(3), 343–376. https://doi.org/10.1111/j.1475-679x.2005.00174.x

Alhababsah, S. (2019). Ownership structure and audit quality: An empirical analysis considering ownership types in Jordan. *Journal of International Accounting, Auditing and Taxation*, *35*, 71–84. https://doi.org/10.1016/j.intaccaudtax.2019.05.006

Ali, A., Klasa, S., & Yeung, E. (2014). Industry concentration and corporate disclosure policy. *Journal of Accounting and Economics*, *58*(2), 240–264. https://doi.org/10.1016/j.jacceco.2014.08.004

Allaya, M., Derouiche, I., & Muessig, A. (2018). Voluntary disclosure, ownership structure, and corporate debt maturity: A study of French listed firms. *International Review of Financial Analysis*, https://doi.org/10.1016/j.irfa.2018.12.008

Alshbili, I., Elamer, A. A., & Beddewela, E. (2018). Ownership types, corporate governance and corporate social responsibility disclosures: Empirical evidence from a developing country. *Accounting Research Journal*, https://doi.org/10.1108/ARJ-03-2018-0060

Amore, M. D., & Bennedsen, M. (2013). The value of local political connections in a low-corruption environment. *Journal of Financial Economics*, *110*(2), 387–402. https://doi.org/10.1016/j.jfineco.2013.06.002

Bagley, C., Freed, B., & Sandstrom, K. (2015). *A board member's guide to corporate political spending*. Harvard Business Review. https://hbr.org/2015/10/a-board-members-guide-to-corporate-political-spending

Baloria, V. P., Klassen, K. J., & Wiedman, C. I. (2019). Shareholder activism and voluntary disclosure initiation: The case of political spending. *Contemporary Accounting Research*, *36*(2), 904–933. https://doi.org/10.1111/1911-3846.12457

Baltagi, B. (2008). *Econometric analysis of panel data*. John Wiley & Sons.

Bauer, A., Fang, J., Pittman, J., Zhang, Y., & Zhao, Y. (2020). How aggressive tax planning facilitates the diversion of corporate resources: Evidence from path analysis. *Contemporary Accounting Research*, *37*(3), 1882–1913. https://doi.org/10.1111/1911-3846.12563

Beets, D., & Beets, M. (2019). An absence of transparency: The charitable and political contributions of US corporations. *Journal of Business Ethics*, *155*(4), 1101–1113. https://doi.org/10.1007/s10551-017-3537-z

Berger, P. G., & Hann, R. N. (2007). Segment profitability and the proprietary and agency costs of disclosure. *The Accounting Review*, *82*(4), 869–906. https://doi.org/10.2308/accr.2007.82.4.869

Bhattacharya, N., Desai, H., & Venkataraman, K. (2013). Does earnings quality affect information asymmetry? Evidence from trading costs. *Contemporary Accounting Research*, *30*(2), 482–516. https://doi.org/10.1111/j.1911-3846.2012.01161.x

Brown, J. L., Drake, K., & Wellman, L. (2015). The benefits of a relational approach to corporate political activity: Evidence from political contributions to tax policymakers. *The Journal of the American Taxation Association*, *37*(1), 69–102. https://doi.org/10.2308/atax-50908

Brown, S., & Hillegeist, S. A. (2007). How disclosure quality affects the level of information asymmetry. *Review of Accounting Studies*, *12*(2), 443–477. https://doi.org/10.1007/s11142-007-9032-5

Bushee, B. J., & Noe, C. F. (2000). Corporate disclosure practices, institutional investors, and stock return volatility. *Journal of Accounting Research*, *38*, 171. https://doi.org/10.2307/2672914

Cabello, O., Gaio, L., & Watrin, C. (2019). Tax avoidance in management-owned firms: Evidence from Brazil. *International Journal of Managerial Finance*, *15*(4), 580–592. https://doi.org/10.1108/IJMF-04-2018-0117

Chan, M. C., Watson, J., & Woodliff, D. (2014). Corporate governance quality and CSR disclosures. *Journal of Business Ethics*, *125*(1), 59–73. https://doi.org/10.2307/24033154

Chaney, P. K., Faccio, M., & Parsley, D. (2011). The quality of accounting information in politically connected firms. *Journal of Accounting and Economics*, *51*(1–2), 58–76. https://doi.org/10.1016/j.jacceco.2010.07.003

Chau, G., & Gray, S. (2002). Ownership structure and corporate voluntary disclosure in Hong Kong and Singapore. *The International Journal of Accounting*, *37*(2), 247–265. https://doi.org/10.1016/S0020-7063(02)00153-X

Chen, H., Parsley, D., & Yang, Y. W. (2015). Corporate lobbying and firm performance. *Journal of Business Finance and Accounting*, *42*(3–4), 444–481. https://doi.org/10.1111/jbfa.12109

Cohen, A., Hazan, M., Tallarita, R., & Weiss, D. (2019). The politics of CEOs. *Journal of Legal Analysis*, *11*, 1–45. https://doi.org/10.1093/jla/laz002

Connelly, B. L., Hoskisson, R. E., Tihanyi, L., & Certo, S. T. (2010). Ownership as a form of corporate governance. *Journal of Management Studies*, *47*(8), 1561–1589. https://doi.org/10.1111/j.1467-6486.2010.00929.x

Correia, M. M. (2014). Political connections and SEC enforcement. *Journal of Accounting and Economics*, *57*(2), 241–262. https://doi.org/10.1016/j.jacceco.2014.04.004

CPA, C. for P. A. (2016). *The 2016 CPA-Zicklin Index of Corporate Political Disclosure and Accountability – S&P 500 review shows political disclosure and oversight becoming common practice*. Center for Political Accountability. https://politicalaccountability.net/hifi/files/index/2016CPAZicklinIndex.pdf

Dam, L., & Scholtens, B. (2012). Does ownership type matter for corporate social responsibility? *Corporate Governance: An International Review*, *20*(3), 233–252. https://doi.org/10.1111/j.1467-8683.2011.00907.x

DeBoskey, D., Li, Y., Lobo, G., & Luo, Y. (2020). Corporate political transparency and the cost of debt. *Review of Quantitative Finance and Accounting*, https://doi.org/10.1007/s11156-020-00941-6

Deboskey, D., & Luo, Y. (2018). Recent trends in corporate political disclosure for a sample of S&P 500 firms: A new and emerging corporate disclosure area. *International Journal of Disclosure and Governance*, *15*(3), 176–184. https://doi.org/10.1057/s41310-018-0045-z

Deboskey, D., Luo, Y., & Wang, J. (2018a). Do specialized board committees impact the transparency of corporate political disclosure? Evidence from S&P 500 companies. *Research in Accounting Regulation*, *30*(1), 8–19. https://doi.org/10.1016/j.racreg.2018.03.002

Deboskey, D., Luo, Y., & Wang, J. (2018b). Does board gender diversity affect the transparency of corporate political disclosure? *Asian Review of Accounting*, *26*(4), 444–463. https://doi.org/10.1108/ARA-09-2017-0141

Desai, M. A., Dyck, A., & Zingales, L. (2007). Theft and taxes. *Journal of Financial Economics*, *84*(3), 591–623. https://doi.org/10.1016/j.jfineco.2006.05.005

DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, *48*(2), 147. https://doi.org/10.2307/2095101

Duqi, A., Jaafar, A., & Warsame, M. (2020). Payout policy and ownership structure: The case of islamic and conventional banks. *The British Accounting Review*, *52*(1), 100826. https://doi.org/10.1016/j.bar.2019.03.001

Dyreng, S. D., Hanlon, M., & Maydew, E. L. (2008). Long-run corporate tax avoidance. *The Accounting Review*, *83*(1), 61–82. http://www.jstor.org.ezproxy.nottingham.ac.uk/stable/30243511 https://doi.org/10.2308/accr.2008.83.1.61

Elamer, A. A., Ntim, C. G., Abdou, H. A., Zalata, A. M., & Elmagrhi, M. (2019). The impact of multi-layer governance on bank risk disclosure in emerging markets: The case of Middle East and north Africa. *Accounting Forum*, *43*(2), 246–281. https://doi.org/10.1080/01559982.2019.1576577

Elemes, A., & Chen, J. (2020). Big 4 office political connections and client restatements. *European Accounting Review*, Forthcoming, https://doi.org/10.1080/09638180.2020.1856163

Eliwa, Y., Aboud, A., & Saleh, A. (2019). ESG practices and the cost of debt: Evidence from EU countries. *Critical Perspectives on Accounting*. Article 102097. https://doi.org/10.1016/j.cpa.2019.102097

Elshandidy, T., Fraser, I., & Hussainey, K. (2013). Aggregated, voluntary, and mandatory risk disclosure incentives: Evidence from UK FTSE all-share companies. *International Review of Financial Analysis*, *30*, 320–333. https://doi.org/10.1016/j.irfa.2013.07.010

Elyasiani, E., Jia, J., & Mao, C. (2010). Institutional ownership stability and the cost of debt. *Journal of Financial Markets*, *13*(4), 475–500. https://doi.org/10.1016/j.finmar.2010.05.001

Eng, L. L., & Mak, Y. T. (2003). Corporate governance and voluntary disclosure. *Journal of Accounting and Public Policy*, *22*(4), 325–345. https://doi.org/10.1016/S0278-4254(03)00037-1

Forst, A., Hettler, B., & Barniv, R. (2019). Insider ownership and financial analysts' information environment: Evidence from dual-class firms. *Journal of Accounting, Auditing & Finance*, *34*(1), 30–53. https://doi.org/10.1177/0148558X16670048

Ghazali, N. A. (2007). Ownership structure and corporate social responsibility disclosure: Some Malaysian evidence. *Corporate Governance: The International Journal of Business in Society*, *7*(3), 251–266. https://doi.org/10.1108/14720700710756535

Goh, L., Liu, X., & Tsang, A. (2020). Voluntary disclosure of corporate political spending. *Journal of Corporate Finance*, *61*(April), 1–32. https://doi.org/10.1016/j.jcorpfin.2018.08.014

Goodwin, J. (2021, January 13). Corporate America halts donations to Republicans who voted to overturn the election. *CNN*. https://edition.cnn.com/2021/01/10/business/citigroup-bluecross-commerce-bank-pac-donations/index.html

Gow, I. D., Ormazabal, G., & Taylor, D. J. (2010). Correcting for cross-sectional and time-series dependence in Accounting research. *The Accounting Review*, *85*(2), 483–512. https://doi.org/10.2308/accr.2010.85.2.483

Guedhami, O., Pittman, J. A., & Saffar, W. (2014). Auditor choice in politically connected firms. *Journal of Accounting Research*, *52*(1), 107–162. https://doi.org/10.1111/1475-679X.12032

Gujarati, D. N. (2003). *Basic econometrics* (4th ed.). McGraw Hill.

Hadani, M. (2007). Family matters: Founding family firms and corporate political activity. *Business & Society*, *46*(4), 395–428. https://doi.org/10.1177/0007650306293394

Hall, C. M. (2016). Does ownership structure affect labor decisions? *The Accounting Review*, *91*(6), 1671–1696. https://doi.org/10.2308/accr-51384

Haniffa, R. M., & Cooke, T. E. (2005). The impact of culture and governance on corporate social reporting. *Journal of Accounting and Public Policy*, *24*(5), 391–430. https://doi.org/10.1016/J.JACCPUBPOL.2005.06.001

Hany, E. (2012). Determinants of narrative risk disclosures in UK interim reports. *The Journal of Risk Finance*, *13*(2), 133–147. https://doi.org/10.1108/15265941211203189

Hillman, A. J., Keim, G. D., & Schuler, D. (2004). Corporate political activity: A review and research agenda. *Journal of Management*, *30*(6), 837–857. https://doi.org/10.1016/j.jm.2004.06.003

Hjelström, T., Kallunki, J.-P., Nilsson, H., & Tylaite, M. (2020). Executives' personal tax behavior and corporate tax avoidance consistency. *European Accounting Review*, *29*(3), 493–520. https://doi.org/10.1080/09638180.2019.1642222

Hoopes, J. L., Mescall, D., & Pittman, J. A. (2012). Do IRS audits deter corporate tax avoidance? *The Accounting Review*, *87*(5), 1603–1639. http://www.jstor.org.ezproxy.nottingham.ac.uk/stable/41721904 https://doi.org/10.2308/accr-50187

Huafang, X., & Jianguo, Y. (2007). Ownership structure, board composition and corporate voluntary disclosure: Evidence from listed companies in China. *Managerial Auditing Journal*, *22*(6), 604–619. https://doi.org/10.1108/02686900710759406

Hughes, P. J. (1986). Signalling by direct disclosure under asymmetric information. *Journal of Accounting and Economics*, *8*(2), 119–142. https://doi.org/10.1016/0165-4101(86)90014-5

Huseynov, F., Sardarli, S., & Zhang, W. (2017). Does index addition affect corporate tax avoidance? *Journal of Corporate Finance*, *43*, 241–259. https://doi.org/10.1016/j.jcorpfin.2017.01.008

Hyun, J.-H., Kim, B.-J., Kwon, S., & Shin, J. Y. (2014). The effects of corporate governance, competition, and political costs on strategic executive pay disclosure: Evidence from Korea. *Journal of Management Accounting Research*, *26*(2), 195–220. https://doi.org/10.2308/jmar-50730

Irani, R., & Oesch, D. (2013). Monitoring and corporate disclosure: Evidence from a natural experiment. *Journal of Financial Economics*, *109*(2), 398–418. https://doi.org/10.1016/j.jfineco.2013.02.021

Isidro, H., & Marques, A. (2020). Industry competition and non-GAAP disclosures. *Accounting and Business Research*, 1–29. https://doi.org/10.1080/00014788.2020.1798209

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, *3*(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X

Jensen, M. C., & Ruback, R. S. (1983). The market for corporate control: The scientific evidence. *Journal of Financial Economics*, *11*(1), 5–50. https://doi.org/10.1016/0304-405X(83)90004-1

Johnson, R. A., & Greening, D. W. (1999). The effects of corporate governance and institutional ownership types on corporate social performance. *Academy of Management Journal*, *42*(5), 564–576. https://doi.org/10.2307/256977

Jonas, O. (2011). Risk-related disclosures by non-finance companies: Portuguese practices and disclosure characteristics. *Managerial Auditing Journal*, *26*(9), 817–839. https://doi.org/10.1108/02686901111171466

Judge, W. (2011). The pivotal role of ownership. *Corporate Governance: An International Review*, *19*(6), 505–506. https://doi.org/10.1111/j.1467-8683.2011.00887.x

Judge, W. (2012). Owner type as emerging area of governance research. *Corporate Governance: An International Review*, *20*(3), 231–232. https://doi.org/10.1111/j.1467-8683.2012.00908.x

Khan, A., Muttakin, M. B., & Siddiqui, J. (2013). Corporate governance and corporate social responsibility disclosures: Evidence from an emerging economy. *Journal of Business Ethics*, *114*(2), 207–223. https://doi.org/10.1007/s10551-012-1336-0

Khanna, T., Palepu, K. G., & Srinivasan, S. (2004). Disclosure practices of foreign companies interacting with U.S. Markets. *Journal of Accounting Research*, *42*(2), 475–508. https://doi.org/10.1111/j.1475-679X.2004.00146.x

Kim, C., & Zhang, L. (2016). Corporate political connections and tax aggressiveness. *Contemporary Accounting Research*, *33*(1), 78–114. https://doi.org/10.1111/1911-3846.12150

Kong, X., Radhakrishnan, S., & Tsang, A. (2017). Corporate lobbying, visibility and accounting conservatism. *Journal of Business Finance and Accounting*, *44*(5–6), 527–557. https://doi.org/10.1111/jbfa.12246

Laguir, I., Staglianò, R., & Elbaz, J. (2015). Does corporate social responsibility affect corporate tax aggressiveness? *Journal of Cleaner Production*, *107*, 662–675. https://doi.org/10.1016/j.jclepro.2015.05.059

Laidroo, L. (2009). Association between ownership structure and public announcements' disclosures. *Corporate Governance: An International Review*, *17*(1), 13–34. https://doi.org/10.1111/j.1467-8683.2008.00717.x

Lei, L., Li, Y., & Luo, Y. (2019). Social media and voluntary nonfinancial disclosure: Evidence from Twitter presence and corporate political disclosure. *Journal of Information Systems*, *33*(2), 99–128. https://doi.org/10.2308/isys-52189

Lin, K., Cheng, S., & Zhang, F. (2017). Corporate social responsibility, institutional environments, and tax avoidance: Evidence from a subnational comparison in China. *The International Journal of Accounting*, *52*(4), 303–318. https://doi.org/10.1016/j.intacc.2017.11.002

Lin, Y., Mao, Y., & Wang, Z. (2018). Institutional ownership, peer pressure, and voluntary disclosures. *The Accounting Review*, *93*(4), 283–308. https://doi.org/10.2308/accr-51945

Liu, S. (2015). Corporate governance and forward-looking disclosure: Evidence from China. *Journal of International Accounting, Auditing and Taxation*, *25*, 16–30. https://doi.org/10.1016/j.intaccaudtax.2015.10.002

Mahoney, L., & Roberts, R. W. (2007). Corporate social performance, financial performance and institutional ownership in Canadian firms. *Accounting Forum*, *31*(3), 233–253. https://doi.org/10.1016/j.accfor.2007.05.001

Mangena, M., & Tauringana, V. (2007). Disclosure, corporate governance and foreign share ownership on the Zimbabwe stock exchange. *Journal of International Financial Management & Accounting*, *18*(2), 53–85. https://doi.org/10.1111/j.1467-646X.2007.01008.x

McClure, R., Lanis, R., Wells, P., & Govendir, B. (2018). The impact of dividend imputation on corporate tax avoidance: The case of shareholder value. *Journal of Corporate Finance*, *48*, 492–514. https://doi.org/10.1016/j.jcorpfin.2017.10.007

Mcgrath, C. (2017). *80% of equity market cap held by institutions*. Pensions & Investments. https://www.pionline.com/article/20170425/INTERACTIVE/170429926/80-of-equity-market-cap-held-by-institutions

McGuire, S. T., Wang, D., & Wilson, R. J. (2014). Dual class ownership and tax avoidance. *The Accounting Review*, *89*(4), 1487–1516. https://doi.org/10.2308/accr-50718

McNichols, M. F. (2002). Discussion of the quality of accruals and earnings: Multiples. *Journal of Accounting Research*, *40*(1), 135–172. https://doi.org/10.1111/1475-679X.00042

Minnick, K., & Noga, T. (2010). Do corporate governance characteristics influence tax management? *Journal of Corporate Finance*, *16*(5), 703–718. https://doi.org/10.1016/j.jcorpfin.2010.08.005

Mithani, M. (2019). Corporate political transparency. *Business & Society*, *58*(3), 644–678. https://doi.org/10.1177/0007650316679991

Morck, R., Shleifer, A., & Vishny, R. W. (1988). Management ownership and market valuation: An empirical analysis. *Journal of Financial Economics*, *20*, 293–315. https://doi.org/10.1016/0304-405X(88)90048-7

Morris, R. D. (1987). Signalling, agency theory and accounting policy choice. *Accounting and Business Research*, *18*(69), 47–56. https://doi.org/10.1080/00014788.1987.9729347

Mullins, B., & Zimmerman, A. (2010). Target discovers downside to political contributions. *The Wall Street Journal*. https://www.wsj.com/articles/SB10001424052748703988304575413650676561696

Muttakin, M. B., & Subramaniam, N. (2015). Firm ownership and board characteristics: Do they matter for corporate social responsibility disclosure of Indian companies? *Sustainability Accounting, Management and Policy Journal*, *6*(2), 138–165. https://doi.org/10.1108/SAMPJ-10-2013-0042

Nathan, C., & Finsbury, R. (2014). *Communicating voluntary disclosure of corporate political spending*. Harvard Law School Forum on Corporate Governance. https://corpgov.law.harvard.edu/2014/07/28/communicating-voluntary-disclosure-of-corporate-political-spending/

Ntim, C. G. (2016). Corporate governance, corporate health accounting, and firm value: The case of HIV/AIDS disclosures in Sub-Saharan Africa. *The International Journal of Accounting*, *51*(2), 155–216. https://doi.org/10.1016/j.intacc.2016.04.006

Ntim, C. G., Lindop, S., & Thomas, D. A. (2013). Corporate governance and risk reporting in South Africa: A study of corporate risk disclosures in the pre- and post-2007/2008 global financial crisis periods. *International Review of Financial Analysis*, *30*, 363–383. https://doi.org/10.1016/j.irfa.2013.07.001

Ntim, C. G., Opong, K. K., & Danbolt, J. (2012). The relative value relevance of shareholder versus stakeholder corporate governance disclosure policy reforms in South Africa. *Corporate Governance: An International Review*, *20*(1), 84–105. https://doi.org/10.1111/j.1467-8683.2011.00891.x

Ntim, C. G., & Soobaroyen, T. (2013). Corporate governance and performance in socially responsible corporations: New empirical insights from a neo-institutional framework. *Corporate Governance: An International Review*, *21*(5), 468–494. https://doi.org/10.1111/corg.12026

Oh, W., Chang, Y., & Martynov, A. (2011). The effect of ownership structure on corporate social responsibility: Empirical evidence from Korea. *Journal of Business Ethics*, *104*(2), 283–297. https://doi.org/10.1007/s10551-011-0912-z

Okike, E., & Adegbite, E. (2012). The code of corporate governance in Nigeria: Efficiency gains or social legitimation? *Corporate Ownership and Control*, *9*(3), 262–275. https://doi.org/10.22495/cocv9i3c2art4

Ozer, M., & Alakent, E. (2013). The influence of ownership structure on how firms make corporate political strategy choices. *Business & Society*, *52*(3), 451–472. https://doi.org/10.1177/0007650312466041

Peters, G. F., & Romi, A. M. (2014). Does the voluntary adoption of corporate governance mechanisms improve environmental risk disclosures? Evidence from greenhouse gas emission accounting. *Journal of Business Ethics*, *125*(4), 637–666. https://doi.org/10.1007/s10551-013-1886-9

Porter, E. (2015). Corporations open up about political spending. *New York Times*. https://www.nytimes.com/2015/06/10/business/corporations-open-up-about-political-spending.html?_r=0

Prabhat, S., & Primo, D. M. (2019). Risky business: Do disclosure and shareholder approval of corporate political contributions affect firm performance? *Business and Politics*, *21*(2), 205–239. https://doi.org/10.1017/bap.2018.24

Raimo, N., Vitolla, F., Marrone, A., & Rubino, M. (2020). The role of ownership structure in integrated reporting policies. *Business Strategy and the Environment*, https://doi.org/10.1002/bse.2498

Schepers, D., & Gardberg, N. (2011). *The Baruch index of corporate political disclosure: 2011 results*. https://www.baruch.cuny.edu/baruchindex/BIResults.pdf.

Shleifer, A., & Vishny, R. W. (1997). A survey of corporate governance. *The Journal of Finance*, *52*(2), 737–783. https://doi.org/10.1111/j.1540-6261.1997.tb04820.x

Siegel, D. S., & Vitaliano, D. F. (2007). An empirical analysis of the strategic use of corporate social responsibility. *Journal of Economics & Management Strategy*, *16*(3), 773–792. https://doi.org/10.1111/j.1530-9134.2007.00157.x

Sikka, P. (2010). Smoke and mirrors: Corporate social responsibility and tax avoidance. *Accounting Forum*, *34*(3), 153–168. https://doi.org/10.1016/j.accfor.2010.05.002

Sozan, M. (2019). *Ending foreign-influenced corporate spending in US elections*. https://doi.org/https://corpgov.law.harvard.edu/2019/12/06/ending-foreign-influenced-corporate-spending-in-u-s-elections/

Spence, M. (1973). Job market signaling. *The Quarterly Journal of Economics*, *87*(3), 355–374. https://doi.org/10.2307/1882010

The Guardian. (2019). More US firms than ever get transparent over political spending. *The Guardian*. https://www.theguardian.com/us-news/2019/oct/24/embrace-sunlight-political-spending-companies.

Uddin, S., Siddiqui, J., & Islam, M. A. (2018). Corporate social responsibility Disclosures, traditionalism and politics: A story from a traditional setting. *Journal of Business Ethics*, *151*(2), 409–428. https://doi.org/10.1007/s10551-016-3214-7

Valta, P. (2012). Competition and the cost of debt. *Journal of Financial Economics*, *105*(3), 661–682. https://doi.org/10.1016/j.jfineco.2012.04.004

Wang, M., & Hussainey, K. (2013). Voluntary forward-looking statements driven by corporate governance and their value relevance. *Journal of Accounting and Public Policy*, *32*(3), 26–49. https://doi.org/10.1016/J.JACCPUBPOL.2013.02.009

Wooldridge, J. M. (2010). *Econometric analysis of cross section and panel data*. MIT Press.

Yekini, K., Adelopo, I., Andrikopoulos, P., & Yekini, S. (2015). Impact of board independence on the quality of community disclosures in annual reports. *Accounting Forum*, *39*(4), 249–267. https://doi.org/10.1016/J.ACCFOR.2015.05.004

Yekini, K. C., Adelopo, I., & Adegbite, E. (2017). The impact of community expectations on corporate community involvement disclosures in the UK. *Accounting Forum*, *41*(3), 234–252. https://doi.org/10.1016/j.accfor.2016.12.006

Yu, F., & Yu, X. (2011). Corporate lobbying and fraud detection. *Journal of Financial and Quantitative Analysis*, *46*(6), 1865–1891. https://doi.org/10.1017/S0022109011000457

Zaini, S., Sharma, U., Samkin, G., & Davey, H. (2020). Impact of ownership structure on the level of voluntary disclosure: A study of listed family-controlled companies in Malaysia. *Accounting Forum*, *44*(1), 1–34. https://doi.org/10.1080/01559982.2019.1605874