

## **POLITICAL INFLUENCES AND INVESTORS' PERCEIVED RISK: A PRELIMINARY STUDY**

(Pengaruh Politik dan Tanggapan Risiko Pelabur: Suatu Kajian Awal)

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### *ABSTRACT*

The objective of the study is to discuss the effects of political influence on investors' perceived risk under the political connected firms. Under the Malaysian political environment, relationship based of economic system which commonly practiced by most of the listed firms would enhance the needs of politician to participate as directors of the firm in order to ensure the firm's survival in competitive industry. The effects of systematic exchange of favours between politician and firms has led to the arguments of political hypotheses in governance literature. As supported under the helping hand effects, empirical evidences have shown a favourable impact on firms accounting value and market based-performance due to the government favours and bailed-out to connected firms. However, the government obligations towards the people in social and political agenda have exacerbated the rent-seeking activities of political directors in realising the objectives. Moreover, due to the increasing number of cases reported involving high political figures in allegations of misallocation of firm's resources and abuse of power in the 1MDB (1Malaysia Development Berhad), manipulation of stock figures and forgery of signatures of board members for a numbers of transactions in FGV (Felda Global Ventures Holdings Berhad), the credibility of politicians to perform his duties as firms' director to maximising the shareholders' wealth is questioned. As a consequence, a negative perception on the government may lead to inefficient capital market thus impair the investors' confidence in future investment.

*Keywords:* political connections; perceived risk; political hypotheses

### *ABSTRAK*

Objektif kajian ini adalah untuk membincangkan kesan pengaruh politik terhadap tanggapan risiko pelabur dengan persekitaran politik dalam kalangan firma berkaitan. Dalam persekitaran politik di Malaysia, perkaitan hubungan ahli politik dalam sistem ekonomi oleh kebanyakan firma yang disenaraikan akan meningkatkan keperluan ahli politik untuk mengambil bahagian sebagai pengarah firma bagi memastikan kelangsungan firma dalam industri yang kompetitif. Kesan pertukaran pertimbangan yang sistematik antara ahli politik dan firma telah membawa kepada hujah-hujah hipotesis politik dalam literatur tadbir urus. Seperti yang disokong di bawah bantuan 'kabel besar', bukti empirikal telah menunjukkan kesan yang menggalakkan ke atas kedudukan firma dan prestasi berasaskan pasaran disebabkan oleh talian hayat kerajaan menyelamatkan firma yang berkaitan. Walau bagaimanapun, kewajipan asas kerajaan terhadap agenda sosial dan politik rakyat telah mencemarkan lagi untuk menempatkan ahli politik sebagai pengarah dalam merealisasikan objektif. Lebih-lebih lagi berikutan peningkatan bilangan kes yang dilaporkan melibatkan tokoh politik dalam dakwaan penyalahgunaan sumber dan dana firma dalam 1MDB (1Malaysia Development Berhad), manipulasi angka saham dan pemalsuan tandatangan ahli lembaga untuk beberapa transaksi dalam FGV (Felda Global Ventures Holdings Berhad), kredibiliti ahli politik dalam melaksanakan tugasnya sebagai pengarah firma untuk memaksimumkan kekayaan pemegang saham dipersoalkan. Akibatnya, persepsi negatif terhadap kerajaan mungkin menyebabkan pasaran modal yang tidak cekap itu menjejaskan keyakinan pelabur dalam pelaburan masa hadapan.

*Kata kunci:* pertalian politik; tanggapan risiko; hipotesis politik

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