

ABSTRACT

This study investigates firm performance and risk with the impact of political connection and ownership concentration. The evidence based on firms listed in the Stock Exchange of Thailand from year 2001 to 2004. Political connection defines as firm with political ties to any Cabinet Ministers. This connection has two types. First type is the connection through shareholder who holds at least 10 percent shareholding. Second type is the connection through Board of Directors, including both executive and non-executive positions. Ownership concentration defines as the cumulative stock ownership of shareholders who own at least 5 percent. Political connection is a dummy variable where it equals to 1 if firm has connection through either shareholder, Board of Directors or both. The empirical result shows that political connection has a positive effect on firm performance such as return on equity, Tobin's Q and market share. Ownership concentration on the other hand has a positive effect on Tobin's Q and market share. Higher leverage is associated with concentrated ownership firm but not with political connection.

The political connection proves to have no impact on level of firm risk, while ownership concentration is negatively related with beta, this indicates high concentrated ownership firm reduces level of market risk.