

ABSTRACT

In emerging economies, which are characterized by relatively weak institutions and the potential for earning influence rents (Ahuja & Yayavaram, 2011), the role of government as a major external stakeholder of business assumes particular importance. Various firm activities are controlled by government through policy, regulation, and compliance requirements. Thus, connections to government office bearers provide important resources to a firm that is seeking to manage its external dependence (Pfeffer & Salancik, 1978). These office bearers include periodically elected representatives (politicians) and selected executives (ex-bureaucrats) with long experience. In my thesis, I examine firm connections to politicians and ex-bureaucrats through board memberships, and the impact they have on a firms' earning influence rents.

In first essay, I study how political connections through the board of directors help in creating and sustaining rents. While the extant literature focuses on the role of political connections in the *creation* of rents, I distinguish between product markets and political markets, and subsequently examine how rents can be *sustained* in these markets. Using a unique panel dataset of candidates elected at either the national or state level in India and examining their membership of board of directors, I find that political connections are useful for sustaining the profit performance of firms. Further, I also find that connections with state-level politicians have a larger effect on profit persistence compared to connections with national-level politicians. Finally, profit persistence is higher in regulated industries than in other industries.

Though extant literature has discussed the benefits that corporate political connections provide to firms, the mechanisms for such benefits remain largely unexplored. Prior work has examined a few mechanisms, such as access to finance and corporate bailouts through which political connections create rents for firms. Further, prior work has suggested that political connections