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Managerial ties and access to finance in weak institutional contexts: Does CEO duality matter?

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ABSTRACT
Though managerial ties are substitutes for the weak market-supporting institutions in developing and emerging countries, little is known about the contingent value of these ties in credit markets. In this study, we disintegrate managerial ties into political and financial ties, and examine their effect on access to finance. Using agency theory, we propose that political and financial ties reduce information asymmetry between firms, politicians and banks, culminating in increased access to bank loans for firms. We also propose that CEO duality, through its influence on corporate governance and information consolidation, strengthens (weakens) the effect of financial (political) ties on access to finance. Using survey data from Ghana, we found support for our propositions. Overall, this study shows that the value of managerial ties is contingent on CEO duality. It also suggests that CEO duality is a double-edged sword with corporate governance and information implications for credit access in developing economies.

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Introduction

In emerging countries, managerial political and financial ties enable firms to overcome institutional voids (Ge, Carney, & Kellermanns, 2019; Li & Zhou, 2010; Wang, Cui, Vu, & Feng, 2020), mainly as they replace inefficient market-supporting institutions (Acquaah, 2007; Xin & Pearce, 1996). Drawing upon prior research (e.g., Peng & Luo, 2000; White, Boddewyn, & Galang, 2015), we define political ties and financial ties as the extent to which firms' managers develop and maintain informal relationships via personal networks with politicians and managers of financial institutions, respectively. These ties affect not only firms' entrepreneurial capabilities (Guo, Tang, & Wei, 2020; Zhang, O'Kane, & Chen, 2020) and performance (El Nayal, van Oosterhout, & van Essen, 2021; Liu, Yang, & Augustine, 2018; Rajwani & Liedong, 2015; Wang, Shi, Lin, & Yang, 2020), but also their capital structure, such as access to private equity (Batjargal & Liu, 2004) and bank loans (Charumilind, Kali, & Wiwattanakantang, 2006; Pan & Tian, 2020; Yeh, Shu, & Chiu,

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2013). For example, research shows that politically connected firms have preferential access to finance (Claessens, Feijen, & Laeven, 2008; Guo, 2019; Khwaja & Mian, 2005; Saeed, Belghitar, & Clark, 2015) and experience little or no collateral requirements (Yeh et al., 2013). Similarly, research shows that connections between venture capitalists and entrepreneurs facilitate access to seed capital (Batjargal & Liu, 2004).

Indeed, there has been unanimous support in the literature for the positive impact of political and financial ties in capital markets (e.g., Fraser, Zhang, & Derashid, 2006; Guo, 2019; Hernández-Cánovas & Martínez-Solano, 2010; Petersen & Rajan, 1994). While insightful, it is likely that this impact could be significantly influenced by the contexts within which prior research was conducted (Qian, Cao, & Cao, 2018). A significant proportion of the studies about managerial ties and access to finance was conducted in countries that have large and vibrant secondary capital markets where firms can raise funds (e.g., Guo, 2019 in China which has the 3rd and 6th largest stock exchanges in the world). The availability of alternatives, or the competition between different sources of capital reduces credit rationing, which subsequently mitigates the full effect of managerial ties in credit markets. Essentially, existing studies in countries with strong and varied capital markets may have missed real credit rationing in developing contexts where informal institutional linkages such as managerial ties play a significant role in bank decisions (Qian et al., 2018). Additionally, the value of managerial ties is inconclusive (Rajwani & Liedong, 2015). Evidence that political ties have adverse effects in credit markets (Bliss & Gul, 2012; Liedong & Rajwani, 2018; Pan & Tian, 2020) particularly calls for more research to address the inconclusiveness.

Furthermore, even though the contingency view of managerial ties has received some attention (e.g., Sun, Mellahi, & Wright, 2012), the moderating role of agency and corporate governance have not yet been adequately addressed. For instance, studies have documented how the effect of political ties in loan financing is contingent on institutional development and corruption (Infante & Piazza, 2014; Lashitew, 2014), entrenched power of politicians (Saeed et al., 2015; Yeh et al., 2013) and firms' resources (Robson, Akuetteh, Stone, Westhead, & Wright, 2013), but they have yet to examine how the value of these ties is contingent on corporate governance and board dynamics, especially CEO duality (i.e., when the same person holds both the CEO and board chairperson positions in a firm). These gaps lead to our research question: *What is the impact of managerial political and financial ties on access to finance in weak institutional and credit constrained contexts and how does CEO duality moderate this impact?* We define access to finance as the extent to which firms' loan applications are approved and the requested funds are advanced to them (Raturi & Swamy, 1999; Robson et al., 2013; Wiklund & Shepherd, 2003).

Drawing on insights from agency theory (Jensen & Meckling, 1976), we address the above question using data from Ghana. We argue that in emerging and developing countries where legitimate mechanisms of business–government interactions or formal market control structures are often absent (London & Hart, 2004), firms develop and use managerial ties (Li, Poppo, & Zhou, 2008; Rajwani & Liedong, 2015) to facilitate trust-building and inter-firm collaborations (Peng & Luo, 2000), gain access to critical government-controlled resources (Park & Luo, 2001) and strengthen competitive capabilities (Boso, Story, & Cadogan, 2013; Guo, Xu, & Jacobs, 2014; Sheng, Zhou, & Li, 2011). In credit markets, we advance that financial ties can directly reduce information asymmetry between firm and banks, increase trust, and enhance access to finance (Berger & Udell,

1995; Li, Meng, Wang, & Zhou, 2008). Consistent with the conception that firms and policymakers have an implicit agency relationship whereby the former is the principal and the latter the agent (Getz, 1993; Mitnick, 1993), we also argue that political ties reduce information asymmetry between firms and politicians, and help firms to efficiently and effectively strategize with higher certainty. This increases performance (Cao, Ding, & Zhang, 2016), which further enhances credit access. Even more directly, politicians (principals) can direct state-owned bank executives (agents) to advance loans to firms owned by their affiliates, friends, and families (Khwaja & Mian, 2005; Liedong & Rajwani, 2018), thus increasing access to finance.

As social ties are mostly investigated within the upper echelons of organizations (e.g., among managers, CEO, MDs, etc.), we further examine the moderating impact of CEO duality on the managerial ties–access to finance relationship. Our approach is consistent with a growing research stream that explores the role of managers' personal attributes and firm-specific governance structures in political ties (e.g., Chung & Zhu, 2021; Lester, Hillman, Zardkoohi, & Cannella, 2008; Rudy & Johnson, 2019). Understanding the impact of duality is particularly important, considering that it is a double-edged sword capable of strengthening organizational stewardship (Boyd, 1995) or creating agency problems (Dalton, Daily, Ellstrand, & Johnson, 1998; Finkelstein & D'Aveni, 1994). We argue that CEO duality, through its consequences for information access, CEO power and board monitoring, has contrasting implications for the managerial ties–access to finance relationship. Specifically, we advance that duality enhances information access and eases monitoring when banks have financial ties to firms, thus increasing access to finance. On the flipside, duality weakens the effect of political ties because politically connected dual CEOs (i.e., CEOs who are also board chairpersons of their firms) wield enormous power and draw protection from politicians, which makes them "untouchable". Consequently, it becomes difficult for corporate boards to monitor the CEOs or for banks to enforce loan agreements against the firms in events of default, culminating in negative credit assessments. Essentially, CEO duality amplifies the fears that political ties could cause agency problems (Aggarwal, Meschke, & Wang, 2012; Hadani & Schuler, 2013), weak corporate governance and poor disclosure (Chaney, Faccio, & Parsley, 2011; Effiezal, Failsal, Dian, & Iman, 2020).

We focus on Ghana as the context for this study for the following reasons. First, banks are an important source of capital in Ghana. Alternative sources of financing, such as stock markets, securitizations, invoice financing, crowd funding and venture capital firms are either constrained or under-developed (Akorsu & Agyapong, 2012). At the time of data collection, only 43 equities were listed on the Ghana Stock Exchange. As of February 2021, this number had reduced to 39.[1] Compared to other lower-middle income countries in sub-Sahara Africa, Ghana has one of the smallest stock markets; Nigeria, Kenya and South Africa have more listed firms and high market capitalizations. The smallness of the stock market puts pressure on banks to ration credit (Robson et al., 2013), especially to small and medium size enterprises (Abor & Biekpe, 2006b; Tagoe, Nyarko, & Anuwa-Amarh, 2005) which, according to PricewaterhouseCoopers, make up over 90% of all registered firms in Ghana. For these firms, bank loans account for less than a quarter of their total debt (Abor & Biekpe, 2007), mainly due to limited access. Further, Ghana has one of the highest interest rate regimes in Africa (Aboagye, Akoena, Antwi-Asare, & Gockel, 2008). The average bank lending rate, as of 2020, was 23.7%.[2] High cost of

debt, increased demand for collateral, and cumbersome processes discourage firms from applying for loans (Abor & Biekpe, 2007; Aryeetey, 1998; World Bank, 2016).

Second, data from World Bank's Doing Business 2020 report show that Ghana has a relatively poor contract enforcement regime. For instance, the quality of the judicial process is lowly rated 6.5 on a scale ranging from 1 to 18 and it takes 710 days to enforce contracts. These facts, which are poorer than the regional average for sub-Sahara Africa,[3] have negative implications for loan contract enforcement and can increase risk-averseness among banks (Qian et al., 2018). Additionally, even though private credit bureaus have steadily increased their coverage over the years (Kusi, Agbloyor, Fiador, & Osei, 2016), about 70% of adults in Ghana remain uncovered,[4] thus limiting the effectiveness of credit referencing (Poku & Mireku, 2014; World Bank, 2016). This has made it difficult for bank executives to advance loans to enterprises and individuals they do not trust or with whom they do not have social relationships (Boohene, 2018). Moreover, poor financial literacy (Adomako, Danso, & Ofori-Damoah, 2016), weak disclosure of internal control information (Agyei-Mensah, 2016), lack of protection for minority shareholders (World Bank, 2005), unstructured corporate governance and poor institutionalization of management processes (Tsamenyi, Enninful-Adu, & Onumah, 2007) in Ghana make banks wary to lend. This is compounded by the banks' inability to conduct comprehensive credit appraisals or effectively monitor clients (Poku & Mireku, 2014).

Overall, access to finance is one of the biggest obstacles for firms in Ghana (Abor & Biekpe, 2006a; Liedong & Rajwani, 2018). Banks are primary concerned about high default risk resulting from information barriers that hinder credit appraisals and monitoring (Abor & Biekpe, 2006a). To avoid the cost and cumbersome process involved in debt recovery and related litigation, banks' credit decisions hinge on information symmetry, trust, ease of monitoring, and financial performance (Ahiawodzi & Sackey, 2010; Awunyo-Vitor, Al-Hassan, Sarpong, & Egyir, 2014; Boadi, 2016). With significant challenges still affecting the quality of credit reporting in Ghana (World Bank, 2016), bank executives tend to rely on social networks for assurances that loans will be repaid (Adusei & Appiah, 2011; Boohene, 2018). In this sense, managerial political and social ties are important in credit decisions. This is not surprising because Ghana has a relationship-based economy whereby social capital (e.g., political and business ties) is crucial for acquiring critical resources and enhancing business performance (Abdul-Rahaman & Abdulai, 2020; Acquaah, 2007; Boso et al., 2013).

This study makes important contributions to literature. First, it adds to the research on managerial ties in Ghana where these ties are prevalent but are under-studied. The few studies that have addressed managerial ties in Ghana and other African countries have mainly focused on firms' performance (e.g., Acquaah, 2007; Boso et al., 2013) and sustainability (e.g., Nwoba, Boso, & Robson, 2021) among a few others, even though research elsewhere shows that these ties are influential in credit markets (e.g., Batjargal & Liu, 2004). Indeed, the findings of this study suggest that managerial ties reduce information asymmetry between lenders and borrowers and enhance access to finance, which is consistent with previous findings (Peng, Zhang, & Zhu, 2017; Uzzi, 1999). However, due to the existence of a flipping two-dimensional agency relationship in inter-firm contracts that involve politically connected firms, political ties have a greater effect in credit markets than financial ties. This study therefore addresses the uniqueness of different managerial ties by articulating how they affect inter-firm (lender–borrower) contracts in a developing market context.

Second, this study adds to the contingency perspective of managerial ties by exploring the moderating role of CEO duality. There are mixed views about CEO duality (Finkelstein & D'Aveni, 1994), but the adverse effects of the practice tend to dominate in the literature. From an agency theory perspective, duality reduces the effectiveness of board monitoring (Bliss & Gul, 2012), allows CEOs to seek their personal interests uncontrollably (Muttakin, Khan, & Mihret, 2018), amplifies CEO entrenchment and hubris (Park, Kim, Chang, Lee, & Sung, 2018), reduces corporate transparency and integrity (Finkelstein & D'Aveni, 1994), and causes conflicts of interest (Berg & Smith, 1978). Our findings support these notions, specifically regarding the moderating effect of duality on political ties. However, our findings also show that duality strengthens the ability of financial ties to enhance access to credit, mainly as it consolidates power and unifies information in one person, establishes unity of command, clarifies decision-making authority, and reassures stakeholders and contracting parties (Finkelstein & D'Aveni, 1994). This helps banks to reduce information asymmetry and easily monitor or exert social control over borrowing firms through an individual. Importantly, this study advances duality as a positive governance phenomenon for information symmetry, especially when social ties are critical in loan transactions.

The remainder of the paper is organized as follows. Next, we review the literature. We also outline our theoretical framework. Then, we develop the hypotheses and describe our methodology. This is followed by a discussion of the results and a conclusion that highlights the contributions to literature, limitations, and directions for future research.

Literature Review and Theoretical Framework

In emerging countries where market-supporting institutions are imperfect, social relationships are key governance mechanisms (Cao et al., 2016; Ge et al., 2019; Peng, 2003; Wang, Cui, et al., 2020), sources of legitimacy (Nell, Puck, & Heidenreich, 2015) and drivers of competitive advantage (Acquaah, 2007; El Nayal et al., 2021; Sheng et al., 2011). These relationships increase trust, enhance cooperation and facilitate economic exchange (Gulati, 1995; Peng & Luo, 2000). Consequently, managerial political and business connections are crucial antecedents of firm performance (Park & Luo, 2001; Rajwani & Liedong, 2015; Wang, Shi, et al., 2020).

In credit markets, research shows that politically connected firms have easier and preferential access to finance. For instance, Claessens et al. (2008) found that firms that make campaign contributions experience an increased growth in bank leverage. Similarly, Chen, Shen, and Lin (2014) and Yeh et al. (2013) found that politically connected firms in Taiwan are highly leveraged. In Pakistan, Khwaja and Mian (2005) noted that politically connected firms are granted 45% more loans and have a 50% higher default rate than their non-connected peers. In China, Li, Meng, et al. (2008) found that political party membership helps private entrepreneurs to get loans from financial institutions. Generally, politically connected firms have longer debt maturities (Boubakri, Cosset, & Saffar, 2012; Charumilind et al., 2006; Chen et al., 2014) and easier access to bank lines of credit (Guo, 2019; Luo & Ying, 2014). Moreover, they are subjected to less collateral requirements (Yeh et al., 2013).

From a contingency perspective, studies show that the preferential treatment politically connected firms receive in credit markets increases when they are tied to powerful

politicians (Saeed et al., 2015) or when they borrow from State-owned banks (Chen et al., 2014; Liedong & Rajwani, 2018; Luo & Ying, 2014) and decreases with advancements in institutional development and financial efficiency (Lashitew, 2014). With only a few studies focused on the boundary conditions of political ties, the contingency perspective requires further attention. In this regard, we argue that it will be useful to investigate whether poor corporate governance in emerging and developing emerging countries (Liedong & Rajwani, 2018; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008) affects the value of managerial ties in credit markets.

Regarding business ties, the relationship lending literature shows that when business executives and bankers belong to the same elite networks or have durable and long-lasting relationships, firms experience enhanced access to loans (Batjargal & Liu, 2004; Hernández-Cánovas & Martínez-Solano, 2010; Petersen & Rajan, 1994). Studies in this domain, which particularly use the duration of banker-business executive relationships as an indicator of social tie intensity or depth, argue that older ties are more valuable in credit markets. However, the assumption that older or deeper financial ties are more valuable must be tempered with the likelihood that long-term relationships could be stale, dormant, or distant. Also, the value of financial tie depth could be contingent on financial tie breadth (i.e., the number of financial ties a firm has with banks). This is particularly true in developing countries, such as Ghana, where linkages to diverse institutional actors is beneficial (Acquaah, 2007). Considering the relationship-based nature of developing and emerging markets, it is likely that connections to varied financial institutions and intermediaries (e.g., banks, pension funds, insurance companies and even central banks) would be beneficial for firms. As these different financial intermediaries complement one another to create value,[5] having ties to them may have important implications for loan transactions. In sum, the current limited definition and operationalization of financial ties, coupled with the lack of research on managerial ties and financing in Africa, makes this study important.

In our conceptual framework, we draw upon agency theory (Jensen & Meckling, 1976). This theory is concerned with managing or resolving conflicts of interest between a firm's shareholders or owners (principals) and its managers (agents). As such, the theory's main tenet is that problems arise when principals contract agents to make decisions on their behalf, mainly as both parties may have diverging interests (Banks, Woznyj, Kepes, Batchelor, & McDaniel, 2018; Eisenhardt, 1989). Models of agency theory assume that agents are more likely to be self-interested, and principals may find it difficult to monitor and control agents' behavior due to information costs and asymmetry (Amis, Barney, Mahoney, & Wang, 2020; Bosse & Philips, 2016; Eisenhardt, 1989). While early agency theorists focused on principal-agent relationships between shareholders and managers, later studies extended key insights about information asymmetry (i.e., when one party has better information than the other), moral hazard (i.e., the notion that a party protected from risk will act differently than if they it did not have that protection) and monitoring (i.e., checking the behavior of parties) to inter-firm contracts (Heide, Wathne, & Rokkan, 2007; Stephen & Coote, 2007), including loan contracts (Billett, Elkamhi, Popov, & Pungaliya, 2016).

Principal-agent relationships between shareholders and managers or between firms are usually formal and explicit, but there are other principal-agent relationships that are informal and implicit, such as the relationships between firms and policymakers (or

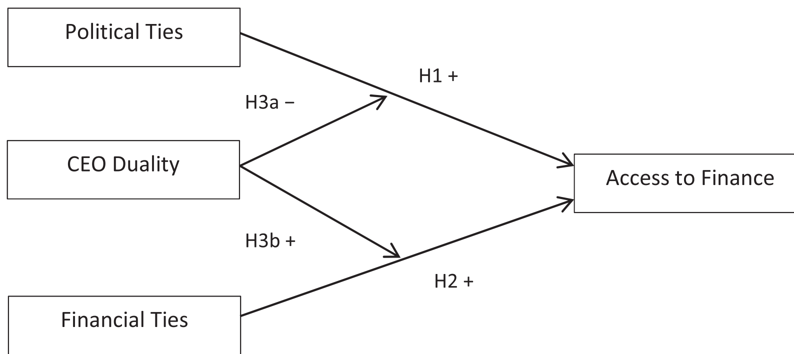

Figure 1. Research model.

politicians). According to Getz (1993), politicians and firms operate in an implicit agency relationship. Previous works have highlighted how firms, using political tactics, create agents out of politicians (Getz, 1997; Keim & Baysinger, 1993; Mitnick, 1993) by incentivizing or influencing them (through lobbying and campaign contributions) to make favorable policy decisions that protect their interests (Hillman & Hitt, 1999; Hillman, Keim, & Schuler, 2004). Political connections provide the means for firms to control and monitor politicians (Mitnick, 1993). These connections reduce information asymmetry between firms and politicians, mitigate environmental uncertainty, ease strategic planning and enhance firm performance (Bradley, Pantzalis, & Yuan, 2016; Liedong & Rajwani, 2018). In this study, we draw on insights from explicit and implicit agency relationships as well as related governance issues to develop our hypotheses. Figure 1 summarizes our research model.

Political Ties and Access to Finance

In Ghana and other developing countries where the capital markets are still relatively underdeveloped (e.g., Luo & Ying, 2014; Qian et al., 2018), credit decisions are often based on firm size and performance (Ahiawodzi & Sackey, 2010; Awunyo-Vitor et al., 2014; Boadi, 2016). Banks scrutinize the commercial viability of firms' projects and use judgements of profitability to evaluate creditworthiness (Firth, Lin, Liu, & Wong, 2009; Shleifer & Vishny, 1997). As firm performance is affected by institutional environments (North, 1990) and institutional environments are shaped by politics (Henisz, 2004), ties to politicians and policymakers are obviously crucial for competitive advantage. In Ghana, firms use political ties to reduce the institutional and investment constraints they face (Liedong & Frynas, 2018). They also use political ties to enhance their economic performance (Acquaah, 2007, 2012). Based on the foregoing, we argue that political ties enhance access to finance.

First, political ties increase firm performance through agency effects, which subsequently enhance firms' creditworthiness and their subsequent access to finance. This argument is consistent with evidence that in credit markets, firms' financial performance is an indicator of their creditworthiness (Awunyo-Vitor et al., 2014; Houston, Jiang, Lin, & Ma, 2014). Previous works have articulated the idea that corporate political activity turns

politicians into agents (Keim & Baysinger, 1993; Mitnick, 1993). Through lobbying and other political strategies, firms incentivize and expect politicians to make policy decisions that protect their economic and strategic interests (Getz, 1997; Hillman & Hitt, 1999). This expectation holds across a broad spectrum of government business, ranging from national economic policy to international trade negotiations. For instance, political connections are associated with politicians' increased enactment of anti-dumping policies to protect domestic firms from foreign competition (Marsh, 1998). Political connections also provide opportunities for politicians to invite firms to participate in foreign trade missions and shape bilateral and multilateral trade pacts (Schuler, Schnietz, & Baggett, 2002). These benefits, provided by political agents, culminate in superior performance (El Nayal et al., 2021) and lead to higher creditworthiness (Pan & Tian, 2020).

Second, political ties mitigate institutional constraints through agency mechanisms, culminating in strong firm performance and higher creditworthiness. Developing and emerging countries are fraught with institutional adversity, which manifests through weak market supporting institutions, weak legal frameworks, and poor regulatory enforcement (Liedong, Rajwani, & Mellahi, 2017; Nwoba et al., 2021). Institutional adversity creates uncertainty and disrupts business efficiency and long-term planning (Boso et al., 2013), leading to poor firm performance and high loan default probability. Therefore, banks in developing countries scrutinize the ability of firms to overcome institutional adversity when they make loan decisions (Qian et al., 2018). We argue that political ties play an important agency role in reversing the adverse effects of institutional adversity through information advantages such as availing timely and private information about public policy, reducing information asymmetry between policymakers and firms, and mitigating economic policy uncertainty (Liedong, Rajwani, & Lawton, 2020; Pham, 2019). These information advantages make it less likely for changes in government policy to adversely affect politically connected firms' economic performance (Wellman, 2017). Consequently, banks become predisposed to positively assess these firms' investment projects, future earnings, and loan repayment potential (Firth et al., 2009), thus enhancing creditworthiness.

Third, political ties help firms to get favorable access to loans from State-owned banks. Despite a wave of privatization in developing and emerging countries, state-owned enterprises (including banks) still exist (see Pan & Tian, 2020; Singh & Chen, 2018). In Ghana, some of the banks are State-owned (Liedong & Rajwani, 2018), thus creating a principal-agent relationship between politicians and bank executives. We advance that politicians could use their power (as principals) to determine or direct the allocation of credit by State-owned banks. In extreme situations, they could threaten or coerce bank executives to lend to politically connected firms (Khwaja & Mian, 2005). Such use of force in an agency relationship is particularly easier to do in developing countries where political influence can be far-reaching due to weak checks and balances (Adegbite, Amaeshi, & Amao, 2012; Wu, Johan, & Rui, 2016). Compared to firms with strong political ties, firms without political ties or those with weak political ties are less likely to receive favorable political treatment. They are also less likely to experience the institutional and economic benefits associated with political agency, as presented above. This leads us to propose that:

H1: Firms with strong political ties have greater access to finance.

Financial Ties and Access to Finance

In Ghana and other developing or emerging countries, managers' business connections impact firm performance (e.g., Acquaah, 2007; Boso et al., 2013; Florin, Lubatkin, & Schulze, 2003; Li & Zhou, 2010; Wu, 2011). Drawing from this existing literature, we advance that managerial financial ties (i.e., managers' social connections to the executives of financial institutions such as the central bank, commercial banks, pension funds, and mutual funds) have agency effects that can be useful for getting bank loans. This is because financial institutions complement one another to provide financial solutions, which makes interlocking ties to diverse financial executives crucial for firms that want loans. For instance, an official at the central bank who has strong ties to the manager of a firm can make positive credit recommendations of the firm to commercial bank managers.

Evidence from the relationship lending literature (e.g., Beck, Demirgüç-Kunt, & Levine, 2006; Charumilind et al., 2006; Zambaldi, Aranha, Lopes, & Politi, 2011) suggests that ties between firms and banks reduce information asymmetry and enhance creditworthiness (Uzzi, 1999). These ties allow contracting parties to develop trustworthy relationships, which mitigates problems of adverse selection and moral hazard (Boot, 2000). In Ghana where moral hazard and adverse selection affect banks' lending decisions (Kusi et al., 2016), we contend that the information advantages of financial ties will increase access to finance.

Additionally, we advance that financial ties will make it easier for banks to exercise control over borrowing firms. Usually, lenders subject borrowers to covenants, collateral requirements, and other terms and conditions to ensure that loans are re-paid. This is especially true in developing countries where weak legal protection and law enforcement are detrimental to creditor rights in events of loan default (Qian et al., 2018). During loan contracts, borrowers are monitored for adverse selection or moral hazard issues. This monitoring is costly, which makes it prudent and easier for banks to lend to firms whose information they can easily obtain through social networks (Rauch & Hendrickson, 2004). Social relationships and trust take a long time to develop (Liedong, Ghobadian, Rajwani, & O'Regan, 2015). The effort put into developing these relationships may discourage firms from doing things that can severe or weaken the ties, such as contravening loan conditions. Thus, we argue that financial ties impose some form of social control on borrowers and reduce lenders' need for monitoring. They also facilitate cooperation between firms and banks.

H2: Firms with strong financial ties have greater access to finance.

Moderation of CEO Duality on Political Ties and Financial Ties

Earlier, we argued that political ties reduce information asymmetry between politicians and firms, which leads to increased access to finance. However, we acknowledge that board structure has agency implications that can moderate this impact. Firms' informal institutional linkages, such as political and business ties, are usually developed and maintained by top-level managers (see Acquaah, 2012; Nwoba et al., 2021; Rajwani & Liedong, 2015 for how these ties are measured). Therefore, the characteristics of top managers or the structure of the top management team could affect the nature and value of these

linkages (e.g., Hillman, Cannella, & Paetzold, 2000; Rudy & Johnson, 2019). In this respect, we contend that CEO duality weakens the effect of political ties, mainly as duality signals weak corporate governance (Dalton et al., 1998). It compromises boards' oversight responsibilities (Bliss & Gul, 2012; Fama & Jensen, 1983), resulting in conflicts of interest and agency problems (Berg & Smith, 1978). It is also associated with insufficient or poor voluntary disclosure (Samaha, Khlif, & Hussainey, 2015), bribery and corruption (Tuliao & Chen, 2017), value-eroding conglomeration (Kim, Al-Shammari, Kim, & Lee, 2009), high levels of executive compensation (Conyon & Peck, 1998), CEO power entrenchment (Finkelstein & Hambrick, 1996; Goyal & Park, 2002) and poor firm performance (De Jonghe, Disli, & Schoors, 2012; Shleifer & Vishny, 1997).

In Ghana, similar negative outcomes of CEO duality have been reported (e.g., Abor & Fiador, 2013; Fiador, 2013; Ofori-Sasu, Abor, & Quaye, 2019). Leveraging these insights, we argue that CEO duality weakens the information and performance advantages of political ties. Concentration of power in dual CEOs leaves corporate boards largely ineffective to monitor and supervise the activities of executives (Bliss, Gul, & Majid, 2011; Finkelstein & Hambrick, 1996). Abuses of power or misappropriation by CEOs go unchecked because board members are captives of the CEO (Rashid, 2013). Specifically, boards serve as vessels of endorsement, making it easy for CEOs to use corporate assets as they will (Park et al., 2018). This leaves a negative impact on performance and subsequently reduce creditworthiness.

Duality may have a more negative impact on the creditworthiness of politically connected firms because the CEOs of these firms are more inclined to use corporate resources to pursue personal agendas to the detriment of shareholder value (Aggarwal et al., 2012; Hadani & Schuler, 2013; Hadani, Dahan, & Doh, 2015). The destruction of shareholder value by CEOs is exacerbated by the lax monitoring and lenient regulatory enforcement that politically connected firms experience as well as their power to capture regulatory and accountability processes in developing and emerging countries (Wu et al., 2016) where weak legal protection and law enforcement make it difficult for banks to pursue loan recovery actions in events of a default (Qian et al., 2018). The foregoing leads us to propose that CEO duality increases lenders' perceptions of agency costs and risks in firms (Bliss & Gul, 2012), which further weaken economic performance and reduce creditworthiness.

H3a: CEO duality weakens the positive relationship between political ties and access to finance.

Whereas duality weakens the positive impact of political ties on access to finance, we argue that duality will strengthen the positive effect of financial ties. Generally, financial ties will reduce information asymmetry between lenders and firms (Uzzi & Gillespie, 2002). However, the extent of this information effect may depend on the power or position of the business executives to whom lenders are connected. The thrust of this argument resonates with evidence that CEO duality eliminates confusion and instability and support consistent decision making (Alexander, Fennell, & Halpern, 1993), which allow an individual (i.e., the CEO) to be the repository of power and information in the firm (Finkelstein & D'Aveni, 1994; Kim et al., 2009). Duality also eliminates the possibility of the board second-guessing or blocking Management decisions (Baliga, Moyer, & Rao, 1996). Due to the vast knowledge and immense control dual CEOs have over their firms,

lenders will have more confidence and trust in the information they receive from them. Duality will also make it easier for banks to gather borrower intelligence or influence borrower behavior through one powerful individual in a firm – i.e., the dual CEO. Thus, we propose that:

H3b: CEO duality strengthens the positive relationship between financial ties and access to finance.

Methodology

In developing and emerging countries, it is difficult to access secondary data (Wright, Filatotchev, Hoskisson, & Peng, 2005). In Ghana, majority of the firms are privately-owned; hence they are not obliged to make public disclosures. At the time of data collection, only 43 firms were listed on the Ghana Stock Exchange, with over 25% being financial firms. Hence, we collected data using a pilot-tested survey. To enhance the response rate, we sought endorsements from reputable organizations such as Ghana Investment Promotion Centre (GIPC), Ghana Association of Bankers (GAB) and Association of Ghana Industries (AGI).

Data were collected from managing directors and other senior managers. Some of them were chairpersons of their firms, and were thus dual CEOs. The sample consisted of 300 incorporated firms randomly selected from the membership directory of AGI and from the online directory of BusinessGhana. All the firms that were sampled had operated in Ghana for at least three years prior to data collection in 2014. We used this criterion because the survey referred to the past three years as the time frame for responses, which we incorporated to avoid biased responses and to also allow room for effects to be realized and examined (Mesquita & Lazzarini, 2008; White et al., 2015). Due to poor postal services and address systems in Ghana, the questionnaires were delivered on-site due. We collected 188 surveys, nine of which were unusable, leaving a final sample of 179 cases and a response rate of 59.6%.

Variables and Measures

Dependent Variable

Access to finance ($\alpha = 0.96$) is a big impediment to private sector development in developing countries, particularly in Africa. Following previous studies, we measured this variable using four items. First, two items (positive and negative) were taken from Wiklund and Shepherd (2003, 2005) to measure the extent to which managers are satisfied with their firms' access to debt finance and the adequacy of debt finance for their firms' development. Second, drawing on credit rationing literature (Jaffee & Russell, 1976; Stiglitz & Weiss, 1981), it became apparent that when access to finance is constrained and credit is being rationed, banks either: (1) refuse to grant credit; (2) grant credit but reduce the amount; or (3) grant the full amount. Since all firms in the sample have received loans, the first option is not relevant to this study, but the second and third options are. We therefore adapted one item from Robson et al. (2013) to measure the extent to which firms are given the full loan amounts they apply for. Loan proceeds less than the full amount will suggest credit rationing. Third, when firms have fears that their loan

applications will be rejected, they become discouraged to apply for credit (Han, Fraser, & Storey, 2009; Kon & Storey, 2003). This negative feeling impedes access to finance; hence we developed a subjective item from Raturi and Swamy (1999) to measure the extent to which firms are discouraged to apply for bank loans due to fears of refusal. All four items for this variable are measured on a seven-point Likert scale ranging from (1) "strongly disagree" to (7) "strongly agree".

Independent/Moderator Variables

We followed Peng and Luo (2000) and Guo et al. (2014) and developed a three-item scale to measure *Managerial political ties* ($\alpha = 0.94$). Respondents were asked to indicate their level of agreement with (a) investing in building ties with government officials, (b) spending time dealing with government officials and (c) making efforts to ensure good relations with government officials. These were measured on a scale ranging from (1) "strongly disagree" to (7) "strongly agree". The closest variable to financial ties is *business ties* which previous studies measure as the extent to which managers interact with counterparts including suppliers, competitors, customers, and distributors (Boso et al., 2013; Peng & Luo, 2000; Yiu, Lau, & Bruton, 2007). This *business ties* measure is not relevant for our study because it is generic. With our focus on ties to managers in the financial services industry, we measured *managerial financial ties* ($\alpha = 0.87$) by asking respondents to indicate the extent to which they have developed relationships with managers of various institutions including commercial banks, mutual funds, pension funds and the central bank on a scale from (1) "very little" to (7) "very much". We measured CEO duality using a dummy, coded 1 for firms that have an individual as both CEO and board chairperson.

Control Variables

We could not access archival data. Therefore, we followed other studies (Acquaah, 2007; Guo et al., 2014; Li & Zhang, 2007) and asked respondents to rate the *performance* ($\alpha = 0.93$) of their firms vis-à-vis their competitors on seven items (return on assets, return on equity, return on sales, growth in productivity, growth in market share, growth in sales and growth in net income) measured on a scale ranging from (1) "much worse" to (7) "much better". Institutional shareholders can monitor firms and reduce agency costs (Schleifer & Vishny, 1986). During pilot testing, requests for actual percentages of institutional ownership were unsuccessful, hence we measured *institutional holding* ($\alpha = 0.94$) by asking respondents to indicate the extent to which Pension Funds, Mutual Funds, Insurance companies, Charities, and Private Equity Firms hold shares in their companies on a Likert scale ranging from (1) "very low" to (7) "very high". To account for the effects of foreignness, we included *ownership,* which was defined by a dummy variable, coded 1 for foreign firms (more than 50% of the firm held by a foreign investor) and 0 for local firms (50% or more of the firm held by a local investor). Firm age has been used as a proxy for visibility (Hansen & Mitchell, 2000), credibility (Hillman, 2003; Hillman, Zardkoohi, & Bierman, 1999) and reputation (Boddewyn & Brewer, 1994; Dygryse & Van Cayseele, 2000), all of which can improve access to finance. We measured *firm age* as the number of years the firm has been operational in Ghana. Following normality tests, we operationalized *firm size* as the natural logarithm of the number of employees in the firms. Financial representation is a dummy,

coded 1 if firms have a past or current employee of the financial services industry on the corporate board.

Reliability and Validity

It is challenging to totally avoid common method variance (CMV) in understudied contexts such as Africa where data is scarce (Chang, Witteloostuijn, & Eden, 2010). We addressed CMV using various methods. First, we framed the survey questions to reduce social desirability bias (Podsakoff, MacKenzie, Jeong-Yeon, & Podsakoff, 2003). Second, we reverse-phrased some of the questions to reduce acquiescence bias whereby respondents answer questions without paying keen attention (Hinkin, 1995). Reverse phrasing serves as a cognitive ramp to control automatic responses. Third, we asked two different managers at each sampled firm to respond to the same survey in order to address common rater biases (Podsakoff et al., 2003). We performed inter-rater tests on the 10 firms that returned both questionnaires and found a strong level of agreement, suggesting that there are no problems with the rest of the data from single respondents (e.g., Peng & Luo, 2000; White et al., 2015). Fourth, we performed exploratory factor analysis (EFA) on the scale-based variables. The analyses revealed five factors, with the first factor accounting for 21.63% of the total variance. This confirmed that the data do not suffer from a single-factor problem (Harman, 1967). Further, we performed confirmatory factor analyses (CFA) to test the factor structure and estimate the composite reliability (CR) and average variance extracted (AVE) for the constructs (Table 1). We checked discriminant validity by comparing the square root of the (AVE) of each construct with the correlations between the constructs and measured internal consistency using Cronbach's alpha (Murray, Kotabe, & Joe, 2005). We also checked convergent validity by studying the results for CR, AVE, and Cronbach's alpha, which are above the minimum thresholds of 0.70, 0.50 and 0.70 respectively (Fornell & Larcker, 1981; Nunnally, 1978). We performed further sampling tests, which showed that our data are not affected by non-response bias (Armstrong & Overton, 1977).

Results

Table 2 shows the means, standard deviations, and correlation coefficients among the variables. The matrix reveals significant correlations between variables. However, it shows no unreasonably large correlations; the largest correlation coefficient is 0.66, which suggests that multicollinearity does not affect the robustness of the findings (Field, 2013). Moreover, the Variance Inflation Factors (VIF) and Tolerance statistics are low and support the absence of multicollinearity (Myers, 1990).

Table 3 presents the results of the hierarchical regressions used to estimate the association between managerial ties and access to finance. In Model 1, which tests the association between control variables and access to finance, institutional holding has a significant positive relationship (Model 1: $\beta = 0.32$, $p < 0.01$) while foreign ownership has a significant negative relationship with access to finance (Model 1: $\beta = -0.72$, $p < 0.05$). These results suggest that firms whose shares are held by institutional investors have greater access to loans, which is consistent with the monitoring hypothesis

Table 1. Results of confirmatory factor analysis.

Construct	Measurement items	SFL	T-value
Managerial Political Ties			
(AVE = 0.84; CR = 0.94)	Spending time dealing with gov't affairs	0.93	19.91
	Investing in building relationships with gov't officials	0.91	(Fixed)
	Maintaining good relationships with gov't officials	0.91	18.99
Managerial Financial Ties			
(AVE = 0.63; CR = 0.90)	Ties to Mutual funds	0.83	(Fixed)
	Ties to Bank of Ghana	0.78	11.06
	Ties Commercial banks	0.77	10.93
	Ties Pension funds	0.76	10.78
Access to Finance			
(AVE = 0.85; CR = 0.96)	Access to finance is adequate	0.93	(Fixed)
	Discouraged to apply for loans	0.93	23.29
	Full loan amounts given by banks	0.92	22.2
	Access to finance is insufficient	0.91	21.38
Firm Performance			
(AVE = 0.69; CR = 0.94)	Growth in net income	0.88	13.97
	Growth in sales	0.87	13.82
	Growth in productivity	0.86	13.62
	Return on assets	0.86	13.54
	Return on sales	0.83	12.88
	Growth in market share	0.81	(Fixed)
	Return on equity	0.68	9.98
Institutional Holding			
(AVE = 0.75; CR = 0.95)	Shares held by Pension funds	0.94	(Fixed)
	Shares held by Insurance companies	0.92	22.73
	Shares held by Endowment funds	0.88	20.09
	Shares held by Mutual funds	0.86	18.76
	Shares held by Charities	0.81	15.93
	Shares held by Private equity firms	0.77	14.44

Note: AVE = Average Variance Extracted; CR = Composite Reliability.

(McConnell & Servaes, 1990; Schleifer & Vishny, 1986; Wu et al., 2016). However, foreign firms have reduced access to loans, which could be attributed to the inability of local banks to gather information about these firms. All the other control variables are insignificant. Specifically, financial representation, firm size, firm age and financial performance do not affect access to finance.

In Model 2, where the independent variables are introduced, the results show that political ties are positively related to access to finance ($\beta = 0.31$, $p < 0.01$). This finding reflects the general sentiment that connected firms receive preferential treatment and are thus highly leveraged (Claessens et al., 2008; Khwaja & Mian, 2005; Saeed et al., 2015). Managerial connections to the financial services industry also have a positive effect on access to loans ($\beta = 0.23$, $p < 0.1$). This finding is consistent with previous studies on business ties, firm performance and access to bank loans (Acquaah, 2011; Boso et al., 2013; Luo, Hsu, & Liu, 2008; Uzzi, 1999). In sum, H1 and H2 are supported. However, when the effects of the two sets of ties are compared, it is evident that political ties have a stronger influence in credit markets. Nonetheless, the inclusion of these two variables improved the Model F from 4.28 to 12.29 and increased the adjusted R^2 from 10% to 34%, thus suggesting the significant impact they have on access to finance. In Model 3, the results show a negative impact of CEO duality ($\beta = -1.61$, $p < 0.1$). Essentially, this finding suggests that having an individual who serves as both CEO and Board Chairperson constrains access to finance. The result reflects the negativity or riskiness of CEO duality (Berg & Smith, 1978; Fiador, 2013).

Table 2. Correlation matrix.

	Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	VIF
1	Access to Finance	3.44	1.58	1										
2	Managerial Political Ties (MPT)	3.90	2.19	.50***	1									1.26
3	Managerial Financial Ties (MFT)	3.03	0.95	.40***	0.54***	1								1.32
4	Ownership	0.45	0.50	−0.20***	−0.05	−0.05	1							1.21
5	Financial Representation (FINREP)	0.22	0.42	−0.10	−0.10	−0.27***	0.38***	1						1.04
6	Firm Performance	4.96	1.13	0.06	0.09	−0.09	−0.10	0.26***	1					1.25
7	Institutional Holding	2.08	1.51	0.24***	0.06	0.13*	0.13*	0.24***	.29***	1				1.16
8	Firm Age	19.17	12.62	0.04	0.22***	0.11	0.12	0.07	0.03	0.03	1			1.28
9	Firm Size	4.56	0.62	0.04	0.00	−0.06	0.11	0.20**	0.19**	−0.03	0.14*	1		1.33
10	CEO Duality (DUAL)	0.54	0.50	−0.66***	−0.37***	−0.26***	0.17**	0.09	−0.05	−0.07	−0.10	−0.03	1	1.19

N = 179; ***Correlation is significant at the 1% level (2-tailed); **Correlation is significant at the 5% level (2-tailed); *Correlation is significant at the 10% level (2-tailed).

Table 3. Results – managerial political ties and access to finance.

Variables	Access to Finance				
	Model 1	Model 2	Model 3	Model 4	Model 5
Control Variables					
Institutional Holding	0.32***	0.26***	0.22***	0.21***	0.22***
Firm Age	0.01	−0.01	−0.010	−0.01	−0.01
Firm Size	0.23	0.24	0.18	0.16	0.21
Ownership	−0.72**	−0.71***	−0.42**	−0.44**	−0.43**
Firm Performance	−0.07	−0.11	−0.10	−0.09	−0.09
Financial Representation	−0.36	0.04	0.04	0.10	0.03
Predictor Variables					
Managerial Political Ties (MPT)		0.31***	0.19***	0.15**	0.19***
Managerial Financial Ties (MFT)		0.23*	0.17	0.17	0.33**
Moderating Variable					
CEO Duality (DUAL)			−1.61***	−1.61***	1.61***
Interactions					
MPT*DUAL				0.09	
MFT*DUAL					
Model Statistics					0.26*
Adjusted R^2	0.10	0.34	0.56	0.56	0.56
Model F	4.28***	12.29***	25.96***	23.53***	23.76***

N = 179; ***Correlation is significant at the 1% level (2-tailed); **Correlation is significant at the 5% level (2-tailed); *Correlation is significant at the 10% level (2-tailed).

Before testing the moderating effects, we centered the continuous variables (i.e., political and financial ties) to make the results interpretable (Aiken & West, 1991). As our moderator is categorical, we reverse-coded it to be able to observe the effects for our reference group, i.e., firms with dual CEOs.[6] In Model 4, we test hypotheses 3a, which predicts that CEO duality weakens the positive effect of political ties on access to finance. The result is not significant ($\beta = 0.09$, $p > 0.1$). Nonetheless, it provides "partial" support for hypothesis 4, in the sense that CEO duality weakens the significant positive effect political ties alone have on access to finance. In Model 5, the interaction between financial ties and CEO duality is significant ($\beta = 0.26$, $p < 0.1$) and the corresponding coefficient for MFT is also significant ($\beta = 0.33$, $p < 0.05$) and even higher than same in Model 1 ($\beta = 0.23$, $p < 0.1$). Further, we conducted simple slopes analysis to illustrate the nature of the moderating effect (Aiken & West, 1991). The plot (Figure 2) graphically displays the strengthening effect of duality on financial ties. These findings support H3b, providing evidence that CEO duality increases the value of financial ties in credit markets.

Robustness Checks

We checked robustness by performing case-wise diagnostics to assess the residuals for bias using a stringent criterion of ±2. The results show that around 95% of the cases have standardized residuals within the criterion, which is consistent with ordinary samples (Field, 2013). We also checked whether any cases exert undue influence by analyzing Cook's distances. Moreover, we tried to run the analysis again using a lagged dependent variable (access to finance), but our attempts to collect data one year after the initial data collection was not successful. Due to sample attrition, the data we obtained were inadequate for robust multivariate analyses. Only 36 of the 179 firms responded in the second stage. Our tests revealed similarities in the dependent variable obtained in both first and second stages, so we used only the data gathered in the first

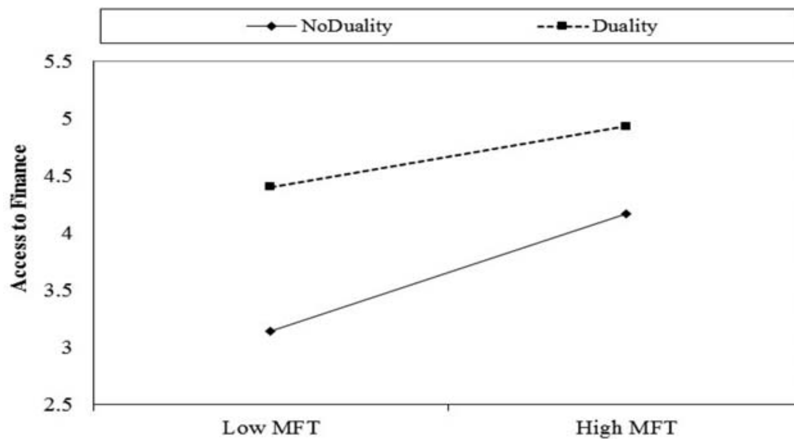

Figure 2. CEO Duality as a moderator.

stage. Subsequently, we performed bootstrapping using 1000 bootstrapped samples from the original data and estimating a 95% bias corrected and accelerated confidence interval for the coefficients (Elfron & Tibshirani, 1993). The bootstrapped results (coefficients and significance levels) did not change much to warrant a different interpretation from the regular findings reported in this paper, hence indicating that our results are accurate estimates (Field, 2013).

Discussion

Drawing on agency theory (Jensen & Meckling, 1976), we examined the impact of managerial political and financial ties on access to finance in Ghana. We found that both managerial and political ties are positively associated with access to finance, indicating their usefulness for reducing firm-politician and firm-lender information asymmetry. Our results are generally consistent with previous studies (e.g., Batjargal & Liu, 2004; Guo, 2019; Uzzi, 1999). Leveraging the findings, we contribute to the social capital, political ties, and corporate governance literatures in significant ways. First, despite research elsewhere suggesting that managerial ties are influential in credit markets (e.g., Batjargal & Liu, 2004), there is a paucity of works about how these ties affect access to finance in Ghana and other African countries where capital remains a critical business constraint (Liedong & Rajwani, 2018). The studies that have examined managerial ties in Ghana and other African countries tend to focus on a few outcomes, such as firm performance (e.g., Acquaah, 2007; Boso et al., 2013), sustainability (e.g., Nwoba et al., 2021), cost of debt (Liedong & Rajwani, 2018), and institutional risk exposure (Liedong et al., 2017). By examining access to finance, we expand the scope of the impact of managerial ties. In doing so, we generate useful insights by showing that even though political and financial ties are valuable in credit markets, the former are more valuable due to the existence of "flipping agency" in inter-firm contracts that involve politically connected firms.

By flipping agency, we refer to a two-dimensional implicit and informal relationship whereby firms (including banks) and politicians play alternating or revolving principal-agent roles. The first dimension entails the implicit agency relationship between firms

(principals) and politicians (agents) whereby the former turns the latter into agents through lobbying (Getz, 1993; Mitnick, 1993). This relationship explains why politicians, in response to corporate political activity, enact policies to protect firms' interests (e.g., Marsh, 1998; Zhang, 2018). The second dimension concerns the explicit relationship between politicians (principals) and firms (agents) whereby governments and public agencies expect and ensure that firms abide by public policy. In this dimension, politicians flip from being agents (as in the first dimension) to being principals whereby they set regulations and penalize firms for noncompliance.

While the first dimension enhances economic performance and improves firms' creditworthiness (Houston et al., 2014), the second dimension entails the potential for banks to treat politically connected firms favorably in order to also benefit favorable treatment from politicians. Essentially, banks could use cordial lending relationships with politically connected firms to gain access to politicians and further their own interests. As regulatory enforcements are leniently applied to politically connected firms (Correia, 2014; Wu et al., 2016; Yu & Yu, 2011), banks could benefit from arbitrary enforcement of banking regulations regarding capital requirements, reserve requirements, disclosure requirements, market discipline, and large exposure restrictions among several others. The second dimension thus captures a quid pro quo whereby banks advance credit to politically connected firms in exchange for favorable treatment from politicians. In sum, our study introduces the concept of flipping agency, which explains why political ties have a stronger effect on interfirm contracts, such as loan transactions. This addition is particularly important because the few studies that have used agency theory to examine political ties (e.g., Aggarwal et al., 2012; Domadenik, Prašnikar, & Svejnar, 2016; Hadani & Schuler, 2013) have mainly investigated non-contractual outcomes like financial performance.

Second, this study demonstrates that the value of social ties in credit markets is contingent on the strength or power of the persons in the relationship (Saeed et al., 2015). In this respect, when firms are connected to powerful or influential individuals, they benefit more from social capital. Using duality as a measure of CEO power (Muttakin et al., 2018) and an indicator of reduced information asymmetry between lenders and firms, we show that financial ties create higher access to finance when firms are characterized by CEO duality. Duality unifies the sources of information and consolidates power in firms, which makes it easier for lenders to influence or control borrowing firms' behavior through their connections to dual CEOs. In this respect, the information effect of financial ties is enhanced by duality. On the flipside, duality reduces the perceived value of political ties and diminishes creditworthiness. This study therefore adds to the contingency view of managerial ties (Siegel, 2007; Sun et al., 2012) and supports the notion that duality could be a double-edged sword (Finkelstein & D'Aveni, 1994). Though it has a negative effect on corporate disclosure, sustainability, monitoring and ethics (Park et al., 2018; Samaha et al., 2015; Tuliao & Chen, 2017), it also has a positive moderating effect on information gathering and symmetry in loan transactions.

Practical Implications

Our findings also have practical implications for firms operating in Ghana. First, despite political ties often associated with bribery and corruption (Lawton, McGuire, & Rajwani, 2013; Luo, 2006), cronyism (Johnson & Mitton, 2003), poor financial disclosure (Chaney

et al., 2011) and a higher tendency for environmental pollution (Maung, Wilson, & Tang, 2016), they are still important for reducing information asymmetry between firms and lawmakers and for gaining access to critical resources. In Ghana, institutional consolidation is still on-going, which makes "who you know" more important than "what you know". In this respect, firms that are connected to the polity stand a better chance of easily securing financial capital.

Second, though CEO duality allows for unity of command in organizations, it raises concerns about corporate supervision and monitoring (Krause, Semadeni, & Cannella, 2014) and thus highlights the possibility of power abuse and mismanagement. In 2010, Ghana's Securities and Exchange Commission recommended that the roles of CEO and board chairperson should be separated (Agyemang & Aboagye, 2013). Therefore, it is not surprising that within the Ghanaian business context, duality reduces access to finance. However, this should not dissuade dual CEOs from developing political ties. Duality may partially reduce the impact of political ties on access to finance, but the presence of flipping agency presents a force that may be strong enough to mitigate any negative consequences. Banks' quest to seek political favors in the highly regulated financial services industry could motivate them to overlook CEO duality in politically connected firms.

Additionally, as duality concentrates power in a politically connected CEO, it could magnify the potential favors banks receive from politicians. We develop this logic from Saeed et al. (2015) and Khwaja and Mian (2005) who found that firms get more preferential treatment if they are connected to powerful or high-ranking politicians. In this respect, cordial lending relationships between lenders and politically connected dual CEOs could lead to more valuable political spill-over gains or favorable treatment for the former. This is because dual CEOs are more capable of providing unchecked or uncontrolled rent to politicians and may therefore have a stronger voice in referring or recommending banks to politicians for preferential treatment. Consequently, banks may overlook duality as a negative thing. Nevertheless, we encourage firms characterized by CEO duality to uphold good corporate governance and ensure that they reduce the agency costs often associated with their political connections. This way, they can experience enhanced access to finance.

Limitations and Future Research

While these findings provide theoretical and practical contributions, there are limitations that open avenues for further research on managerial ties and corporate governance. First, this study uses cross-sectional survey data, which is susceptible to endogeneity. We tried to gather secondary information, but as is typical in Africa generally (Klingebiel & Stadler, 2015) and Ghana specifically (Liedong & Rajwani, 2018), it is difficult to obtain firm-level financial data. Also, our longitudinal plan was not successful due to sample attrition. However, our collection of survey responses within a three-year time frame coupled with the absence of autocorrelation of residuals in the data reduced the threat of endogeneity and reverse causation. Moreover, using a survey allowed us to measure certain variables (such as managerial ties) for which no secondary data exist in Ghana. Nevertheless, endogeneity from other sources such as measurement errors and omitted variables could still affect the results. We encourage future research to replicate our study using longitudinal designs and non-intrusive objective data better to overcome social desirability and common method bias.

Second, this study addresses only the moderating effect of CEO duality. Considering the implications of political ties for corporate governance and agency (e.g., Aggarwal et al., 2012; Chaney et al., 2011; Guedhami, Pittman, & Saffar, 2014; Hadani & Schuler, 2013; Sun, Hu, & Hillman, 2016), we encourage future studies to examine other governance moderators such as board audit committees and board gender diversity. Such variables could further reveal conditions under which the value of managerial ties is dynamic. Furthermore, as firms' capital structure could be determined by bank ownership (Chen et al., 2014), future studies should investigate the moderating role of private versus State banks. Generally, we recommend the usage or application of agency theory in the study of managerial ties in developing and emerging countries where corporate governance is problematic. Doing so will provide useful insights beyond resource-based, dependency, social network and institutional perspectives which are replete in developing and emerging market management research.

Despite the limitations, this study extends managerial ties research to an underexplored context, integrates corporate governance with managerial ties, reports findings that contribute to political strategy literature and agency theory, and therefore enhances knowledge of managerial ties in a developing country and credit constrained context.

Notes

1. See Ghana Stock Exchange, https://gse.com.gh/listed-companies/
2. See PwC banking survey, https://www.pwc.com/gh/en/assets/pdf/pwc-ghana-banking-survey-report-2020.pdf
3. See World Bank Doing Business report for Ghana, https://www.doingbusiness.org/content/dam/doingBusiness/country/g/ghana/GHA.pdf
4. See World Bank data, https://data.worldbank.org/indicator/IC.CRD.PRVT.ZS?locations=GH
5. See http://documents1.worldbank.org/curated/en/348281468739569626/pdf/multi-page.pdf
6. When an interaction term is the product of a continuous variable and a dummy variable, coefficients on the lower-order continuous term are interpreted as the effect of the continuous variable only and only when the dummy variable is 0. In other words, the results correspond with the group = 0. Therefore, reverse-coding is required to observe effects for other groups (e.g., Hadani & Schuler, 2013; Hardy, 1993).

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