Corporate Kinship: Political Attachments of the Family Firm

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Scholars tend to assume instrumental intent behind corporate political activity, describing firms as making profit-maximizing investments in the political arena. However, I show that for the most common type of firm in the world, the family firm, non-economic incentives may shape its politics. I argue a family's control over corporate resources and its embeddedness in ethnic networks predict the family firm to deviate from a purely opportunistic political strategy, and instead reflect social motivations and obligations to kinship ties. I assemble the universe of direct corporate campaign contributions to political parties in India from 2003-2023, develop a new measure of family involvement in firm operations by using demographic details from a company's board of directors, construct a novel measure of firm-party ethnic proximity using religion and caste markers traditionally encoded in Indian names, and marshal administrative data on all firms in the country to show that (1) despite operating in a competitive multi-party environment, family firms make smaller but loyal contributions to their co-ethnic political parties; (2) this strategy does not appear to pay financial dividends; (3) co-ethnic support depends on public visibility and external monitoring by political patrons, suggesting family firm political donations serve more as membership dues signaling good standing in a community than transactional investments. These findings provide a new explanation for why corporate returns to politics remain elusive, and highlight the need to examine a firm's internal structure and social environment to understand its political activity.

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1. Introduction

How does family involvement shape how firms participate in politics? Political economists tend to describe corporate political activity as having an instrumental purpose, with firms wielding political influence opportunistically for financial gain (Snyder 1990). *Family* businesses, however, pursue a series of non-economic objectives, like preserving legacy and keeping control within tight networks, that often alter strategic calculations. The family business is the most common corporate form in the world (La Porta et al. 1999), and yet existing theories of business and politics pay little attention to its significance. In this paper, I argue that the family firm should be considered a distinct political actor whose defining features generate unique patterns of engagement with the state. Specifically, I show that for family firms, political participation tends to be less opportunistic, and rather driven by long term relationships and obligations to kinship networks.

I focus on corporate campaign donations—the canonical channel through which business wields instrumental power over politics (Lindblom 1980). An extensive literature on money in politics distinguishes between the goals and actions of individual and corporate donors: in general, while individual citizens largely support parties and candidates based on ideological or partisan allegiance (Ansolabehere et al. 2003; Barber 2016; Hill and Huber 2017; Barber et al. 2017; Bouton et al. 2022), corporations tend to participate in politics out of economic self-interest—backing whichever party has more influence over the state at any time, or strategically hedging across the aisle (Mitchell et al. 1997; Bonica 2013; Chamon and Kaplan 2013; Grimmer and Powell 2013; Powell and Grimmer 2016; Fouirnaies and Hall 2014).[1] But what should we expect in cases where the distinction between individuals and corporations is less clear? Family businesses have a commercial purpose, but concentrates control over the corporation in the hands of a few principals, often to the point that the firm is synonymous with the family in charge (Zellweger et al. 2010).

I develop a political theory of family firms based on literature from corporate governance and economic sociology. Specifically, I argue hierarchical internal governance structure of the firm combines with the social embeddedness of the controlling family to shape the family firm's political strategy. In this way, I join nascent scholarship that pierces the corporate veil to show how the backgrounds of key stakeholders determine the firm's political activity (Li 2018; Stuckatz 2021).

Corporate governance scholars see the family firm as a solution to the fundamental principal-agent problem between shareholders and managers by collapsing the distinction (Villalonga et al. 2015). In doing so, the CEO, and by extension, the controlling family, has more agency and discretion to direct firm operations (Morck and Yeung 2003; Schulze et al. 2003), allowing non-economic incentives to enter the production function (Bertrand and

[1] Alternatively framed as consumption vs. investment (Gordon et al. 2007), or expressive vs. strategic, ideological vs. practical.

Schoar 2006), which then shapes its business decisions—like hiring, financing, innovating, and even time spent working.[2] I expect family involvement to affect a firm's political decisions as well, meaning family firms are less likely to participate in politics strictly opportunistically, where campaign finance are treated as investments for access or favors.

While this agency theory perspective grants family firms more discretion to deviate from an *ex ante* profit maximizing strategy, a sociological perspective sees the family firm's political choice constrained by its social ties. Economic sociologists see the family firm as more than just an economic actor, but a social actor as well—embedded in a local communities and networks built on long-term reciprocal relationships (Granovetter 1985; Dobbin 2004; Gomez-Mejia et al. 2011). Family firms possess and invest to preserve social capital within the community (Arregle et al. 2007), and the family's social network often determines the entrepreneurial and commercial network of the firm (Gulati 1998; Anderson et al. 2016). In environments where social networks form the key economic and political cleavages as well, family firms are likely to form relationships with politicians and political parties that inhabit the same social milieu, who then can turn to family firms for financial support at election time (Cruz et al. 2017). I expect these long-term reciprocal relationships in elite networks promote loyalty between the family and political parties, preventing the family firm from moving smoothly in the political arena, switching support from one party to the next based on short-term expedience.

Taken together, this theory suggests for the most typical type of firm, the family firm, political participation may stem from the personal interest and discretion of the controlling family, rather than the profit-maximizing ends of the firm, and may be constrained by the family's social network.

I choose India as my empirical setting—the world's largest democracy, with a fast-evolving relationship between state and capital since economic liberalization in the 1990s, and a high incidence of family firms. Scholars have begun to describe the increasing influence of business houses in Indian politics, highlighting their role as financiers of surging electoral costs (Kohli 2012; Kapur and Vaishnav 2018; Jaffrelot et al. 2019). But few scholars have examined political strategy at the firm-level. A number of features make India an ideal setting for this study. First, companies are able to contribute to political parties out of the corporate balance sheet, directly reflecting corporate interests—unlike in the US, where corporate interests are refracted through Political Action Committees (PACs) that must first raise cash from employees (Li 2018). Second, the Ministry of Corporate Affairs has recently made available detailed administrative data for the universe of formally registered firms, not just publicly listed firms.[3] Existing studies that are restricted to publicly listed firms suffer from potentially severe selection concerns, especially in developing countries, where capital

[2] See for instance Burkart et al. (2003); Bloom and Van Reenen (2007); Lemos and Scur (2019); Bandiera et al. (2018); Birhanu and Gambardella (2024)

[3] Economists are beginning to make use of this data–see Dutta et al. (2022); Fujiy et al. (2022).

markets are less developed and even large firms remain privately held. Finally, with sharply moving political winds across a highly federalized and competitive electoral arena, India provides a clear test to see how firms' non-market strategies respond to changing institutional environments.

A significant contribution of this paper is to assemble and present a complete dataset of all recorded donations to political parties in India from 2003-2023. I take advantage of a successful Right to Information (FOIA-equivalent) petition that requires all political parties to disclose donations received above the Rs 20,000 (≈ $250) threshold, in contribution reports published on the Election Commission of India's website. I classify each donor as an individual, corporation, or organization, and map each corporate donor to its unique corporate ID number from a register of all formally registered companies that I compile. I identify 5,785 unique corporate entities donating over to Rs 48 billion (approximately $700 million) to 39 political parties over a 21 year period that covers multiple national and state-level elections.

I then develop a novel and scalable measure of family firms that overcomes typical measurement problems that challenge existing studies of family business. Existing studies remain largely restricted to publicly listed businesses, where shareholding data are more accessible, or require costly surveying of individual firms.[4] They also tend to be more coarse classifications that fail to capture the variation in the extent of family involvement across firms (Khanna and Yafeh 2007). Instead, I introduce a new continuous measure of family involvement based on family member presence on a company's board of directors—a requirement for all formally registered companies in India. The measure is a composite that identifies kin on a board through shared surnames (validated against the surname initial encoded in each director's tax ID), shared name tokens, shared fathers' names, and co-residence at the same address.

To study the political opportunism of family firms, I first define opportunistic campaign donation behavior based on the literature, but adapted for an Indian setting. Stylized findings on corporate campaign contributions suggest that, compared to individuals, companies tend to make larger contributions to multiple political parties, either contemporaneously hedging or switching as political winds shift.[5] Individuals are more likely to make small dollar donations loyally in support of a single party.

I find consistent evidence that firms with greater family involvement on its board of directors deviate from typical signs of opportunistic political behavior. In a federalized, multi-party, and highly competitive electoral setting, firms in India are exposed to multiple political parties at any given moment. And yet firms with greater family involvement make markedly smaller donations—resembling the cheque sizes of individual donors rather than

[4]The World Management Survey, for instance, requires an army of MBA students interviewing business owners for course credit (Bloom and Van Reenen 2007).

[5]See Welch (1974); Lux et al. (2011); Fouirnaies and Hall (2014); Snyder Jr (1992); Großer et al. (2013); McMenamin (2011); Heerwig (2016)

corporate investments— while remaining overwhelmingly remaining loyal to a single party of their choice, repeating donations to the same party rather than switching or hedging across parties. This pattern holds even for larger firms with greater capacity to donate to multiple parties.

Instead, I show that social networks are a powerful predictor of family firms' politics. I use kinship networks as a proxy for social networks, and examine the co-ethnic preference of corporate donations. As a social actor embedded in long-term relationships based on trust and reciprocity, family firms are more likely to embody the values of the community it is embedded in (Dobbin 2004). In the Indian context, caste and religion serve as key ethnic cleavages that define social, economic, and political communities (Jaffrelot 2010; Munshi 2014; Chandra 2004). I use the fact that last names in India encode information about the individual's ethnic membership,[6] and develop a measure of ethnic proximity between firms and parties based on the last names of company board members and all the candidates who have stood for national and state election for each political party since 1980. Ranking each firm's parties by this ethnic proximity, I find that family firms are roughly 40% more likely than non-family firms to donate to one of the parties most ethnically proximate to the family itself.

What explains this distinct pattern of family businesses making small but loyal donations to co-ethnic political parties? Does it buy political favors? While these patterns deviate from typical behavior of a model of campaign finance as investment, it may reflect a unique ability of family firms to be able to generate superordinate returns on small political investments, or a feature of operating in a context of ethnic clientelistic politics.

I take the investment account seriously and test for returns directly. I marshal novel administrative data on three margins through which ruling parties can channel favors to donor firms: lending by state-owned banks (Khwaja and Mian 2008; Chen et al. 2022), the allocation of government procurement contracts (Boas et al. 2014; Lehne et al. 2018), and firms' high-level financial performance. India's staggered national and state-level election calendar generates repeated turnovers in party control across the country, and these changing political winds provide leverage: in a difference-in-differences setting, I ask whether firms that donated to a party subsequently entering government pull ahead of comparable donors who backed its rivals. I find no evidence that donations to parties that then come to power yield donor firms clear returns on any of these margins—and certainly no evidence that family firms' donations in particular are rewarded with political favors.

This is, admittedly, a hard test. Firms enter the political marketplace with heterogeneous demands—a loan here, a contract there, regulatory forbearance elsewhere—so any given outcome captures only a slice of the potential return, which is one reason estimating returns on political donations is a notoriously tricky exercise for political economists (Ansolabehere

[6] For instance, a last name "Gupta" connotes a North Indian, Hindu, member of the merchant caste. Subramanian: South Indian, Hindu, Brahmin, etc.

et al. 2003; Hadani and Schuler 2013; Fowler et al. 2020). Null results on credit, contracts, and performance therefore cannot rule out returns altogether. But family firms' donations neither look like investments going in—small, loyal, and directed at co-ethnic parties—nor pay off like investments coming out, and the two absences together should make us less likely to conclude that investment is what they are.

If not investment, then what? The money-in-politics literature debates whether campaign contributions are best treated as investment-goods or consumption-goods (Gordon et al. 2007; Ansolabehere et al. 2003); my results place family firm donations on the consumption side of the ledger. The ethnic politics literature has run a parallel debate over whether co-ethnic political support is expressive or strategic, and its trajectory is instructive. Against the affective baseline of co-ethnic support as an expression of group worth (Horowitz 1985), that literature tends to find little empirical evidence for purely expressive accounts (Ferree 2006)—partly by folding the psychic returns of supporting a co-ethnic into an otherwise instrumental utility function (Chandra 2004), but also by identifying the technologies through which co-ethnic patrons monitor and enforce prosocial behavior among their group members (Fearon and Laitin 1996; Habyarimana et al. 2007, 2009). In this account, family firms' small but recurring donations to co-ethnic parties may act as membership dues: visible contributions that signal the continued standing of the firm in the religious or caste community in which it is embedded.

I find supportive evidence for this explanation by exploiting a unique case of anonymous corporate giving. From 2018 to 2024, companies in India could donate to political parties either disclosedly or anonymously—through "electoral bonds" hidden from the public and from other parties—and these anonymous donations were retroactively revealed after a Supreme Court verdict in 2024.[7] I find that family businesses were less likely to take up the hidden channel in the first place, and, conditional on taking it up, less likely to donate to co-ethnic political parties. This result highlights that co-ethnic donations are at least partially sustained by the ability of political parties and communities to solicit and enforce the good behavior of their members through visible donations—an ability that breaks down under conditions of anonymity.

Characterizing corporate political activity as motivated by an ethnic logic raises important implications for corporate power and political development. Lacking a vote, business uses its comparatively deeper pockets to gain leverage over governments by threatening to pull financial support. If, on the other hand, a business subordinates its economic interests in favor of social objectives, the business sequesters this source of leverage. In the Indian context, ever since its election to power in 2014, the Bharatiya Janata Party has embarked on a campaign of muscular Hindu nationalism. Despite being the traditional party of merchants and traders, several of its signature economic policies have disproportionately hurt its core

[7] See Puri and Vallée (2026) for details.

supporters of small and medium sized enterprises (Marcellus 2024). And yet the business community did not desert the party. In one recently published account of India's changing political coalition, a business leader tells political journalist Sanjaya Baru, "as a businessman I am not happy with [the Prime Minister's] policies. However, as a Hindu I will vote for him" (Baru 2021).

Contributions. In showing how corporate structure and social identity together shape firms' political engagement, this paper makes three theoretical contributions—to the study of corporate governance and political strategy; to the money in politics and ethnic politics literatures, which it brings into conversation; and to the study of family business—and an empirical one.

First, I show how corporate governance conditions political strategy. A large money in politics scholarship seeks to understand motivations for political donations, but tends to keep individuals and corporations in separate categories (Ansolabehere et al. 2003; Aggarwal et al. 2012; Barber 2016; Bonica 2016; Bouton et al. 2022). A growing literature instead pierces the corporate veil to show how aggregate corporate behavior is shaped by the politics of the firm's constituent stakeholders. Li (2018), for instance, shows how in decentralized fundraising settings—where firms must first raise funds for a corporate PAC from employees—the ideological or partisan commitments of employees constrain firm campaign contributions. I show, first, how *identity* can also constrain corporate political activity, and second, how internal corporate structure governs the extent to which it does: the more hierarchically a family controls the firm, the more directly the family's social attachments pass through to the firm's politics. The family firm thereby becomes a vehicle through which ethnic identity enters corporate politics. In this way, I join a growing scholarship on the role of cultural proximity in corporate strategy (Iyer and Schoar 2010; Fujiy et al. 2022; Bhagavatula et al. 2023), and extend it to the political arena.

Second, the paper builds a bridge between money in politics and ethnic politics—two literatures that have run the same debate in parallel while rarely citing one another. Money in politics scholars ask whether campaign contributions are investment-goods or consumption-goods (Gordon et al. 2007; Ansolabehere et al. 2003); ethnic politics scholars ask whether co-ethnic support is strategic or expressive (Horowitz 1985; Chandra 2004; Ferree 2006). Family firms' donations sit uneasily in the investment category. Numerous models in political economy treat corporate campaign contributions as investments for a *quid pro quo* purpose (Grossman and Helpman 1994; Lux et al. 2011; Schnakenberg and Turner 2023), but then struggle to find returns on these contributions (Ansolabehere et al. 2003; Hadani and Schuler 2013; Fowler et al. 2020), and I find none here either, but the ethnic politics literature offers a more specific alternative: co-ethnic behavior as the maintenance of standing within a community able to monitor and sanction its members (Fearon and Laitin 1996; Habyarimana

et al. 2007). Reading family firms' small, loyal, co-ethnic donations as membership dues imports this enforcement logic into campaign finance, and suggests one resolution to the puzzle of missing rents—donations that maintain a firm's standing in its community need not be repaid by the state.

Third, this paper bridges scholarship between corporate political activities and the unique strategies and operations of family firms—two rich streams of inquiry with strikingly little overlap. Existing literature at this intersection has largely focused on the personal political *connections* of family firms (Fisman 2001; Bertrand and Schoar 2006; Siegel 2007). But corporate political connections work with a different logic than campaign finance,[8] which is inherently more transactional. This study is therefore most similar to Balan et al. (2022) which studies the campaign finance behavior of large, publicly-listed family firms in Brazil, but extends the scope to a more comprehensive universe of privately held corporations, and considers the role of social identity in shaping family firms' political activity.

Empirically, this paper paves the way for large-scale observational studies of business and politics in emerging markets. The study of money in politics and CPA is largely restricted to developed countries (mainly the US) and handful of developing countries like Brazil and Colombia where data are available.[9] But understanding patterns of corporate political influence is a global concern, and focusing only on one context risks overfitting theories to a particular setting and a particular set of actors, especially the widely-held joint-stock company—typical for large companies in the US, but far from typical anywhere else (La Porta et al. 1999; Schneider 2013; Bennedsen et al. 2022). Absent high quality data on firm-party donations, scholars have resorted to more forensic approaches to uncovering party financing—for instance, by tracing how commodity prices like cement and sugarcane move around election times, suggesting a channeling towards campaign funds (Kapur and Vaishnav 2018; Sukhtankar 2012). By constructing a usable dataset of corporate donations to political parties in India, I provide a first systematic study into campaign finance in the world's largest democracy, and I plan on making this dataset freely available to future researchers. It is also, to my knowledge, the first study of corporate campaign finance in a multi-ethnic society in which the ethnic identities of both donors and parties are measured and matched: the money-in-politics literature has developed almost entirely in settings where ethnicity is either absent from the analysis or collapsed into partisanship, whereas in most of the world's democracies parties carry ethnic bases and firms carry ethnic owners. In addition, I introduce a set of methodological techniques that open the door to more studies at the firm-level in developing countries. By innovating on measures of family firms and firm-party ethnic proximity, I show how scholars can bring granular and large scale firm-specific characteristics to a study of

[8] See Wei et al. (2023) for a review and warning against equating corporate political *connections* with corporate political *activities*.

[9] See for Brazil: Boas et al. (2014); Lazzarini et al. (2015); Balan et al. (2022). Colombia: Ruiz (2017); Gulzar et al. (2022). For a comparative synthesis of money in politics beyond campaign donations, see Weschle (2022).

business and politics in a fast-growing ethnic democracy.

2. A Political Theory of the Family Firm

Davis and Tagiuri (1989)'s seminal work on the topic defines the family firm as a firm where "a family has influence over [its] strategic direction". Chrisman et al. (2005) summarizes alternative definitions, which include firms where the family has "an intention to keep control" (Litz 1995), cases where "unique, inseparable, synergistic resources and capabilities [arise] from family involvement and interactions" (Habbershon et al. 2003), and others. While operationalizing a measure of family firms is a harder problem,[10] all definitions share the core concept of a family's *control* over business operations. The key contrast is cases where a family might simply have economic ownership over a firm, but not have any say in its operations—that would be more precisely defined as a family-*owned* company. This study focuses on the more typical case where a family is actively involved in a business's operations.

Management theory and economic sociology offer two distinct paradigms to study the family business.

Agency perspective. Management scholars adopt a formal *agency theory* approach to explain how family firms differ from non-family firms (see Villalonga et al. 2015). In this perspective, the family firm is a solution to the fundamental principal-agent problem between shareholders and managers who might have different priorities, by creating a complete overlap between the two (Jensen and Meckling 1976; Schulze et al. 2001). Concentrating ownership and control in a single entity confers the controlling entity with greater discretion in firm operations, which can have ambiguous effects on the firm's bottom line. In fact, solving this agency problem between shareholders and managers may exacerbate another class of agency problems between minority and majority shareholders (Villalonga et al. 2015), where the controlling family has the ability to divert resources to non-value maximizing investments, and prioritize *private benefits*—like appointing undeserving family members as CEO, and spending on projects to preserve social reputation (Tagiuri and Davis 1992; Burkart et al. 2003; Morck et al. 2005; Villalonga and Amit 2020).

Being able to depart from profit-maximizing strategies for personal non-pecuniary gain explains why family firms are slow to adopt new technologies and best practices, stunting growth, and causing worse overall performance (Villalonga and Amit 2006; Lemos and Scur 2019; Bertrand et al. 2008; Bennedsen et al. 2007).[11] While family firms may underperform, they are also more likely to persist through downturns—preferring to trade off growth for longevity (Wilson et al. 2013)—and prioritize external stakeholders through CSR spending (Cruz et al. 2014) and promising countercyclical job security to employees (Bjuggren 2015).

[10] See section 5.

[11] For exceptions, see Sraer and Thesmar (2007) and Khanna and Palepu (2000).

As a result, family firms are characterized as having a longer time horizon than non-family businesses (Schneider and Soskice 2009; Balan et al. 2022).

In this way, family businesses departs from a model of a purely profit maximizing enterprise, violating a key assumption behind most scholarship on business and politics. A vast literature across political science and management ascribe largely instrumental intent to corporate political activity, describing CPA as opportunistic investments, seeking returns in the form of regulatory favors, access, or influence over the legislative process (Snyder 1990; Snyder Jr 1992; Hillman et al. 2004; Grimmer and Powell 2013; Dorobantu et al. 2017). While some scholars have noted how agency matters within the firm may affect its CPA [12] (Igan et al. 2012; Aggarwal et al. 2012; Hadani and Schuler 2013) the literature has paid insufficient attention to family firms, where agency problems are potentially most severe (Morck and Yeung 2003).

An agency view of family firms, therefore, would predict deviations from a purely politically opportunistic, profit-motivated strategy. Instead, by concentrating corporate discretion in the hands of a few individuals—typically a patriarch—a family business is more likely behave like an individual political donor—which the literature describes as more ideological or expressive (Barber 2016; Broockman and Malhotra 2020).

Sociological perspective. While an agency perspective may explain *why* family firms might choose strategies that prioritize non-material goals, it is not equipped to predict *what* these family firms might prioritize over profits. Economic sociologists and organizational theorists, on the other hand, look through the corporate structure and see the firm as a collection of individuals, embedded in social structures and networks, and bound by a series of norms. In motivating a sociological approach to the study of economic institutions, Dobbin (2004) states "sociology's core insight is that individuals behave according to scripts that are tied to social roles."

Social networks and identities serve as key institutions that help explain structures and outcomes that may be hard to explain from a purely economic lens (Granovetter 2005, 2018). Scholars have made strides in showing how these kinds of institutions can meaningfully affect firm decision-making and outcomes (Ahuja et al. 2018; Botelho et al. 2024), like its ability to raise funds (Hegde and Tumlinson 2014), contract with partners (Gulati 1998), make investments (Gompers et al. 2016), and even participate in politics (Bertrand et al. 2018).

Family businesses tend to be embedded in thick social networks (Granovetter 1985; Le Breton-Miller and Miller 2009), which family business scholars often describe as a key asset, or *resource*, of the family firm (Habbershon and Williams 1999). For instance, Khanna and Palepu (1998) find that family networks help overcome contracting frictions in volatile

[12] In a famous *New York Times* article, Friedman (1970) suggests that a company simply engaging in social or political spending might be symptomatic of agency problems within the firm, where managers are effectively expropriating shareholders in service of social goals.

institutional contexts, which rationalizes the emergence of family business groups across the emerging markets. But this "family-ness" is more than just an instrumental solution to an institutional problem, but often imparts its on effects on the culture, purpose, and strategy of the firm (Gomez-Mejia et al. 2011; Souder et al. 2017). In this way, the controlling family and the family firm come to jointly possess both family and organizational social capital (Arregle et al. 2007).

In the Indian context, family businesses are embedded in caste and religious networks that serve as the key ethnic cleavages and identities that define social, economic, and political life generally (Jaffrelot 2010; Chandra 2004; Bhagavatula et al. 2023; Banerjee et al. 2019). In an account of the social aspects of business groups, Granovetter (2010) specifically points to the "mind-boggling caste/ethnic/religious group variation [that provides] raw material for constructing business-group solidarity." In support of this view, rich and detailed ethnographic accounts of the development of industry in India highlight the role of caste and regional networks in shaping businesses and the communities they belong to (Damodaran 2018; Timberg 1978; O'Sullivan 2023). Insofar as family firms are enmeshed in these social networks, its politics are likely shaped by these networks.

A key principle in the organizational theory literature is the role of social *similarity*, or *homophily*, that conditions firm decisions and consequences (McPherson et al. 2001; Lawrence and Shah 2020). Scholars describe how homophily serves to reduce transaction costs in allowing tacit information to spread through informal channels, but can also constrain firm strategy by reducing new inputs and forcing group-think, and allowing social trust to override channels of corporate governance and accountability (Ertug et al. 2022; Claes and Vissa 2020; Bhagavatula et al. 2023). This homophily may shape a family business's politics in a variety of ways. A patriarch may *prefer* an in-network (or, co-ethnic) candidate or party out of homophily (push factor). A patriarch may also feel *obligated* to support an in-network politician or candidate as an upstanding individual in the community (pull factor). Similarly, they may also face social sanction if they donate to candidates out-of-network. Existing scholarship on why individuals choose to donate to campaigns highlights the *consumption* value of donating to political campaigns (Bouton et al. 2022).[13] But there also is a potential economic rationale: in patronage democracies, there may be diminished returns to investing in connections with out-of-network politicians. Instead, in-network connections may have a greater payoff in the future. While directly testing for each of these mechanisms is tricky, they all predict family firm donations along co-ethnic lines.

[13] Ansolabehere et al. (2003), for instance, proposes that individuals may donate "because they are asked by their friends or colleagues and because they have the resources necessary to engage in this particular form of participation." In my interviews with owners of family businesses, a common explanation for their choice to donate was that a politician or party worker was in their social network.

Hypotheses. Combining both perspectives provides a more thorough approach to studying family firms. Concentrated agency allows family firms to deviate for longer from a pure profit motive, and social embededness can help explain their choices.

To illustrate, one can consider the noteworthy choice of all Chick-fil-A franchises to remain shut on Sunday, giving up a perfectly good day to sell chicken sandwiches, even as competitors remain open. Examining the corporate structure reveals that Chick-fil-A, Inc. is wholly owned by the Cathy family, with a third generation family member as CEO. And focusing on the individual family members reveals the founder, Truett Cathy's, commitment to Christian values. With these two pieces of corporate and sociological information, it is possible to explain why Chick-fil-A is closed on a day at all, and why that day is always Sunday.

When participating in the political arena as a donor to political parties, this perspective generates the following testable hypotheses about family firms:

1. Family firms are more likely to deviate from narrowly opportunistic political strategies
2. Family firms are more likely to donate to parties within their social network

3. Setting: Party finance in India

3.1. History of Party Finance in India

I provide a brief history of party finance in India for context.[14]

While Kohli (2012) dates economic liberalization in the 1990s as the turning point when India transformed from a socialist country to a pro-business one, business houses participated as key political actors before and after Independence in 1947. Pre-independence, domestic industrialists, like GD Birla, were notable funders of the Congress Party. The Nehruvian statism of the post-Independence years were marked by business making donations to the Congress Party in exchange for permissions to enter regulated industries, or licenses to monopolizes specific markets—a period called the License-Permit Raj (Sridharan and Vaishnav 2018). These donations were legal, as the 1956 Companies Act permitted donations to political parties. Despite the dominance of the Congress Party during the 1950s and 1960s, fledgling opposition movements were able to successfully court business financing to help prop up free-market ideological alternatives (Balasubramanian 2023). Fearing fundraising competition, Indira Gandhi banned corporate donations outright in 1969. But without creating European-style state funding institutions to take its place, this act simply moved corporate funding from "white" to "black". And the dominant Congress Party were chief beneficiaries of this era of "briefcase" politics (Kochanek 1974), as statist control over the economy also reached its high point. After Indira Gandhi's assassination in 1984, her son Rajiv Gandhi began reversing policy and promulgated a set of reforms to liberalize the economy (Rodrik

[14] Sridharan (1999), Gowda and Sridharan (2012), Sridharan and Vaishnav (2018), and Chatterjee and Sahoo (2014) provide a more thorough treatment, and serve as the basis for this summary.

and Subramanian 2005). One of the reforms was to re-legalize corporate donations to political parties in 1985, but subject to a cap of 5% of three-year trailing average net profit, board approval, and disclosure in annual financial statements (Sridharan and Vaishnav 2018).

Since then, successive legal changes have eased the path for corporate campaign contributions, but also bolstered transparency requirements under a more activist judicial regime in India's history (1990s and 2000s). In 2003, corporate and individual donations to political parties became 100% tax deductible, which created an incentive for donors to cut white money cheques rather than hand over briefcases of cash. In 2012, the cap on direct corporate donations was raised to 7.5% of average net profits, and the Central Board of Direct Taxes approved the setup of Electoral Trusts, a tax-exempted permanent electoral funding vehicle with a mandate to disburse 95% of all funds raised to political parties (National Election Watch nd).

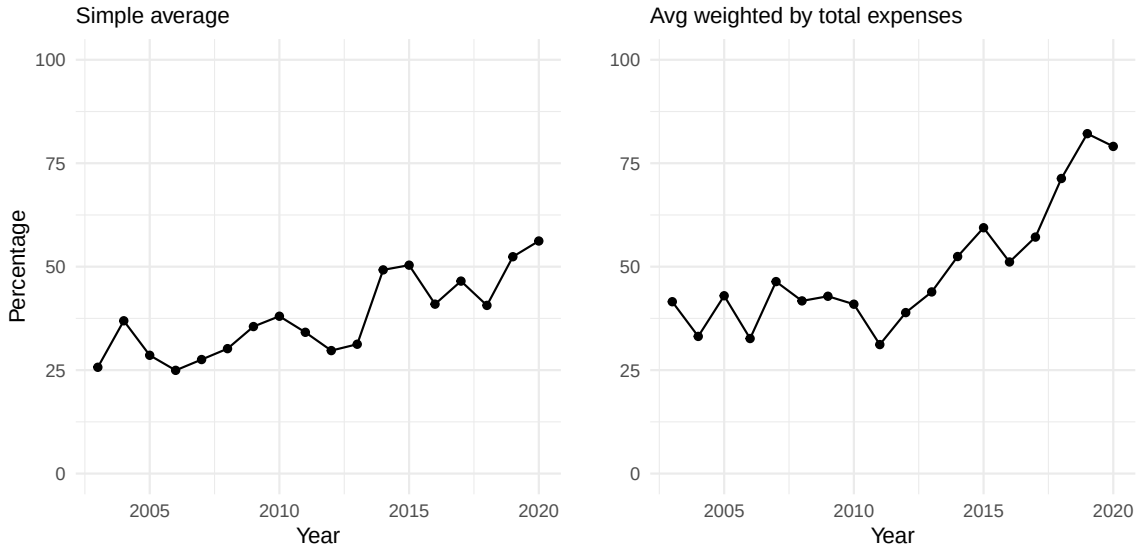
On the transparency side, in 1996, the Supreme Court ordered political parties to file tax returns. In 2005, India passed the Right to Information Act (RTI) which created FOIA-equivalent mechanisms for private individuals to petition the government for public information, and in 2008, the NGO Association for Democratic Reforms (ADR) successfully filed an RTI to petition the Central Information Commission to require all political parties to disclose incomes and expenses on an annual basis to the Election Commission of India (ECI). This disclosure applied to the identities of all donations above Rs 20,000 (approx. 250 USD in 2024), and applied retroactively going back to 2003. Since then, the ECI has published PDFs of each party's campaign contributions and spending on its website.[15] ADR then manually transcribes these data and publishes on its website `myneta.info`.

In 2017 the government passed legislation that further eased corporate participation in politics, but regressed on transparency. Citing potential risks of retribution that come from openly disclosing donations to political parties, and the need to curb "black money" in politics, the government introduced electoral bonds—a financing instrument that would allow donors to make uncapped, but still tax exempt, donations to any registered political party without requiring disclosure. This opacity was asymmetric, however. As electoral bonds were deposited in accounts at the state-run State Bank of India, the government of the day had access to information about the donors, while opposition parties and the general public did not (Vaishnav 2019). This law came into effect in 2018, but was immediately challenged by civil society organizations.

After six years, the Supreme Court heard oral arguments about the constitutionality of the electoral bond scheme, and in February 2024, it struck it down as illegal, and required the list of all electoral bond buyers to be released retroactively. On March 14, 2024, the list of corporate and individual buyers of electoral bonds was released publicly on the Election Commission of India's website to much media scrutiny and attention (Puri and Vallée 2026).

[15] See Appendix A for an example contribution report

FIGURE 1. Donations as a Percentage of Total Disclosed Expenditure



Note: This figure shows donations as a share of annual party expenditure according to disclosed income and expenditure reports. The left panel reports a simple average across all parties by year. The right panel reports a weighted average by total expenditure. Donations constitute between 25-60% of each party's spending, and for parties that spend more, donations make up an even greater share, making donations the channel through which the marginal rupee enters party coffers.

3.2. Background on Campaign Contribution Data

Until March 2024, buyers of electoral bonds remained anonymous and out of reach for researchers. Data on donations either directly to political parties or through electoral trusts was available on the Election Commission's website. After March 2024, electoral bond buyer information is also available on the ECI website.

Despite donation data being available since 2008, political scientists have not made much use of it for a variety of reasons.[16] First, in a country with an average income of Rs 45,000 in 2008 (when the RTI was passed), a Rs 20,000 disclosure threshold would obscure huge swath of political donors. Second, it is widely held that political parties' incomes come in the form of gifts and services offered at election time—e.g. a local builder might volunteer his fleet of trucks to transport party workers to polling booths for a certain politician. This kind of donation-in-kind would never be detected in this data. Finally, while these data are easily accessible, they are not usable without further preparation. Appendix A presents an example. In addition to low quality PDFs, donors are not, for instance, uniquely identified, which makes it hard to trace donation patterns.

[16]While scholars have not made much use of parties' campaign contributions, they have made use of other data that became available as a result of the same transparency initiative in 2008. This notably includes asset and wealth disclosure required of each politician running for an election. See (Vaishnav 2017; Weschle 2022).

These issues are less of a concern for a study on *corporate* political behavior. First, while the disclosure threshold might be high for individuals, it is not too high for businesses—especially not the kinds of large businesses whose political linkages are of particular interest to scholars. Indeed, ADR finds approximately 90% of donations to come from corporate donors (National Election Watch 2020). Second, while this may not capture all the ways corporate houses may support political parties, it is certainly the most direct way, and with its tax exempt status, incentivizes donations through this channel. Increasing the cap on corporate contributions from 5% to 7.5% of profits demonstrates that legal restrictions mattered and may have been binding. If "white money" donations constituted an inconsequential amount towards overall campaign spending, then expending political capital to change laws around donation caps would make little sense. In fact, according to parties' annual expense and income reports disclosed to the ECI, these reported donations and contributions constitute roughly 40% of annual expenses. Figure 1 shows how this share is significant, rising over time, and constitute an even greater share for parties that spend more—which suggests that the marginal rupee raised is coming from donations rather than other sources (like party membership fees, or selling pamphlets etc).

4. Data: Sources and Preparation

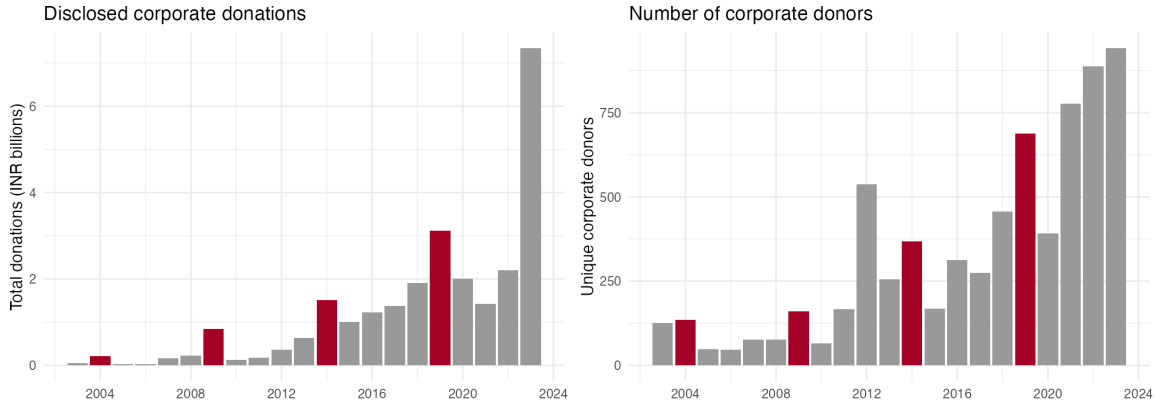
I gather data from both the disclosed donation as well as electoral bonds channels for my empirical analysis. In this section, I describe the main campaign contribution data and provide an overview of the data preparation approach.

Direct donations. My main data comes from political parties' annual contribution reports that list donations above Rs 20,000 (≈ $250 as of 2024). These are available on the Election Commission of India's website in raw PDF form,[17] but are also manually transcribed by the NGO, Association of Democratic Reforms (ADR) and made available on its website `myneta.info`. In a companion paper Puri (2024), I provide greater detail about the process I employed to assemble the complete dataset of campaign contributions, and diagnostic checks about match-quality.[18]

Overall, I end up successfully resolving the donor entities for 5,595 unique corporate donors making 8,938 direct donations totalling close to INR 26 billion (approximately USD 310 million) between 2003 and 2023. I stop the sample at FY2023-24 (calendar year 2023); the subsequent year is anomalous because the Supreme Court of India struck down the electoral bond scheme in February 2024, which prompted post-ruling backfill disclosures and disrupted donor behavior in ways that are not comparable to earlier years. See figure 2.

[17] See appendix A for an example of a contribution report.
[18] See Appendix B for a more detailed summary of the processing steps.

FIGURE 2. Disclosed donations are rising over time



Note: This figure provides an overview of disclosed, or "white-money", direct donations to political parties in India made above the disclosure threshold of Rs 20,000, restricted to corporate donors. The first panel shows the sum rising over time for a total of close to 26 billion INR (approximately 310 million USD, adjusting for exchange rate changes). Red highlighted bars show national election years. The second panel shows how the number of direct corporate donors is increasing over time. Sample covers 2003 through financial year 2023-24.

Electoral Trusts. For trusts, while the complete donation database captures donations made by electoral trusts to political parties, it obscures the identities of the corporations and individuals who contributed to the trust's war chest. In order to look through to the underlying donors, I collect all annual contribution reports required to be filed by electoral trusts with the ECI, and manually record the PAN numbers of all donors.

The vast majority of donors to electoral trusts are corporations, with each trust seeded by an anchor corporate house—for instance, the Tata Group sponsor the Progressive Electoral Trust, Paribartan Electoral Trust by the Birla group, etc. After collecting the PAN numbers of trust donors, I link the corporate PANs to its unique CINs. In order to estimate a value of each trust contributor's donation to each political party, I calculate the share of each contributor's contribution to the overall war chest, and simply multiply the trust's donation to the party by each contributor's share.

Electoral bonds. On March 14, 2024, the Election Commission of India published previously-concealed details of all entities that purchased electoral bonds between 2018 and 2024. This list contained information about the date of purchase, name of purchaser, and denomination of the bond bought, for about 19,000 purchases amounting to over Rs 120 billion ($1.7 billion). I used the same web scraping algorithm to resolve cases of ambiguous identities [19]. Overall, I recover approximately 800 unique corporate entities making donations to political parties through the electoral bond channel.

[19] For instance, the original list reports `Achintya Solar Power Limited` and `Achintya Solar Power Pvt Ltd` as donors, which a simple string-matching algorithm would mark as distinct entities.

Company data. A company's 21-digit corporate ID number (CIN) contains several pieces of information useful for further inference—including public/private status, industry, year of registration, and state of registration. In addition to this high-level information, this CIN allows researchers to merge with administrative data available for all registered companies through the Ministry of Corporate Affairs (MCA). Most relevantly, this includes data on each company's corporate board, which I use to construct a measure of family involvement in a firm's operations.

The MCA requires all registered companies to submit details of its board of director members, and to disclose any changes to directorship as they occur. Registered corporations are required to have at least two board members, and provide information about these board members' names, biographical details including residential address, personal PAN number, and details of other company boards they may sit on. These information are then publicly available to search on the MCA website. I rely on a bulk extract from MCA's master databases covering the universe of approximately 2.86 million registered companies in India and 7.02 million director-company appointments to recover the full board membership of every corporate donor, as well as a random sample of 8,388 active firms with at least two directors that I use as a comparison universe.[20]

Factory locations: To locate where firms physically operate beyond their state of registration, I draw on two sources of establishment-level locations: the universe of Industrial Entrepreneur Memoranda—filings that manufacturers submit to the Department for Promotion of Industry and Internal Trade (DPIIT) when establishing or expanding industrial capacity, which record the factory's address—and CMIE's CapEx database of announced investment projects, which records each project's state. I match both to donors by normalized company name, recovering factory or project locations for approximately 1,300 donor firms; about half of these have a location outside their state of registration.

Firm Financials: Finally, I collect data on firm financial performance—earnings growth, leverage, and profit growth—from Centre for Monitoring India's Economy's (CMIE) Prowess database, which collects panel data on over 30,000 large companies in India, and is the standard database for firm-level research on India. Approximately 486 (or 9%) of donors are part of the Prowess sample.

Party data. For constructing firm-party links, I use names of board members and politicians from each party. I collect names of politicians from each party from the Trivedi Center for Political Data (Agarwal et al. 2021). I use the names of all unique candidates that stood for

[20] Appointment dates (BeginDate) are recorded for essentially every director-firm record. Departure dates (CessationDate or EndDate) are recorded for only about 25% of former directors. The primary specification therefore treats family involvement as a cumulative measure (a director is on the board of firm i in year t if their appointment date is on or before year-end t), matching the convention used by prior work that relied on commercial board-membership scrapes. A robustness specification restricts the sample to directors with certain tenure (currently active or with a recorded exit date); results are similar.

either state or national election for each party from 1980 onwards.

Ethnicity mapping. As I discuss in section 5, my firm-party ethnic proxmity measure simply uses names of candidates and politicians as a proxy for sub-castes. For robustness exercises, I also use Chaturvedi and Chaturvedi (2023)'s highly accurate character-based name-to-religion mapping algorithm, which is increasingly standard in studies on Indian politics,[21] and a dictionary of name-to-subcaste mapping based on New Delhi voter rolls, used for studies on redistribution and dignity in urban settings (Chakrabarti 2020a).[22]

5. Measurement

In order to test hypotheses about family firms' unique patterns of political engagement, I construct a measure of family firms using board membership details that is both tractable and contextually relevant. In order to test hypotheses about specific firm-party links, I develop a measure of ethnic proximity. I discuss both measures here.

5.1. Measuring family firms

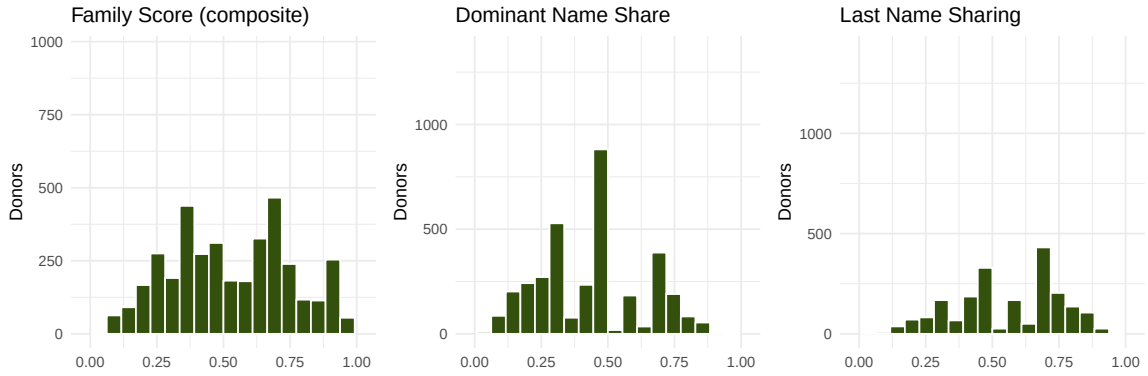
Existing studies on family business largely rely on one of two approaches to measure family firms: family control of voting shares, and surveys querying executives and managers about the company's succession rules. Since most studies on family business are restricted to publicly held companies, family control of voting shares is a popular empirical measure. However, firstly, simply counting voting rights may obscure more creative tunneling schemes that allow for effective family control (Faccio and Lang 2002). And secondly, this measure only allows comparisons within publicly-listed companies, which introduces selection and post-treatment bias since the choice to go public may be influenced by family involvement in the first place (Burkart et al. 2003). The latter approach is more reliable, but is more involved. The World Bank Enterprise Survey and World Management Survey (Bloom and Van Reenen 2007) use this approach, but it requires thousands of person-hours to accumulate a satisfactorily large sample to conduct rigorous analyses.

Instead, I propose to look at family involvement on company boards as a way to identify family firms. Family members commonly sit on the board of directors as way of exerting control over management, and strengthening the links between the family and the corporation (Deephouse and Jaskiewicz 2013; Villalonga and Amit 2020; Chaudhary et al. 2021), and examining the board of directors is a more scalable way of classifying family firms among privately held companies (Wilson et al. 2013; Rivadeneira 2020).

[21] See Allie (2024); Das (2023)

[22] I thank Poulomi Chakrabarti for sharing this dictionary.

FIGURE 3. Family Involvement on Corporate Boards for Political Donors



Note: Distribution of the measures of family involvement in a firm. The first panel plots the composite *Family Score* described in the text. The remaining panels plot its intuitive name-based components: *Dominant Name Share*, the proportion of board members who share the single most common last name; and *Last Name Sharing*, the proportion of board members that share a last name with someone else on the board.

Moreover, studying the board of directors is contextually appropriate for several reasons. Firstly, donations to political parties from company coffers has required board approval since 1985 when political donations were legalized, making the boardroom the center of this action. Second, a company's board of directors can be an important venue of politics (Bonica 2016; Johnson 2019; Resimic 2021; Komera and Tiwari 2022). Finally, studying the board of directors introduces meaningful variation within family firms—useful for contexts where the vast majority of firms are family owned and operated. A theory of concentrated agency among family firms paints a portrait of patriarchs acting with impunity. A family firm with no interest in an outsider's perspective can completely restrict its board membership to just family members. But independent, non-family, directors on a company's board implies both an opportunity for and openness to external opinions. This perspective then motivates a continuous measure of *family involvement* on a board, rather than a crude binary of family versus non-family firm.[23]

I use several pieces of biographical information to identify kinship on a corporate board: directors' names (following Wilson et al. 2013; Rivadeneira 2020), their fathers' names, their residential addresses, and the surname initial encoded in each director's income-tax ID.[24] Simple name-matching runs into two well-known problems in the Indian context: filler tokens (like *Kumar* or *Devi*) that are not family names, and naming conventions—most importantly marriage-related surname changes and patronymic conventions in southern states—that break the link between kinship and a shared last name. The PAN-encoded surname initial

[23]This relates to a broader literature that studies the variation of corporate governance accountability and oversight within privately held firms (Bennedsen and Wolfenzon 2000).

[24]For individuals, the fifth character of the 10-character Permanent Account Number (PAN) is the first letter of the surname registered with the Income Tax Department—an independent, administrative signal of which name token is the legal surname. Over 94% of director records carry a valid PAN.

TABLE 1. Classifying Family Firms from Names, Fathers' Names, and Addresses: Three Boards

Director	Father's name	PIN code	Kinship signal
Panel A. Everbake Bakers Pvt. Ltd. (Delhi, 2023) — family score = 1.00			
Nagesh Nagpal	Banwari Lal	110088	shared surname; named as father by two co-directors
Pushpa Nagpal	Natwal Chand Aneja	110088	shared surname and PIN (married in; father's name differs)
Shahil Nagpal	Nagesh Nagpal	110088	shared surname; father sits on the board
Shikhil Nagpal	Nagesh Nagpal	110088	shared surname; father sits on the board
Name-token sharing 1.00; father-name links 0.75; PIN co-location 1.00.			
Panel B. Bhuvaneswari Cotspin India P. Ltd. (Tamil Nadu, 2023) — family score = 1.00			
Nachimuthu Gounder Loganathan	Nachimuthu Gounder	641604	patriarch (patronymic naming; no stable surname)
Sevanthampalayam Loganathan Subramaniam	Loganathan	641604	father's name matches the patriarch
Loganathan Parameshkumar	Loganathan	641605	father's name matches the patriarch
Loganthan Nachammal	Nachimuthu Gounder	641605	shared father's name (shared name token misspelled)
Name-token sharing 0.50; father-name links 1.00; PIN co-location 1.00.			
Panel C. Reddy CPA LLP (Telangana, 2022) — family score = 0.14 **(non-family)**			
Sreenivasa Reddy Mitta	Balakoti Reddy Mitta	500056	—
Venkata Subba Reddy Immareddy	Lakshmi Narayana Reddy Immareddy	516175	—
Reddy Kollu Chandra Sheker	Reddy Golla Linga	500025	—
Rajashekhar Reddy Pullaiahgari	Narayana Reddy Pullaiahgari	505528	—
Rajshekar Reddy Padi	Padi Ramlinga Reddy	500010	—
*Name-token sharing 0.00 (*Reddy *excluded as a high-frequency community token); father-name links 0.00; PIN co-location 0.00.*			

Note: Director names, fathers' names, and residential PIN codes as recorded in public Ministry of Corporate Affairs filings, for the cumulative board in the year shown. The family score is 0.7× the strongest name-based signal (the maximum of the PAN-validated surname share, the name-token sharing proportion, and the father-name link share) plus 0.3× the PIN co-location share. Panel A is the standard case: a two-generation household sharing a surname and a residential PIN, with the sons' recorded father sitting on the board. Panel B shows why fathers' names matter: under southern patronymic naming the four directors' PAN-registered surnames all differ and one shared name token is misspelled, but fathers' names link every director. Panel C shows the guard against false positives: all five directors carry the community name *Reddy*, which the data-driven stop-list excludes, and no father-name or address link exists; the residual score of 0.14 reflects only the modal PAN-surname share (one of five directors).

resolves which name token is the legal surname; a data-driven stop-list removes filler tokens; and shared fathers' names recover sibling and parent-child ties that surname matching misses. Table 1 illustrates how these signals combine on three boards from the data: a Delhi bakery whose two sons record their co-director father as their own father; a Tamil Nadu spinning mill where patronymic naming defeats surname matching but fathers' names link all four directors; and a Telangana accounting partnership whose five directors all carry the community name *Reddy* yet share no kinship signal.

My headline measure, which I call the *family score*, combines these signals: it is a weighted combination of the strongest kinship-by-name signal on the board (the share of directors matching the board's most common PAN-validated surname, the share of director pairs sharing a name token, or the share of directors linked through fathers' names) and residential co-location (the share of directors sharing a residential PIN code), with weights of 0.7 and

0.3 respectively. Under this measure, 72% of political donors are majority-family boards—consistent with economy-wide benchmarks that place the incidence of family firms in India above two-thirds (Khanna and Yafeh 2007). For transparency, I also report throughout the two intuitive name-based components used in earlier work: the "dominant-name share" (the proportion of directors sharing the single most common last name) and the "name-sharing proportion" (the share of directors that have last names in common with any other board member). Residential co-location plays two dedicated roles rather than serving as a standalone regressor: it enters the composite score, and—because it is constructed entirely without names—it provides a surname-orthogonal definition of the family firm that I use to guard against mechanical name-driven confounds in section 7.[25] Figure 3 presents the distribution of these measures, which are all strongly correlated with one-another (the family score correlates at 0.76–0.79 with the name-based components). In appendix E I show how the name- and address-based measures correlate positively with the World Management Survey's ownership classifications for the set of approximately 460 Indian firms it sampled manually.[26]

One caveat concerns board history. Director appointment dates are recorded for essentially every director-firm record, but dated departures are recorded for only about a quarter of former directors. The primary specification therefore measures family involvement over the cumulative set of directors appointed by the year of the donation—matching the convention of the commercial board data used in earlier versions of this data—and a sensitivity specification restricts attention to directors with certain tenure (currently active, or with a recorded exit date). Results are similar across the two.

5.2. Measuring ethnic proximity

In order to test whether family businesses exhibit an in-network preference in their political donations, I construct a measure of ethnic proximity between firms and parties based on co-ethnicity. For this, I use the names of members on a company's boards, and all politicians that have run for office for each political party since the 1980s. I restrict my sample to 1980-onwards because the party system was vastly different in the pre-1980 period: the Indian National Congress accommodated multiple ideological and ethnic groupings under its single large tent (Rudolph and Rudolph 1987). By the late 1980s however, regional parties started to splinter and the party arena began to evolve into the more competitive landscape more familiar today. Parties began to form to champion the interests of specific ethno-linguistic or religious groups, for instance the BJP representing urban upper-caste Hindus, the BSP and JD mobilizing backward castes, the Akali Dal for Jat Sikhs, DMK for non-Brahmin Tamils, etc.

[25] As a standalone measure, exact address- or PIN-sharing is a conservative and sparse signal (most kin on Indian boards share names, but recorded residential addresses differ across generations and branches), which leaves it underpowered on its own; its value is as a name-free validation channel.

[26] I thank Thomaz Teodorovicz and the WMS team for providing this data.

(Chandra 2005).

I exploit a convenient feature that Indian names typically code information about the individual's caste, religion, and regional identity. Extremely high levels of endogamy [27] means names continue to have value in coding individuals' ethnic origins. Researchers have commonly exploited names as a way of mapping individuals to religious and caste groups (see Susewind 2014; Chaturvedi and Chaturvedi 2023; Bhagavatula et al. 2023; Chakrabarti 2020a). Researchers have also used names themselves as proxies for sub-caste, which allows them to construct measures of "cultural distance" between, say, politicians and contractors (Lehne et al. 2018), loan officers and borrowers (Fisman et al. 2017), and local politicians and heads of household (Sharan 2020). I extend this name-matching logic to construct measures of name co-presence between groups of individuals on a corporate board and in a political party.

I construct a measure of ethnic proximity between firm i and party j by first measuring ethnic proximity between each board member k and political party j. For each board member, I calculate a party proximity based on how common that board member's surname is over the set of all candidates that have stood for election for that party, adjusting for the overall commonness of that name across all political parties.

For example, for a surname `Gupta` and party `BJP`, I calculate a measure of ethnic distance defined as:

(1)
$$\text{EthnicProx}(\texttt{Gupta}, BJP) = \frac{\text{Number of } \texttt{Gupta} \text{ in BJP}}{\text{Number of BJP Candidates}} - \frac{\text{Number of } \texttt{Gupta} \text{ in all parties}}{\text{Number of total candidates}}$$

Next, in order to calculate a firm-party ethnic proximity, I average over all board members' party proximities. For firms with 100% family involvement, the firm-party ethnic proximity score should be the same as each board member's party ethnic proximity score. I then scale this measure across all parties within each firm, so as to arrive at a standardized measure of ethnic proximity for each firm.

A limitation of raw surname co-presence is that it treats names belonging to the same community as unrelated: `Gupta` and `Goyal` are both *Bania* names, but a surname-level measure counts them as separate categories. My primary specification therefore computes co-presence at the level of *ethnic communities* rather than raw surnames: I build a tiered dictionary that maps surnames to religion and to coarse community clusters (*Bania*, Brahmin, Khatri-Kayastha, Muslim, Sikh, and so on), combining an existing name-to-caste dictionary (Chakrabarti 2020a), a character-based religion classifier (Chaturvedi and Chaturvedi 2023), and manual curation of high-frequency names. The dictionary classifies over 70% of donor-director records into a community cluster. The raw surname co-presence measure is retained

[27] As of 2011, only 5% of marriages were inter-caste (Ray et al. 2020)

as a robustness check, and all results hold under both.

I validate this measure against known community–party pairings. Several Indian communities have a politically unambiguous home: the Shiromani Akali Dal (SAD) for Sikhs, the Indian Union Muslim League (IUML) for Muslims, the Samajwadi Party (SP) for Yadavs, the Nationalist Congress Party (NCP) for Marathas, and the YSR Congress Party (YSRCP) for Reddys. These pairings supply ground truth at both ends of the measurement pipeline. On the party side, I check that the ethnic labels are correct: classifying each party's full candidate slate since 1980 with the surname dictionary should recover these well-known bases, with the SAD's classified candidates overwhelmingly Sikh, the IUML's Muslim, and so on. On the firm side, I check that the proximity ranking built from those labels is sharp: for donor firms whose boards are dominated by one of these communities, the home party should rank among the firm's three most ethnically proximate parties—the quantity the categorical co-ethnic choice test in section 7 uses—while rarely doing so for other firms.

Table A6 reports this second check. The home party lands in the top three for 76–100% of community-dominated boards—97% of Sikh boards for the SAD, 99% of Muslim boards for the IUML, 100% of Reddy boards for the YSRCP—against 0.1–1.4% of all other donor firms, so the firm-level ranking inherits the label signal with a near-zero false-positive rate. The BJP behaves differently: it ranks in the top three for *Bania* and Patidar boards almost universally, but also for large shares of all other boards (39% and 64% respectively)—the measure reports the party's genuinely broad candidate base rather than manufacturing a narrow affinity. The same table also shows why the community-cluster measure, rather than raw surname co-presence, is the primary specification: rerunning the check at the surname level, where Gupta and Goyal count as unrelated names, the Bania–BJP detection rate falls from 97% to 12% and the Muslim–IUML rate from 99% to 53%. Appendix H reports the full exercise, including the candidate-slate compositions and the design of the label pipeline.

6. Family Firms and Political Opportunism

6.1. Empirical Approach

A vast literature on money in politics finds that companies engage in politics opportunistically, treating campaign donations as a "spot market" for influence and access (Grimmer and Powell 2013). In this section, I operationalize opportunistic political behavior in several ways, and outline empirical tests to systematically examine the relationship between family firms and opportunistic politics.

Findings largely set in the US consider corporate interest groups, like Corporate PACs to be "self-interested, materially oriented, and narrowly focused" (Gopoian et al. 1984), using campaign donations as investments for political access (Snyder 1990), especially in the short-term (Grimmer and Powell 2013; Kim et al. 2020). This access-seeking orientation

generates patterns of corporate donations that deviate from individual donation behavior: strongly incumbent favoring, and routinely giving to multiple parties despite the ideological differences of the parties (Brunell 2005; Barber 2016; Li 2018).[28]

These patterns do not extend to either *ideological* interest groups, or even executives at corporations. Ideological interest groups, like labor unions and the energy sector, tend to have more sticky preferences towards certain political parties, despite swings in incumbency (Brunell 2005; Barber 2016). And despite hedging donations across parties by *corporations*, individual executives at these corporations tend to display more ideologically stable preferences for specific parties (Bonica 2016; Cohen 2005; Bouton et al. 2022). Bonica (2016) suggests the existence of individual ideologically diverse board members may produce more moderate donation behavior by the corporate PAC.

Operating in a context of India's federalized, multi-party democracy with competitive elections, a company is exposed to several distinct political parties at a time, and so both splitting donations across multiple parties, as well as preferring donations to the incumbent are valid measures of opportunistic corporate donation strategies. Exemplifying this point, the electoral trust of the Tata Group, one of India's largest conglomerates, follows a pre-determined rule of disbursing donations to parties in proportion to their seat share in parliament. Scholars studying electoral politics in India assume this kind of strategic behavior by corporations (Gowda and Sridharan 2012).

I classify opportunistic donation behavior at different levels of aggregation: at the level of the individual donation, pooling over time to the firm-level, and at the firm-year level.

Giving Little. The first test concerns the size of the cheque. Corporate donations are typically an order of magnitude larger than individual donations: a firm treating a donation as an investment for access should give enough to be noticed (Snyder 1990; Barber 2016). Individual donors, by contrast, typically make small, expressive contributions (Ansolabehere et al. 2003; Bouton et al. 2022). If family involvement makes a firm's political participation resemble that of an individual, family firms should write smaller cheques. I test this at the donation level, plotting binned means (Cattaneo et al. 2024) of the log donation amount against the firm's family score, both unconditionally and after partialling out firm size using the Frisch-Waugh-Lovell theorem.

Pooled Over Time. Key characteristics are best captured at the firm-level by pooling over multiple donation periods. For instance, while firms may hedge their bets by donating to multiple parties at a time, they may instead prefer to make concentrated bets in any one period, but spread their support across several parties over time depending on what is more politically expedient in the moment. This kind of strategic hedging can only be captured

[28] Lowery and Brasher (2004) argue one follows the other: incumbent favoring leads corporations to donate to multiple parties in a federal polity.

by pooling donations over time at the company-level. I present two tests of opportunistic donation behavior that become apparent only after pooling over time.

First: *Donating to multiple political parties*. Operating in a federalized, multi-party democracy with competitive elections, a business is exposed to multiple political parties, either in the cross-section or over time. Insofar as campaign donations represent meaningful corporate political strategy, a model of short-term access seeking (Grimmer and Powell 2013; Kim et al. 2020) would predict that over time a short-term profit maximizing firm should donate to multiple political parties. I measure this behavior on both the extensive margin—whether the firm ever donated to more than one party—and the intensive margin, the number of distinct parties the firm supported. Because a firm that donates in more years has mechanically more opportunities to accumulate recipient parties, I also estimate a specification that controls directly for the number of years in which the firm donated. Finally, I estimate the same test on the two subsets of donors where opportunistic hedging has the most room to express itself: large donors, whose scale gives them the strongest incentive to purchase broad access, and multi-period (repeat) donors, whose sustained engagement with political giving makes single-party loyalty a deliberate choice rather than a default.

Second: *Taking advantage of the electoral bonds channel starting in 2018*. The electoral bonds channel offers two improvements on the existing direct donation channel for corporate donors: the ability to make unlimited and completely anonymous donations to political parties. Firms benefit from concealing their political activities (Jia et al. 2023; Puri and Vallée 2026) and would rather be unconstrained by a donation cap. Just as lobbying serves as the more efficacious channel compared to campaign donations in the US—which leads companies to spend more on lobbying than campaign contributions (Milyo et al. 2000)—I expect a more opportunistic firm to take up the electoral bonds channel.

In order to test how family involvement is associated with these outcomes, I pool donations over time, and summarize for each firm whether it donated to multiple parties, how many distinct parties it supported, and whether it also took up the electoral bonds channel once it became available in 2018. I then use OLS to estimate equation 2:

$$y_i = \beta \text{Family}_i + \mathbf{X}'_i\lambda + \epsilon_i \tag{2}$$

where y_i represents each outcome variable: an indicator that takes the value 1 if the company i has made donations to multiple parties over the entire period (or, on the intensive margin, the count of distinct recipient parties), or an indicator for purchasing electoral bonds. Family_i is the composite family score, or one of the two name-based component measures of family involvement on a board that I describe in section 5, each standardized to mean zero and unit variance for comparability across measures. $\mathbf{X}_i$ is a vector of firm-specific covariates which includes size (paid-up capital and board size, the latter averaged over each period the

firm made a donation), age of the firm, as well as fixed effects for state of registration, and industry. My theory of high internal agency in firms with greater family presence predicts a negative coefficient on β.

Disaggregated by Year. The donation-level granularity of my dataset allows me to study disaggregated firm decisions that may be obscured in pooled analysis. I classify *hedging across parties* if a firm makes donations to multiple parties in the same year t.

Size is an important confounder. Large businesses likely have operations in multiple locations, and might face a greater incentive to donate to multiple political parties. I control for company size in two ways: with paid-up capital, the standard asset-based size measure reported by MCA, and with the size of the board at the time of donation. Because MCA reports only current paid-up capital, board size provides a size measure that is contemporaneous with the donation; I find board size has a close and tight positive mapping to a company's assets, based on analysis on a random sample of over 8000 registered companies in India.[29] In the year-disaggregated specifications below, where a contemporaneous measure is essential, board size serves as the size proxy.

Given a theory that expects family firms to deviate from political opportunism, I expect family firms to be less likely to split its donations in a year across multiple parties. Formally, I employ OLS to estimate equation 3:

$$y_{it} = \beta \text{Family}_{it} + \mathbf{X'}_{it}\lambda + \gamma_t + \epsilon_{it} \tag{3}$$

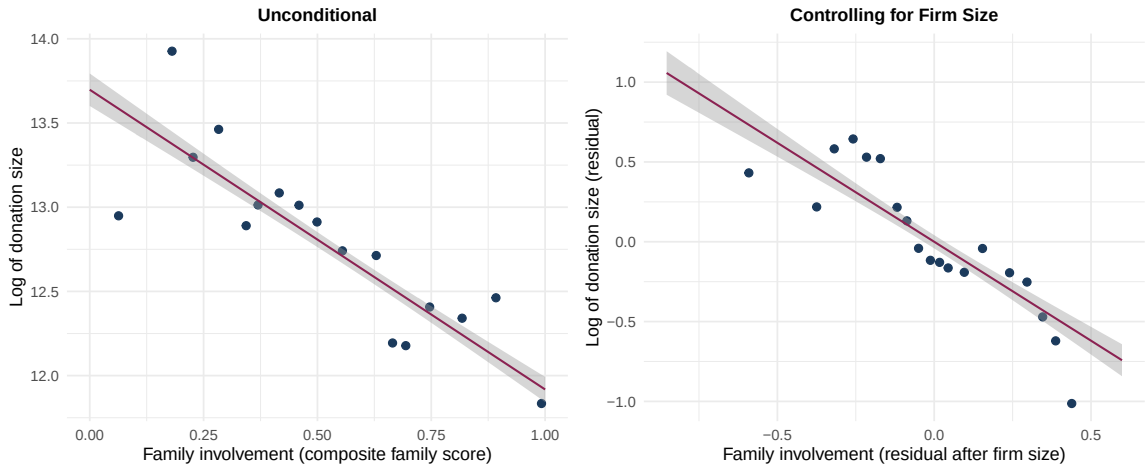
Where y_{it} is a binary outcome variable that takes the value 1 if the company i makes a donation to multiple parties in year t. Family_{it} is a continuous measure of family involvement on the company i's board in period t, standardized. $\mathbf{X}$ represents a matrix of firm-specific time-invariant and time-variant covariates–these include size of firm at t (proxied by the number of board members at t) the age of the firm at time t, and the industry and state of registration, which are both invariant over time. I cluster standard errors at the company-year level, as both the independent variable (family-involvement) and the outcome variable (donation characteristics) vary along both dimensions. My theory predicts the marginal effect of family involvement on the corporate board to be negative for multi-party donations (i.e. $\beta < 0$).

6.2. Results

Family firms write smaller cheques.. Figure 4 plots binned average donation size by family involvement, and shows how a firm's cheque size is sharply decreasing in family involvement.

[29] See Appendix D.

FIGURE 4. Family Involvement Predicts Smaller Cheque Size of Donation



Note: This figure presents binned means (Cattaneo et al. 2024) of log donation size by the composite family score of the donating firm, at the donation level. The left figure shows how firms with greater family involvement tend to make smaller political donations. The right figure applies the Frisch-Waugh-Lovell "partialling out" theorem to control for firm size by regressing both donation size and family involvement on firm size (proxied by board size), and plotting the residuals. The relationship holds even after controlling for firm size.

A one standard deviation increase in the family score is associated with donations approximately 40% smaller; the relationship persists, at approximately 30%, after controlling for firm size.[30] Family firms are more likely to make token donations—the cheque sizes typical of individual, expressive donors rather than of corporations buying access. I corroborate this claim with over 20 semi-structured interviews with CEOs and heirs of family businesses in India. When asked why they made a donation to a political party, respondents typically described instances of being in social networks with party members, who would call to ask for a donation, and they would oblige in order to maintain social standing.

Family firms do not hedge across parties.. Table 2 presents the results from estimating equation 2, and shows a consistent negative relationship between family involvement on a corporate board and hedging donations across political parties, across samples and specifications of increasing stringency. Businesses characterized as having more hierarchical internal structure that confers greater agency to the controlling family are less likely to donate to multiple parties, and support fewer distinct parties overall.

In the raw cross-section (column 1), a one standard deviation increase in the composite family score is associated with a 2.4pp reduction in the likelihood of donating to multiple parties over the entire period. With size and age controls and state and industry fixed effects

[30] Using the Frisch-Waugh-Lovell theorem to partial out the effect of firm size on donation size and on family involvement, and plotting the relationship between the residual values. Firm size is proxied by board size, the contemporaneous measure discussed above.

TABLE 2. Family Firms Do Not Hedge Across Political Parties

	All donors			Large donors	Multi-period donors
	(1)	(2)	(3)	(4)	(5)
Panel A: Donated to multiple parties (0/1)					
Family Score (z)	-0.0243***	-0.0080**	-0.0089***	-0.0216***	-0.0641**
	(0.0033)	(0.0036)	(0.0032)	(0.0065)	(0.0273)
Dominant-Name Share (z)	-0.0270***	-0.0070*	-0.0090**	-0.0180***	-0.0526*
	(0.0033)	(0.0042)	(0.0037)	(0.0063)	(0.0290)
Last-Name Sharing (z)	-0.0151***	-0.0082**	-0.0079***	-0.0200***	-0.0573**
	(0.0029)	(0.0034)	(0.0030)	(0.0071)	(0.0268)
Mean dep. var.	0.054	0.054	0.054	0.076	0.303
Observations	4,844	4,822	4,822	2,793	758
Panel B: Number of recipient parties					
Family Score (z)	-0.0370***	-0.0110**	-0.0125***	-0.0268***	-0.0838**
	(0.0054)	(0.0048)	(0.0042)	(0.0093)	(0.0382)
Dominant-Name Share (z)	-0.0405***	-0.0107**	-0.0141***	-0.0275***	-0.0797**
	(0.0054)	(0.0055)	(0.0047)	(0.0092)	(0.0406)
Last-Name Sharing (z)	-0.0237***	-0.0126***	-0.0122***	-0.0264***	-0.0854**
	(0.0047)	(0.0045)	(0.0039)	(0.0101)	(0.0387)
Mean dep. var.	1.071	1.071	1.071	1.102	1.408
Observations	4,844	4,822	4,822	2,793	758
Size controls		✓	✓		✓
Firm age		✓	✓	✓	✓
Donation-years exposure			✓		
State & industry FE		✓	✓	✓	✓

Note: Each cell reports the coefficient from a separate OLS regression, at the firm level pooling donations over the full sample period (equation 2), of the panel outcome on one standardized measure of family involvement: the composite family score, the share of board members with the most common last name, or the proportion of board members who share a last name with others on the board. The Panel A outcome equals one if the firm ever donated to more than one party; the Panel B outcome is the number of distinct parties the firm ever donated to. Columns (1)–(3) use all donors; column (3) adds the number of years in which the firm donated as an exposure control. Column (4) restricts to large donors (board size above the donor median), omitting size controls because the sample is split on board size. Column (5) restricts to firms that donated in more than one year. Size controls are log paid-up capital and board size. The sample covers direct corporate donations only; appendix F.3 shows results are unchanged when trust-routed allocations are included. Heteroskedasticity-robust standard errors in parentheses. $^{*}p < 0.1$; $^{**}p < 0.05$; $^{***}p < 0.01$.

(column 2), the effect is 0.8pp on a baseline incidence of 5.4%—an approximately 15% decrease in the probability of being a multi-party donor. The result is not an artifact of family firms simply donating in fewer years: controlling directly for the number of years in which the firm donated (column 3) *sharpens* the estimate to 0.9pp ($p < 0.01$), so the result reflects hedging

behavior per donation career, not donation frequency. The effect also concentrates exactly where the agency theory expects it. Among large donors (column 4), where scale creates the strongest incentive to purchase broad access, the effect is 2.2pp on a baseline of 7.6% (roughly 28%); among repeat donors (column 5), whose sustained political engagement makes loyalty a deliberate choice, it is 6.4pp on a baseline of 30.3% (roughly 21%). Panel B shows the same pattern on the intensive margin: family firms support fewer distinct parties in every specification. The dominant-name and last-name-sharing components produce closely similar estimates throughout, and appendix F.3 shows the results are unchanged when donations routed through electoral trusts are included. Complementing this pattern, family involvement significantly *increases* loyal repetition—repeat donations to the same party—by 1.3pp on a baseline of 10.5%, and is negatively associated with electoral-bond uptake (0.4pp on a baseline of 2.4%, or roughly 18%); see appendix F.1. Family firms do not simply donate less often; they return, again and again, to the same party.

Estimating equation 3 on the year-disaggregated donation decisions, and conditional on a matrix of time-varying and -invariant firm-characteristics, one standard deviation increase in the family score is associated with a 0.3pp reduction in the likelihood a business makes donations to multiple parties in a given year—given a baseline of 2.6%, an effect size of approximately 13%, though the estimate does not attain conventional significance at this more demanding disaggregation (the pooled estimates above are the sharper test).

6.3. Additional Tests

I conduct several further tests to examine the test of multi-party giving specifically more closely—as this result departs from both strong priors from the literature as well as qualitative findings based on journalistic accounts in India (Gowda and Sridharan 2012). Appendix F.2 presents results from these additional tests.

First, I consider if this effect is being driven solely by the BJP, which receives most of the corporate donations over this period, even when it was not in power. The negative relationship between family involvement and multi-party donation holds, and indeed strengthens, after excluding the BJP (–1.9pp).

Separating the behavior of small and large firms serves as an additional test of the theory that concentrated control is the key driver of why family firms depart from a short-term profit maximizing orientation—since small firms inherently grant more discretion to the chief operating officer. I define small and large companies by the size of the board, splitting at the donor median. I expect that the effect of family involvement should be felt more strongly in larger firms than in smaller firms. Consistent with this expectation, the large-donor estimate in column (4) of table 2 (–2.2pp) is several times the corresponding effect among small firms (–0.3pp, appendix F.2), in a confirmation of this agency perspective of family firm political strategy.

Taken together, this set of results provides strong support to the hypothesis that family firms are less likely to participate in politics opportunistically seeking political rents. Instead, they write smaller cheques, and donate loyally—and repeatedly—to a single party of their choice.

In this way, the political behavior of family firms is more similar to that corporate *executives* than corporations themselves, where individual executives display strong ideological or partisan commitments even as corporations tend to contribute more opportunistically, without ideological ties (Bonica 2016). This perspective coheres with a theory that personalizes the family firm by concentrating operational agency in the hands of a few individuals with patriarchal control over the organization, blurring the distinction between the individual executive and the corporate form.

7. Social Determinants of Family Firm Politics

What drives this donation pattern of the family firm? Economic sociologists and organizational theorists suggests peering within the firm to understand how the psychological and social makeup of constituent stakeholders shape firm decisions. By seeing family firms as embedded in thick social networks, I argue the family firm is more than just an economic actor but a social actor as well. Given the salience of ethnic cleavages in determining social life in India, I hypothesize that family firms are more likely to make donations to co-ethnic political parties.

For instance, `Simran Agritech Private limited` donated 2.5 million INR to the Shiromani Akali Dal in 2019. Why would a company based in Madhya Pradesh, a state in the middle of the country, donate to a regional party only operating in the northern state of Punjab, which was not even in power in the state in 2019? An ethnic politics lens focuses on the name of the company that contains a common Sikh word for prayer: *Simran*. And looking at the board composition of this company reveals all four board members of the belong to a *Bhatia* family, a typical Sikh family name. And so, while it might be puzzling why a firm might donate to a regional political party with limited ability to impact its business operations, recognizing both the firm's and the party's Sikh identity helps reconcile this puzzle as a case of co-ethnic expressive giving.

To study this co-ethnic homophily at scale, I ask whether a firm directs its money to its co-ethnic political "home" at all. Using the firm-party *ethnic proximity* measure defined in section 5, I rank all parties by their proximity to each firm, and ask whether the firm ever donates to one of its N most ethnically-proximate parties. I classify a firm as a *family firm* when its board carries definitive kinship: at least two directors share a (non-filler) surname, or one director's father is himself on the board—the father-name rule catching kin whose

surnames changed, such as married daughters.[31] Figure 5 presents the basic descriptive pattern, classifying donor firms as family or non-family by a median split on the continuous composite family score: at every threshold $N \in \{1, 3, 5\}$, family (above-median) firms are markedly more likely than non-family (below-median) firms to direct a donation to their co-ethnic home. At the headline top-3 threshold, 16.5% of family firms donate to one of their three most proximate parties, against 9.6% of non-family firms—a roughly 70% difference. The figure also benchmarks both rates against two random-party counterfactuals that hold fixed how many distinct parties each firm supports but redraw *which* parties receive its money: a uniform draw over all ranked parties, and a more demanding draw in proportion to each party's share of aggregate donation value—a null in which firms simply follow the overall flow of corporate money into nationally dominant parties. Family firms exceed even the donation-weighted benchmark at every threshold (5.3% against an expected 1.9% at top-1), so their co-ethnic direction is not an artifact of every firm giving to the same large parties.

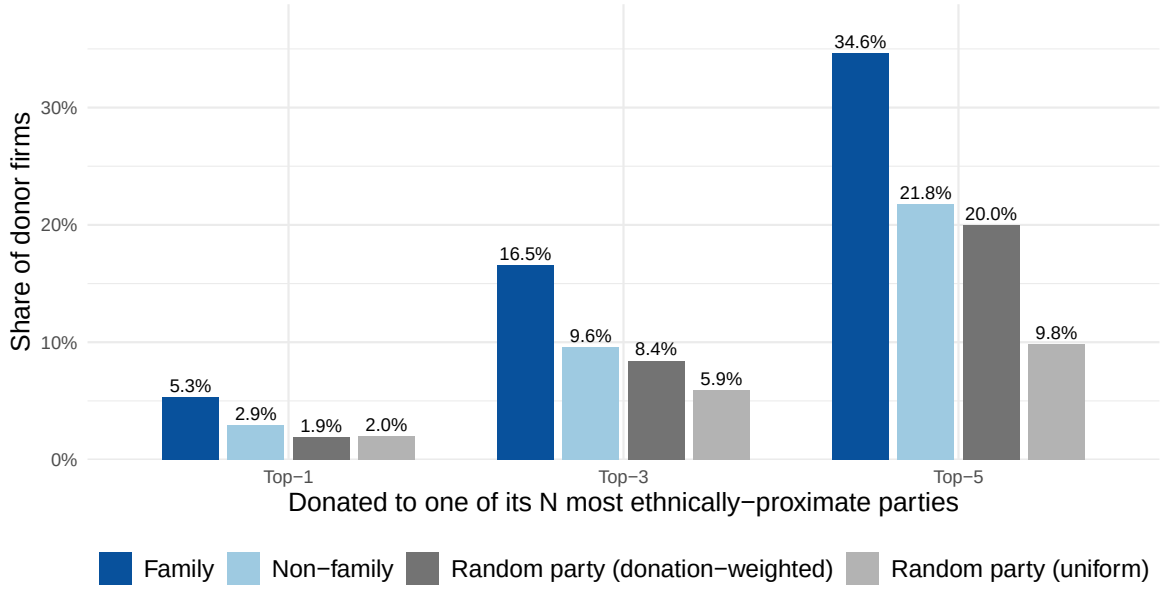
This descriptive gap could in principle reflect confounds: family firms differ from non-family firms in size, location, industry, caste composition, and in how many parties they support. To address these, I define CoEthnicChoice_i as an indicator equal to one if firm i donates to one of its three most ethnically-proximate parties, and estimate

$$\text{CoEthnicChoice}_i = \alpha + \delta\,\text{Family}_i + \mathbf{X}'_i\lambda + \eta_{c(i)} + \epsilon_i, \tag{4}$$

where $\eta_{c(i)}$ are fixed effects for firm i's dominant caste group, and $\mathbf{X}_i$ includes size, state, industry, and the number of distinct parties the firm supports. Table 3 reports the results, measuring family involvement in two ways—the continuous composite family score (standardized; columns 1–3) and the binary family-firm indicator (columns 4–6)—entered one at a time, never simultaneously. The estimate of δ is positive and statistically significant under both measures (+6.4 percentage points per standard deviation of the family score, and +6.6 percentage points for family firms, with the full set of controls, against a sample mean of 13.2%), and—crucially—survives the controls that absorb the most plausible confounds: it is robust to dominant-caste fixed effects (so it is not merely that family firms are disproportionately *Bania* and the BJP is a *Bania* party), and to conditioning on the number of parties supported (family firms give to *fewer* parties, so the test runs against them). As a further robustness check, defining family firms by director co-residence rather than shared kinship names—an operationalization orthogonal to the name-based proximity measure itself—yields a positive, marginally significant coefficient under the raw surname proximity measure (+2.7pp, SE 1.5); under the community-cluster proximity measure the same specification is positive but imprecise (+1.9pp, SE 1.8), while the headline family coefficient under

[31] Board filings record each director's father's name, so parent–child pairs are observable directly rather than inferred from names.

FIGURE 5. Family Firms Choose Their Co-Ethnic Party



Note: Share of family and non-family donor firms that direct a donation to one of their N most ethnically-proximate political parties, for $N \in \{1, 3, 5\}$, against two random-party counterfactuals. Each counterfactual holds fixed the number of distinct parties a firm supports and redraws which parties receive its donations: under the *uniform* counterfactual, recipients are drawn uniformly at random from the 54 ranked parties; under the *donation-weighted* counterfactual, recipients are drawn with probability proportional to each party's share of aggregate donation value, so that the null reproduces the observed concentration of giving in nationally dominant parties (the BJP alone receives 72% of donation value). Grey bars are the expected rates under each counterfactual averaged over all donor firms (simulated for firms supporting multiple parties); all observed rates exceed both counterfactuals with Monte-Carlo $p < 0.001$. Ethnic proximity is the firm-party name-co-presence measure from section 5; firms are classified as family or non-family by a median split on the continuous composite family score, computed within the donor-firm sample (donor firms without a score are excluded from the two groups). Regression estimates in table 3.

TABLE 3. Family Firms and Co-Ethnic Party Choice

Dependent Variable:	Donated to top-3 co-ethnic party					
Model:	(1)	(2)	(3)	(4)	(5)	(6)
Variables						
Family Score (z)	0.0460***	0.0481***	0.0644***			
	(0.0058)	(0.0058)	(0.0067)			
Family firm (0/1)				0.0499***	0.0471***	0.0659***
				(0.0121)	(0.0121)	(0.0133)
Firm size control	✓	✓	✓	✓	✓	✓
N parties donated control		✓	✓		✓	✓
Fixed-effects						
State fixed effects	✓	✓	✓	✓	✓	✓
Industry fixed effects	✓	✓	✓	✓	✓	✓
Dominant caste fixed effects			✓			✓
Fit statistics						
Dependent variable mean	0.12815	0.12815	0.13157	0.12815	0.12815	0.13157
Observations	4,838	4,838	4,089	4,838	4,838	4,089

Clustered (firm) standard-errors in parentheses
*Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*

Note: Linear probability models of equation 4. The outcome equals one if the firm donates to one of its three most ethnically-proximate parties. Columns (1)–(3) measure family involvement with the continuous composite family score (standardized); columns (4)–(6) use the binary family-firm indicator—a board with at least two directors sharing a (non-filler) surname or with a parent–child pair identified from directors' fathers' names. The two measures enter one at a time, never simultaneously. Within each set of columns, the second adds a control for the number of parties supported and the third adds dominant-caste fixed effects. Standard errors clustered by firm.

that measure is +3.0pp (SE 1.7) at the top-3 threshold and +6.4pp (SE 1.6) at top-1.[32]

This pattern of categorical co-ethnic attachment helps resolve a puzzle about why the BJP received so much corporate support even during 2004–2014, when it was out of national power and unable to deliver particularistic benefits. As Bhagavatula et al. (2023) show, the *Bania* caste (traditionally associated with merchants and traders) is overrepresented on the boards of corporate India, demonstrating how old occupational scripts of castes persist to modern times (Oh 2023). The BJP draws its social base from this *Bania* caste. Family firms—reflecting their owners' caste identities—choose to support their co-ethnic party without expectation of immediate, short-term reward.

[32]Restricting the family definition to shared surnames alone (dropping the father-name parent–child rule, which reclassifies 64 firms) gives +6.7pp (SE 1.3): the result does not depend on how the definitive-kinship boundary is drawn. Nor does it depend on the top-3 threshold: appendix G reports the same table with the outcome defined at the top-1 and top-5 thresholds, with positive and significant family coefficients at both.

7.1. Additional Tests

In appendix H, I validate the proximity measure and the ethnic-label pipeline that underlies it against community–party pairings with unambiguous ground truth; the headline checks are summarized in section 5.

Using these labels directly, I find consistent evidence that co-ethnicity predicts which party family businesses choose to support financially. For instance, I find that after controlling for size, industry, and state of registration, *Bania* family businesses are more likely to donate to the BJP, reflecting the traditional ties between the party and its social base, and less likely to donate to the INC, reflecting its generations-long disaffection with the center-left party. Similarly, Muslim family businesses are less likely to donate to the BJP, and more likely to donate to the Congress and the Indian Union Muslim League (IUML) party.

8. Investment, Consumption, or Membership Dues

The previous two sections establish a distinctive pattern. Firms with greater family involvement on their boards write small cheques, remain loyal to a single party rather than hedging across or switching between parties, and direct their money to the parties most ethnically proximate to the family itself. Each feature departs from what the corporate political activity literature expects of a corporation treating campaign donations as investments for access or favors: an investor writes cheques large enough to matter, spreads or redirects them as the balance of power shifts, and chooses recipients on influence rather than affinity.

That expectation reflects a central debate in the money in politics literature over whether corporate campaign donations are better characterized as investments or as consumption-goods (Gordon et al. 2007; Ansolabehere et al. 2003). Scholars arguing for the investment model have sought to show either rent-seeking *intent* or actual rents. Evidence of intent is ample: typical corporate donation patterns are access-seeking and incumbent-favoring (Grimmer and Powell 2013; Fouirnaies and Hall 2014). Evidence of returns has been more elusive in the United States (Ansolabehere et al. 2003; Hadani and Schuler 2013; Fowler et al. 2020), though comparative studies find corporate donations to winning candidates buying access to credit from state-owned banks (Lazzarini et al. 2015), government contracts (Boas et al. 2014), and overall firm performance (Claessens et al. 2008). Family firms' donations lack the signature of investment intent. The question this section takes up is whether they nonetheless earn returns—and if they do not, what to call them instead. I first test the investment account on its strongest ground, and then argue that the residual category of "consumption" is less useful than a more specific one that the ethnic politics literature supplies: membership dues.

8.1. Testing for Returns on Investment

Opportunistic firms may donate in exchange for many different benefits, and no dataset captures all of them. I gather data on three outcome families that scholars have shown to be vulnerable to political influence and that together span direct channels of favoritism and the bottom line: secured loans from state-owned (public sector) banks, drawn from mandatory Ministry of Corporate Affairs filings that cover every donor firm over 2003–2023 (Khwaja and Mian 2008; Chopra et al. 2021); return on assets and revenue for the 946 donors matched to audited financials in CMIE Prowess; and government procurement contract awards over 2013–2023, matched to donors' corporate identification numbers. To generate variation in which party holds power, I exploit the staggered five-year cycles of state legislative elections, identifying all 38 state-level electoral turnovers between 2003 and 2022 in which the ruling party lost office. Each turnover is its own experiment in a stacked difference-in-differences design (Cengiz et al. 2019): within the universe of donor firms registered in the state, the treated group comprises firms that donated to the *incoming* party in the three fiscal years before the election, the control group donors that did not, and firm-by-election and election-by-year fixed effects absorb time-invariant differences between the two and state-election-specific shocks. Because every firm in the state experiences the turnover, the estimates identify the fate of the incoming party's financiers *relative to* the donors around them that backed other parties (Xu et al. 2025). To ask whether family firms are differently placed to collect on political bets, I estimate the design separately above and below the median family score and formalize the comparison with a triple difference. Appendix I describes the outcome data and their coverage (table A7), the estimating equation, summary statistics for the stacked samples, and the full event-study and pooled results.

This is the test most favorable to the investment account. Donation timing is left endogenous, so the treated group includes precisely the firms best informed about, and best connected to, the likely winner—selection that should bias towards finding returns. Yet the winner's financiers do not gain access to state-bank credit, do not become more profitable, do not grow faster, and do not win more government contracts than rival parties' donors once their party takes power (appendix figures A8–A11). Pre-period coefficients are centered on zero, lending credibility to the design, and no post-period coefficient moves in the direction the investment account predicts; the only estimates to reach significance are negative, with switcher donors' probability of a state-bank loan drifting *below* other donors' several years after the turnover. Nor does the null conceal heterogeneity along the dimension this paper cares most about. The triple difference in table A10 puts the family moderation of the return to backing the winner at zero on every outcome, and the continuous family score gives the same answer (appendix J.1). This forecloses the most natural rescue of the investment account—that family firms' giving is an investment that pays out once their chosen party takes office. If it were, family donors who backed the winner should out-earn non-family

donors who backed the winner once the votes are counted; they do not. In the cross-section, moreover, while donors as a class are more likely than non-donors to hold a government contract, *family-firm* donors are significantly *less* likely to hold one (appendix J.2)—the opposite of what a rent-seeking account of family-firm giving would predict.

Absence of evidence of *quid pro quo* is not evidence of its absence. Firms enter the political marketplace with heterogeneous demands—a loan here, a contract there, regulatory forbearance elsewhere—so any given outcome captures only a slice of the potential return, one reason returns on donations have proven so difficult to detect; the financial-performance stack is also thin, and firms often route influence through covert channels that disclosed giving does not reveal (Bertrand et al. 2021; Jia et al. 2023). Accounting performance should nonetheless capitalize benefits delivered through most channels, and the loan stack—where the data are most complete—is where the estimates are, if anything, negative. Family firms' donations thus neither look like investments going in nor pay off like investments coming out. The two absences together make the investment account an unlikely description of what these donations are.

8.2. Family Firm Donations as Membership Dues

If not investment, then what? The natural move within the money in politics literature is to file these donations under consumption. Ansolabehere et al. (2003) argue that campaign contributions in the United States are consumption-goods because they come overwhelmingly from individuals, who give out of expressive, ideological, and status-enhancing impulses, and family firms' donations carry the marks of individual giving. Co-ethnic homophily, virtually absent from economic models of interest-group behavior, features prominently in models of individual political participation (Tam Cho 2003; Grumbach and Sahn 2020; Bouton et al. 2022); family firms write the token cheques characteristic of individual donors even after controlling for firm size (figure 4); and the family-business CEOs and heirs I interviewed describe their giving as a matter of social obligation rather than expected return. But "consumption" names a residual, not a mechanism. It leaves open what the donor consumes, and—for a corporate entity—whose good is being consumed.

The ethnic politics literature ran the same debate in parallel and arrived at a more specific answer. Against Horowitz (1985)'s account of co-ethnic support as an affective expression of group worth, subsequent work found little evidence for purely expressive behavior (Ferree 2006): partly by folding the psychic returns of supporting a co-ethnic into an otherwise instrumental calculus (Chandra 2004), but more fundamentally by identifying the technology through which co-ethnics enforce pro-ethnic behavior. Dense intra-group networks allow ethnic groups to monitor and sanction their own members (Fearon and Laitin 1996), and in lab-in-the-field games in Kampala, Habyarimana et al. (2007) find that co-ethnics favor one another only when actions are observable; under anonymity, co-ethnic cooperation disap-

pears (Habyarimana et al. 2009). On this account, apparently expressive in-group behavior is the maintenance of standing within a community that is watching.

Corporate donations in India carry exactly this observability. Donations are rarely spontaneous: the most common account of a donation in my interviews is a solicitation—a call from a party functionary, a legislator, or a community notable acting on the party's behalf—and the disclosure regime that produces my data records each cheque, by donor name, in contribution reports that the recipient party files and that circulate among the community from which the party draws its candidates and cadres. A family whose name is known in its caste or religious community, and whose firm carries that name, cannot decline such a request without the refusal being noticed. This suggests a reading of family firms' small, recurring, co-ethnic donations as membership dues: contributions that maintain the family's standing in the community it is embedded in, solicited and enforced through the community's political home. The two candidate goods—the private satisfaction of expressing an affinity and the standing maintained by a visible contribution—part company on a single margin. Warm glow survives anonymity; standing does not. If family firms' donations are membership dues, their value should depend on being seen.

India's electoral-bond scheme supplies the test. From 2018 until the Supreme Court struck the scheme down in 2024, companies could purchase bearer bonds from the State Bank of India and deposit them with a party of their choice, in unlimited amounts and hidden from the public and from rival parties—but not from the recipient party, which redeemed the bonds itself. The retroactive disclosure ordered by the Court reveals which firms used the channel and which parties they funded (Puri and Vallée 2026). Because the recipient always knew, every account of donation in which the audience is the party survives the bond channel: a price for favors, a loyalty signal to be redeemed later, even the private pleasure of one's party's success. Only an account in which the donation's audience is the donor's own community predicts that a firm would refuse it. The membership-dues reading therefore makes two predictions. Family firms should be less likely to take up the anonymous channel at all; and among the firms that do, the co-ethnic tilt so visible in disclosed giving should weaken or disappear, because bond money buys no standing.

Table 4 reports both tests. Columns (1)–(2) estimate take-up of electoral bonds among disclosed donor firms: a one standard deviation increase in the family score lowers the probability of ever purchasing a bond by 1.4 percentage points in the raw cross-section and by 0.65 percentage points with size, state, industry, and dominant-caste controls, against a baseline of 2.5 percent—roughly a quarter reduction. Columns (3)–(4) contrast the co-ethnic direction of giving by route. Among disclosed donations, a one standard deviation increase in the family score raises the probability of reaching one of the firm's three most ethnically proximate parties by 6.4 percentage points on a base of 13 percent, the pattern of section 7. Among bond purchasers, the same coefficient turns negative: family involvement

TABLE 4. Electoral-Bond Take-Up and Co-Ethnic Choice by Route

Dependent Variables:	Purchased electoral bonds		Donated to top-3 co-ethnic party	
Model:	(1)	(2)	(3)	(4)
Sample:		Disclosed donors		Bond buyers
Variables				
Family Score (z)	-0.0140***	-0.0065***	0.0644***	-0.0441*
	(0.0021)	(0.0024)	(0.0067)	(0.0256)
Firm size control		✓	✓	✓
N parties donated control		✓	✓	✓
Fixed-effects				
State fixed effects		✓	✓	✓
Industry fixed effects		✓	✓	✓
Dominant caste fixed effects		✓	✓	✓
Fit statistics				
Dependent variable mean	0.02147	0.02494	0.13157	0.13391
Observations	4,844	4,089	4,089	463

Clustered (firm) standard-errors in parentheses
*Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*

Note: Linear probability models. In columns (1)–(2) the outcome equals one if the firm ever purchased an electoral bond (SBI disclosures matched to company registration numbers at name-match similarity ≥ 0.9); the sample is disclosed donor firms. In column (3) the outcome equals one if the firm's disclosed donations reach one of its three most ethnically-proximate parties (as in table 3); in column (4), one if the firm's electoral-bond purchases do, with the sample restricted to bond-purchasing firms with a classified board. The Family Score is standardized within each estimation sample. Full specifications control for firm size (log paid-up capital) and the number of parties supported, with state, industry, and dominant-caste fixed effects. Standard errors clustered by firm.

is associated with a 4.4 percentage point *lower* probability of directing bond money to a co-ethnic party. The bond-buying sample is small, and the take-up result on its own admits an opportunism reading—less family-controlled firms availing themselves of a more efficacious channel, as section 6 anticipated. The reversal of the co-ethnic tilt is the sharper evidence: it is the same firms, giving through a channel that differs only in who can see, and the co-ethnic preference does not survive.

Taken together, family firms' political participation is better described as membership dues than as either investment or consumption. The donations are small and earn nothing measurable from the state, which rules out the investment account; but they are not private pleasures either, since their co-ethnic direction depends on the community being able to see them. The payoff is standing—continued good faith with the caste or religious community in which the family, and therefore the firm, is embedded—and the visible form of that political

embeddedness cannot be shirked, because ethnic ties can enforce it. In this way, the results support classical arguments in management and strategy that corporate social spending reflects the preferences and obligations of those who control the firm (Friedman 1970), rather than firm value-accretive "strategic" corporate political activity.

9. Discussion

In their seminal work on money in politics, Ansolabehere et al. (2003) argue that campaign contributions should be considered consumption goods rather than investments, because the majority of campaign contributions come from individuals, not corporations, and individuals tend to donate out of expressive, ideological, and status-enhancing impulses. In India, the vast majority of campaign donations come directly from corporate balance sheets, and yet because of the personalist nature of the family firms that make these donations, campaign finance in India shares similar expressive traits.

In describing how family businesses may subordinate short-term economic interests for social or cultural interests, I show business may sequester its own instrumental power over policymakers. Ambiguous political consequences may follow from this premise. In one view, growing unelected corporate power has a pernicious and distortionary influence on democratic governance (Hacker and Pierson 2002; Zingales 2017; Jaffrelot et al. 2019). Curbing the instrumental power of business, therefore, may be a boon for government accountability. On the other hand, business is a key stakeholder of government policy. By shortening its lever of influence, business may close channels of feedback, which may allow the government to pursue policies that hurt corporate activity and therefore broader economic activity (Subramanian and Felman 2022).

This is not to say economies with higher family ownership are inoculated from corporate influence and rentierism. Rather, that corporate power is likely to reside with those firms that use it more strategically. Cross-national studies find correlations between high incidence of family firms, corruption, and stunted economic dynamism (Bertrand and Schoar 2006). Morck and Yeung (2004) and Fogel (2006) argue this relationship arises from family businesses having a comparative advantage in political rent-seeking, which creates distortionary inefficiencies. However, without firm-level observations, these analyses may be dogged by ecological fallacies. My granular firm-level observations find little systematic evidence that family firms seek disproportionately to engage in rent-seeking behavior, or that they disproportionately reap political rents when the parties they support take power. Instead, my results would suggest in an economy with greater family ownership, a few key players are likely to wield outsized influence. Indeed, evidence about rising industrial concentration in India (Acharya 2023), journalistic and scholarly accounts of growing political clout of large industrial houses (Crabtree 2019; Jaffrelot et al. 2019), and recognizing the intrinsic relationship between market concentration and political concentration (Zingales 2017; Cowgill et al.

2021), all point to this alternate explanation for why economy-wide family ownership and corruption may coincide.

These findings promise broadly applicable lessons in how family control and interpersonal networks affect corporate political strategy, but specific predictions may be shaped by specific institutional and social contexts. For one, outside *party*-centric politics like India's (Yadav 2011), in *politician*-centric institutional settings (like Brazil), families may nurture relationships with individual politicians across parties (Balan et al. 2022). In addition, the anti-incumbency nature of Indian politics (Lee 2020) may attenuate firms' incentive to be narrowly opportunistic in the short-term, and may promote single-party loyalty. Dominant social structures may also condition expectations for corporate politics of the family firm. Societies with clan-based social structures ("kinship-based hierarchical organization in which strong moral ties and reputation among clan members are particularly important," per Greif and Tabellini (2010)), which describes much of Sub-Saharan Africa and Asia, can expect to see family firm politics to cleave along ethnic dimensions. In other cases, regionalism may dominate—say, for instance, among the German Mittelstand (James 2006; McMenamin 2011).

Recognizing the salience of clan-based politics even among corporations, these results contribute to a growing scholarship that tries to understand the principle axes of political contestation in India. Chhibber and Verma (2018) and Haas and Majumdar (2023) provide the most expansive and systematic test of ideology in Indian politics, but do not find evidence of a left/right pro-/anti-capital dimension. At least in the pattern of its campaign contributions, Indian capital does not seem interested in forging this axis either, instead hewing close to the dominant cultural debates that describe ideological contestation in India. In observing how the business community in India seemed to acquiesce to a sustained period of low growth from 2014 to 2020, political theorist Pratap Bhanu Mehta once remarked that "Indian capital …[does] not think as a class for itself" (Varma 2020). A common refrain in Indian politics is that citizens do not cast their vote, but rather vote their caste. It would appear the most common type of business does the same.

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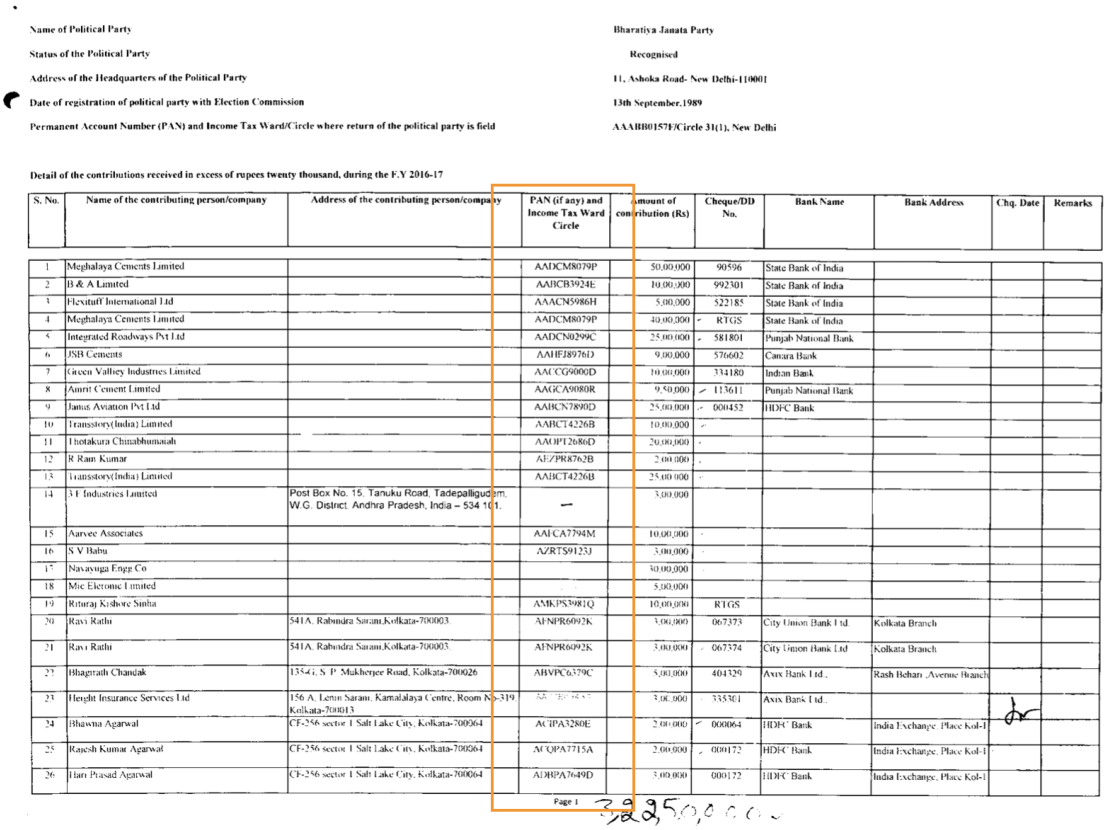
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Appendix A. Example Contribution Report

FIGURE A1. Example contribution report



Name of Political Party — Bharatiya Janata Party

Status of the Political Party — Recognised

Address of the Headquarters of the Political Party — 11, Ashoka Road- New Delhi-110001

Date of registration of political party with Election Commission — 13th September,1989

Permanent Account Number (PAN) and Income Tax Ward/Circle where return of the political party is field — AAAIB0157F/Circle 31(1), New Delhi

Detail of the contributions received in excess of rupees twenty thousand, during the F.Y 2016-17

S. No.	Name of the contributing person/company	Address of the contributing person/company	PAN (if any) and Income Tax Ward Circle	Amount of contribution (Rs)	Cheque/DD No.	Bank Name	Bank Address	Chq. Date	Remarks
1	Meghalaya Cements Limited		AADCM8079P	50,00,000	90596	State Bank of India			
2	B & A Limited		AABCB3924E	10,00,000	992301	State Bank of India			
3	Flexituff International Ltd		AAACN5986H	5,00,000	522185	State Bank of India			
4	Meghalaya Cements Limited		AADCM8079P	40,00,000	RTGS	State Bank of India			
5	Integrated Roadways Pvt Ltd		AADCN0299C	25,00,000	581801	Punjab National Bank			
6	JSB Cements		AAHFJ8976D	9,00,000	576602	Canara Bank			
7	Green Valley Industries Limited		AACCG9000D	10,00,000	334180	Indian Bank			
8	Amrit Cement Limited		AAGCA9080R	9,50,000	113611	Punjab National Bank			
9	Janus Aviation Pvt Ltd		AABCN7890D	25,00,000	000452	HDFC Bank			
10	Transstory(India) Limited		AABCT4226B	10,00,000	"				
11	Thotakura Chinabhimaiah		AAOPT2686D	20,00,000	"				
12	R Ram Kumar		AEZPR8762B	2,00,000	"				
13	Transstory(India) Limited		AABCT4226B	25,00,000	"				
14	3 F Industries Limited	Post Box No. 15, Tanuku Road, Tadepalligudem, W.G. District, Andhra Pradesh, India – 534 101.	—	3,00,000					
15	Aarvee Associates		AAFCA7794M	10,00,000	"				
16	S V Babu		AZRTS9123J	3,00,000	"				
17	Navayuga Engg Co			30,00,000	"				
18	Mic Electronic Limited			5,00,000	"				
19	Rituraj Kishore Sinha		AMKPS3981Q	10,00,000	RTGS				
20	Ravi Rathi	541A, Rabindra Sarani,Kolkata-700003.	AFNPR6092K	3,00,000	067373	City Union Bank Ltd.	Kolkata Branch		
21	Ravi Rathi	541A, Rabindra Sarani,Kolkata-700003.	AFNPR6092K	3,00,000	067374	City Union Bank Ltd	Kolkata Branch		
22	Bhagirath Chandak	135-G, S. P. Mukherjee Road, Kolkata-700026	AHVPC6379C	5,00,000	404329	Axix Bank Ltd.,	Rash Behari Avenue Branch		
23	Hexglit Insurance Services Ltd	156 A, Lenin Saran, Kamalalaya Centre, Room No-319, Kolkata-700013	[illegible]	3,00,000	333301	Axix Bank Ltd.,			
24	Bhawna Agarwal	CF-256 sector I Salt Lake City, Kolkata-700064	ACIPA3280E	2,00,000	000064	HDFC Bank	India Exchange Place Kol-I		
25	Rajesh Kumar Agarwal	CF-256 sector I Salt Lake City, Kolkata-700064	ACQPA7715A	2,00,000	000172	HDFC Bank	India Exchange, Place Kol-I		
26	Hari Prasad Agarwal	CF-256 sector I Salt Lake City, Kolkata-700064	ADBPA7649D	3,00,000	000172	HDFC Bank	India Exchange, Place Kol-I		

Page 1

Note: Example contribution report to the BJP. The PAN columns helps disambiguate if name-matching fails to produce high quality mapping

Appendix B. Summary of Direct Donations Data Collection

I start by scraping the Association for Democratic Reform website for all recorded donations to political parties, and clean the dataset to make it usable. The resulting data constitutes the full dataset of all donations above Rs 20,000 to political parties. The data include the donor name, address, year of donation, receiving political party, and additional information about the donation, which may variously include which bank the donation was made to, the date, and mode of donation (cheque, bank transfer, etc.). While contribution reports submitted to the ECI are required to include the unique Permanent Account Number (PAN) number of each donor, the ADR data simply records whether or not the PAN field is blank or not. Donors include individuals, organizations, like worker unions and philanthropies, business entities, and starting in 2013, electoral trusts. Overall, I record approximately 100,000 individual donations totalling INR 89 billion in donations (over USD 1 billion) over this time period.

From here, I use a series of regular expressions to classify donors as business entities, electoral trusts, or other. Business entities typically contain identifying text like "`private limited`" or "`pvt. ltd.`" in its name. Similarly, there are a list of 13 known and registered electoral trusts, which I manually search and tag. I identify about 13,000 donations made directly by companies to political parties, of which 8,938 resolve to a registered company within the 2003-2023 sample window.

To identify individual donors, I use further regular expressions to exclude donors that include monikers indicating enterprises or other organizations (like unions and collectives). I then use Google Maps API to geocode raw addresses, and define individual donors by unique household addresses. An alternate approach is to scrape PAN numbers from raw contribution reports. This approach is more precise, but while not all donors provide clean addresses, even fewer individual donors provide PAN numbers at all. See appendix C.

For business donors, I link each business to its unique corporate identification number (CIN): a 21 digit alphanumeric ID that businesses receive when formally incorporating with the Ministry of Corporate Affairs. Linking these data requires several steps. I start by compiling the full database of all approximately 2.9 million firms registered in India since 1857 from each of the 25 Registrars of Corporation (RoCs) in India. I then conduct a series of exact and fuzzy string matches between business donor names and the registrar of companies (Van der Loo et al. 2014; Enamorado et al. 2019). For the unmatched donors, I write an algorithm to search the web and retrieve the most likely candidate CIN.[33]

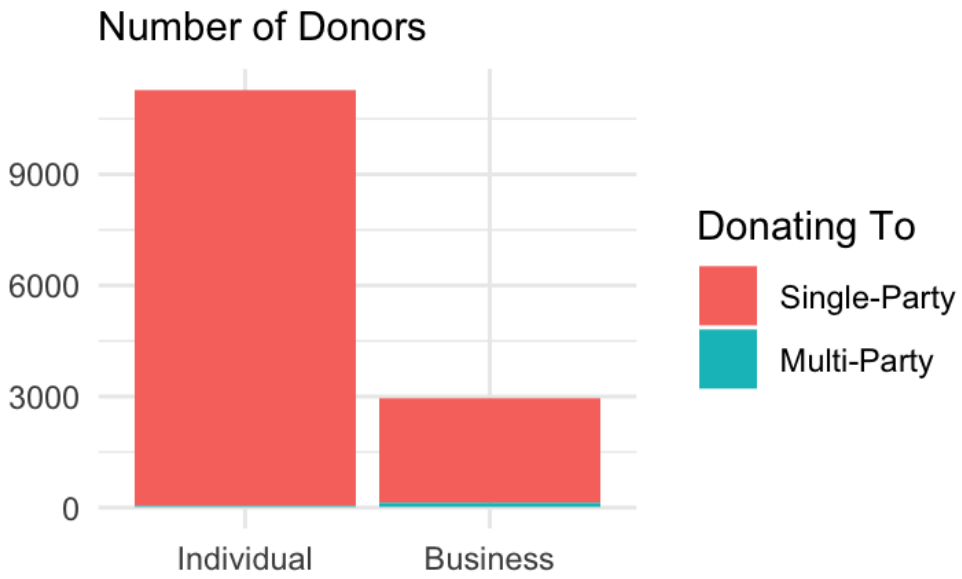
As a final step, I identify which of the remaining unmatched donors disclosed PAN number in the original contribution reports filed with the Election Commission of India. For these, I manually searched and fetched their PAN numbers. PAN numbers are 10 digit alphanumeric

[33] In a manual check, this method correctly labels between 82% and 92% of corporate donors, with match performance increasing in donation-size (Puri 2024).

tax IDs that also identifies whether the taxpaying entity is a corporation, individual, trust, etc. For corporate entities, I map each PAN to its unique CIN.

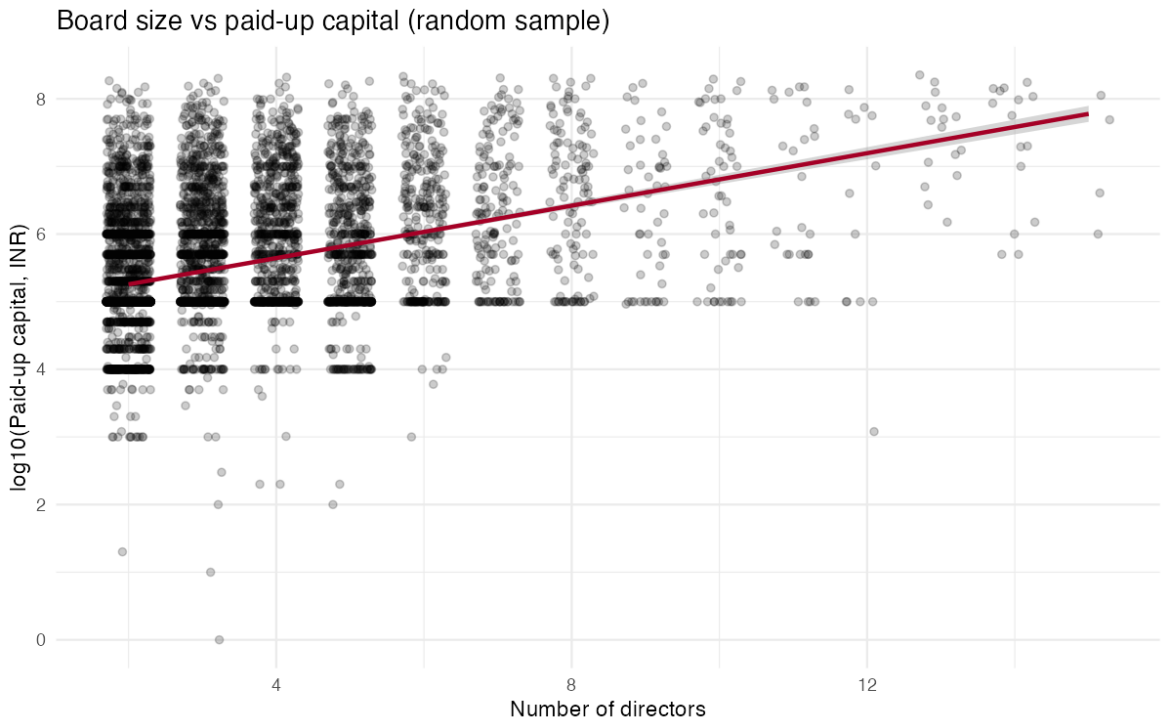
Appendix C. Scraping PAN numbers from Contribution Reports

FIGURE A2. Individual donor by PAN



Appendix D. Size

FIGURE A3. Correlation between board size and paid up capital

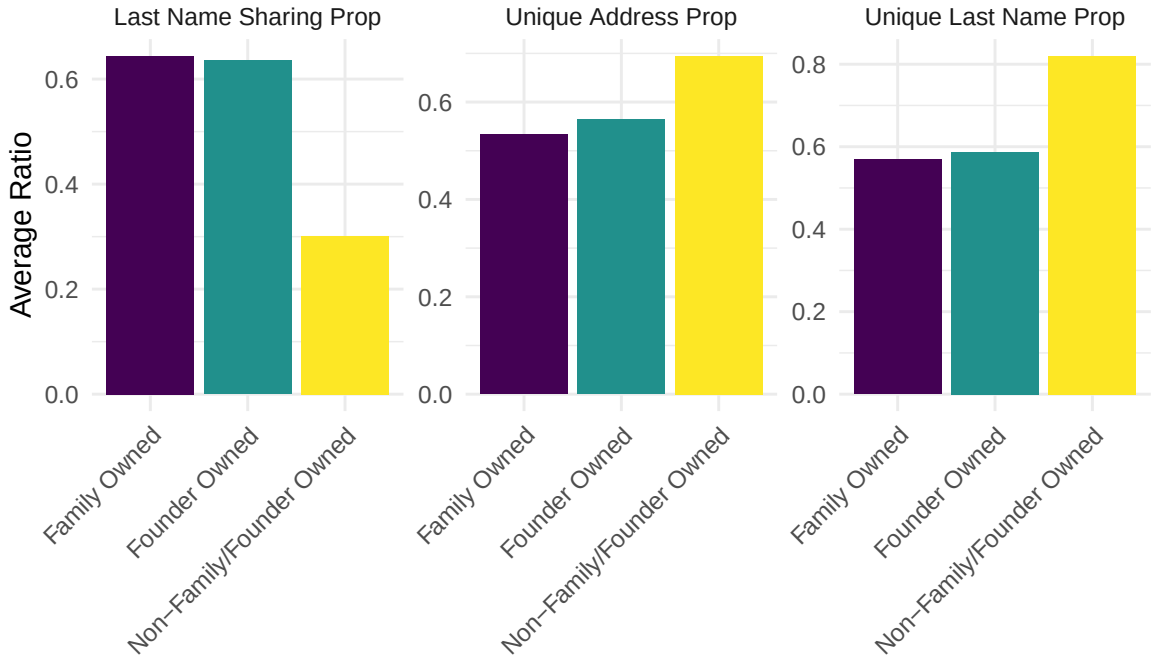


Appendix E. Validating Family Firm Measure

TABLE A1. Validation of Family Firm Measures using WMS Data

Ownership Status	Number of Companies	Unique Names Prop	Unique Address Prop	Prop Last Name Sharing
BANKS/HOLDINGS/FINANCIAL INSTITUTIONS	2	0.93	0.52	0.14
DISPERSED SHAREHOLDERS	38	0.88	0.76	0.20
FAMILY OWNED, EXTERNAL CEO	10	0.49	0.50	0.75
FAMILY OWNED, FAMILY CEO	55	0.55	0.51	0.68
FAMILY OWNED, PRIMOGENITURE CEO	50	0.60	0.56	0.58
FOUNDATION/RESEARCH INSTITUTE	1	1.00	0.62	0.00
FOUNDER OWNED, EXTERNAL CEO	22	0.57	0.57	0.66
FOUNDER OWNED, FOUNDER CEO	232	0.59	0.57	0.63
FOUNDER OWNED, PRIMOGENITURE CEO	1	0.20	0.20	1.00
GOVERNMENT	8	0.91	0.92	0.18
JOINT VENTURE	12	0.87	0.66	0.24
MANAGERS	4	0.90	0.66	0.20
PRIVATE EQUITY/VENTURE CAPITAL	2	0.80	0.60	0.33
PRIVATE INDIVIDUALS	26	0.66	0.58	0.56

FIGURE A4. Validating Family Firm Measures Using WMS Data



Note: Validating against de-anonymized World Management Survey

Appendix F. Family Firm and Affective Politics

F.1. Marginal Effect of Family Involvement on Donation Behavior

TABLE A2. Marginal effect of family involvement on pooled donation behavior

Family Measure	Donate to multiple parties	Switch parties over time	Take up electoral bonds	Repeat donor, same party
Family Score (composite)	-0.0094 (0.0036)	-0.0080 (0.0034)	-0.0044 (0.0023)	0.0125 (0.0053)
Dominant-Name Share	-0.0083 (0.0042)	-0.0075 (0.0039)	-0.0055 (0.0029)	0.0156 (0.0060)
Last-Name Sharing	-0.0087 (0.0034)	-0.0093 (0.0032)	-0.0053 (0.0024)	0.0098 (0.0051)

State and industry fixed effects included. Robust standard errors clustered at firm. N donors = 5595.

F.2. Multi-Party Giving

FIGURE A5. Marginal Effect of Family Involvement on Multi-Party Giving by Subgroups



Note: This figure shows the marginal effect of family involvement on donating to multiple political parties, by different sub-samples. Robust standard errors, and 95% confidence intervals reported.

Family involvement is consistently associated with less multi-party giving—a sensible strategy for access-seeking firms in a multi-party democracy. Family involvement in large firms has a stronger negative effect than in small firms. Excluding the BJP and only restricting the universe to repeat players continues to find a clear negative relationship between family involvement and hedging bets across parties.

F.3. Including Trust-Routed Donations

Table 2 in the main text restricts the sample to direct corporate donations, excluding donations routed through electoral trusts, whose disbursements reflect the allocation rules of the trust rather than firm-by-firm donation decisions. Table A3 re-estimates every specification with trust-routed allocations included, attributing each trust's disbursements to its contributing firms in proportion to their contribution shares. Trust routing is highly concentrated: the trust-routed allocations trace back to roughly 230 contributing firms, of which about 190 donate exclusively through trusts. These trust-only donors were never part of the direct-donor universe, lack board data, and therefore drop from the estimation sample, which is otherwise identical to the main table. Every coefficient is essentially unchanged, and if anything marginally stronger.

TABLE A3. Multi-Party Giving Including Trust-Routed Donations

	All donors			Large donors	Multi-period donors
	(1)	(2)	(3)	(4)	(5)
Panel A: Donated to multiple parties (0/1)					
Family Score (z)	-0.0272***	-0.0086**	-0.0087***	-0.0237***	-0.0614**
	(0.0034)	(0.0037)	(0.0033)	(0.0066)	(0.0272)
Dominant-Name Share (z)	-0.0304***	-0.0074*	-0.0088**	-0.0203***	-0.0506*
	(0.0034)	(0.0043)	(0.0037)	(0.0065)	(0.0290)
Last-Name Sharing (z)	-0.0172***	-0.0095***	-0.0082***	-0.0220***	-0.0567**
	(0.0030)	(0.0034)	(0.0030)	(0.0072)	(0.0268)
Mean dep. var.	0.057	0.057	0.057	0.081	0.315
Observations	4,844	4,822	4,822	2,793	778
Panel B: Number of recipient parties					
Family Score (z)	-0.0673***	-0.0161**	-0.0163**	-0.0504***	-0.0797
	(0.0100)	(0.0075)	(0.0066)	(0.0160)	(0.0508)
Dominant-Name Share (z)	-0.0753***	-0.0115	-0.0152*	-0.0563***	-0.0789
	(0.0110)	(0.0100)	(0.0087)	(0.0191)	(0.0542)
Last-Name Sharing (z)	-0.0462***	-0.0245***	-0.0213***	-0.0495***	-0.0972*
	(0.0086)	(0.0066)	(0.0056)	(0.0153)	(0.0498)
Mean dep. var.	1.101	1.101	1.101	1.149	1.587
Observations	4,844	4,822	4,822	2,793	778
Size controls		✓	✓		✓
Firm age		✓	✓	✓	✓
Donation-years exposure			✓		
State & industry FE		✓	✓	✓	✓

Note: Each cell reports the coefficient from a separate OLS regression, at the firm level pooling donations over the full sample period (equation 2), of the panel outcome on one standardized measure of family involvement: the composite family score, the share of board members with the most common last name, or the proportion of board members who share a last name with others on the board. The Panel A outcome equals one if the firm ever donated to more than one party; the Panel B outcome is the number of distinct parties the firm ever donated to. Columns (1)–(3) use all donors; column (3) adds the number of years in which the firm donated as an exposure control. Column (4) restricts to large donors (board size above the donor median), omitting size controls because the sample is split on board size. Column (5) restricts to firms that donated in more than one year. Size controls are log paid-up capital and board size. The sample includes donations routed through electoral trusts (allocated to contributing firms by their share of trust contributions) in addition to direct donations. Trust-only donors lack board data and drop from the estimation sample, which is otherwise identical to the main table. Heteroskedasticity-robust standard errors in parentheses. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$.

Appendix G. Co-Ethnic Party Choice: Alternative Thresholds

Table 3 in the main text defines a firm's co-ethnic "home" as one of its three most ethnically-proximate parties. Tables A4 and A5 re-estimate the same specifications of equation 4—the continuous family score in columns (1)–(3) and the binary family-firm indicator in columns (4)–(6), one measure at a time—with the threshold tightened to the single most proximate party and loosened to the five most proximate parties. Both measures remain positive and significant at both thresholds (full specification: +1.8pp per standard deviation of the family score and +2.2pp for family firms on a 3.8% base at top-1; +7.9pp and +5.0pp on a 30.0% base at top-5), and the co-residence-based family definition remains positive but imprecise at every threshold, as in the main text. The headline result does not depend on the choice of N.

TABLE A4. Family Firms and Co-Ethnic Party Choice: Top-1 Threshold

Dependent Variable:	Donated to top-1 co-ethnic party					
Model:	(1)	(2)	(3)	(4)	(5)	(6)
Variables						
Family Score (z)	0.0139***	0.0151***	0.0179***			
	(0.0035)	(0.0035)	(0.0039)			
Family firm (0/1)				0.0216***	0.0200***	0.0220***
				(0.0072)	(0.0072)	(0.0078)
Firm size control	✓	✓	✓	✓	✓	✓
N parties donated control		✓	✓		✓	✓
Fixed-effects						
State fixed effects	✓	✓	✓	✓	✓	✓
Industry fixed effects	✓	✓	✓	✓	✓	✓
Dominant caste fixed effects			✓			✓
Fit statistics						
Dependent variable mean	0.04051	0.04051	0.03840	0.04051	0.04051	0.03840
Observations	4,838	4,838	4,089	4,838	4,838	4,089

Clustered (firm) standard-errors in parentheses
*Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*

Note: Linear probability models of equation 4, with the outcome equal to one if the firm donates to its single most ethnically-proximate party. Specifications, family definitions, and controls are identical to table 3. Standard errors clustered by firm.

TABLE A5. Family Firms and Co-Ethnic Party Choice: Top-5 Threshold

Dependent Variable:	Donated to top-5 co-ethnic party					
Model:	(1)	(2)	(3)	(4)	(5)	(6)
Variables						
Family Score (z)	0.0655***	0.0681***	0.0790***			
	(0.0076)	(0.0076)	(0.0086)			
Family firm (0/1)				0.0517***	0.0482***	0.0498***
				(0.0165)	(0.0165)	(0.0185)
Firm size control	✓	✓	✓	✓	✓	✓
N parties donated control		✓	✓		✓	✓
Fixed-effects						
State fixed effects	✓	✓	✓	✓	✓	✓
Industry fixed effects	✓	✓	✓	✓	✓	✓
Dominant caste fixed effects			✓			✓
Fit statistics						
Dependent variable mean	0.27780	0.27780	0.30032	0.27780	0.27780	0.30032
Observations	4,838	4,838	4,089	4,838	4,838	4,089

Clustered (firm) standard-errors in parentheses
*Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*

Note: Linear probability models of equation 4, with the outcome equal to one if the firm donates to one of its five most ethnically-proximate parties. Specifications, family definitions, and controls are identical to table 3. Standard errors clustered by firm.

Appendix H. Validating the Ethnic-Label Approach

The ethnic proximity measures used in section 7 rest on assigning ethnic labels to names: it maps surnames to religion and community clusters before computing co-presence, so that names belonging to the same community—Gupta and Goyal, both *Bania* names—are treated as one signal rather than two. This appendix validates the approach at both ends. First, table A6 validates the proximity *ranking* itself—the quantity the categorical co-ethnic choice test uses—against community–party pairings with unambiguous ground truth: for firms whose boards are dominated by Sikh, Muslim, Yadav, Maratha, or Reddy names, the community-cluster measure places the SAD, the IUML, the SP, the NCP, and the YSRCP respectively among the firm's three most proximate parties for 76–100% of such firms, against 0.1–1.4% of all other firms; the BJP, by contrast, ranks in the top three for *Bania* and Patidar boards almost universally but also for a large share of all other boards, reflecting its broad candidate base rather than a narrow one. Party-level cluster shares are shrunk toward the national share (500 pseudo-candidates) so that parties fielding only a few dozen classified candidates cannot dominate the ranking through sampling noise. Second, the label assignment is validated against parties with well-known ethnic bases, and the labels are put to work in a set of transparent, named group–party pairings.

TABLE A6. The proximity measure recovers known community–party pairings

Dominant community	Party	N firms	Party in firm's top-3 proximity		Ratio
			Community	Others	
Community-cluster measure					
Sikh (incl. Jat Sikh)	SAD	62	97%	1.1%	85x
Muslim	IUML	196	99%	1.4%	72x
Bania	BJP	2259	97%	38.9%	2x
Patidar	BJP	285	93%	63.6%	1x
Yadav	SP	28	96%	0.5%	208x
Maratha	NCP	72	76%	0.1%	627x
Reddy	YSRCP	112	100%	0.8%	132x
Surname measure					
Sikh (incl. Jat Sikh)	SAD	62	90%	13.3%	7x
Muslim	IUML	196	53%	0.8%	69x
Bania	BJP	2259	12%	8.0%	1x
Patidar	BJP	285	1%	10.3%	0x
Yadav	SP	28	75%	2.7%	27x
Maratha	NCP	72	25%	2.3%	11x
Reddy	YSRCP	112	67%	3.1%	22x

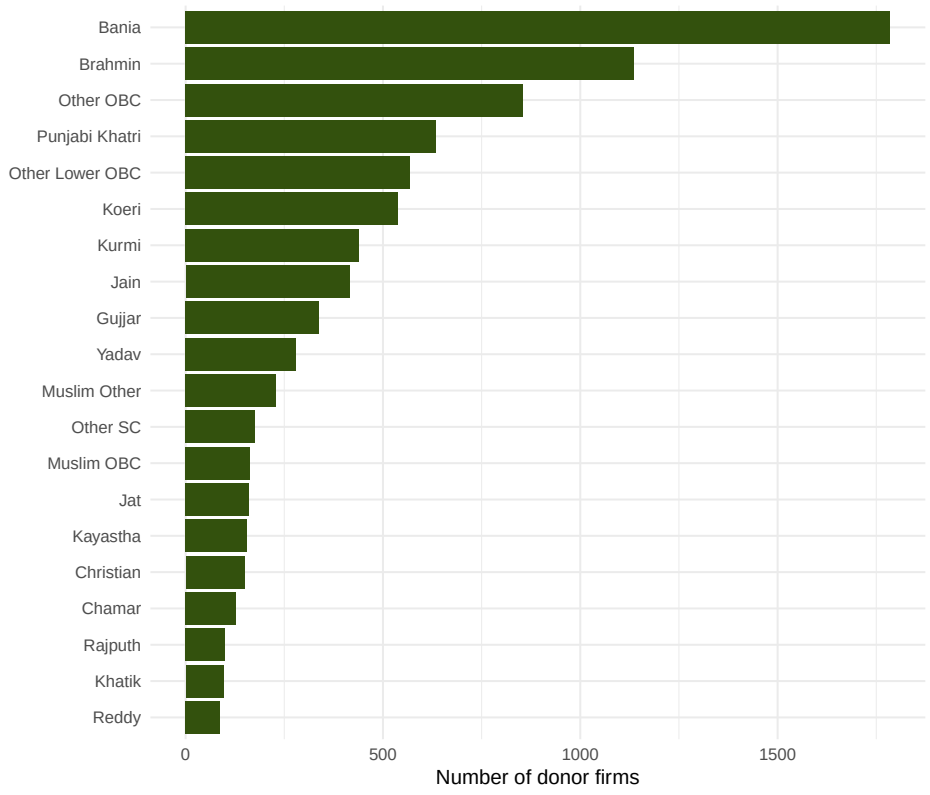
For each donor firm whose board is dominated by a community with a well-known political home, the table reports the share of firms for which that party ranks among the firm's three most ethnically-proximate parties, against the same share among all other firms. Dominant community assigned from directors' surnames via the label dictionary (state-conditional for PATEL and SINGH).

To operationalize the labels, I use Chaturvedi and Chaturvedi (2023)'s character-based machine learning model to predict religion labels, and Chakrabarti (2020b)'s "CasteCode" dictionary of names mapped to castes and sub-castes for a large sample of Delhi's voter rolls, supplemented with a curated tier of 271 high-frequency names, a confidence floor below which dictionary labels are not used for the cluster measure, and state-conditional labels for surnames whose community differs by region (Patel, Singh).

Two challenges shape the design of the label pipeline. First, religion-mapping alone is too broad a category to identify meaningful social networks. In a country where 80% of the population, and almost 90% of corporate board members (in a random sample of over 8000 firms) are Hindu, religion labels might be too broad to capture the caste variation within Hindus. Second, while sub-caste mapping is more precise, and is the right level at which

individuals define their communities,[34] a dictionary approach runs into issues of either failed or ambiguous mappings between names and castes and sub-castes—limited by the exhaustiveness of its own sampling.[35] I show in appendix figure A6 how only a minority of donor board of directors map unambiguously to specific sub-castes; collapsing sub-castes into the coarser community clusters used by the primary proximity measure in section 5 raises coverage to over 70% of donor-director records—the resolution at which the labels are used throughout the paper.

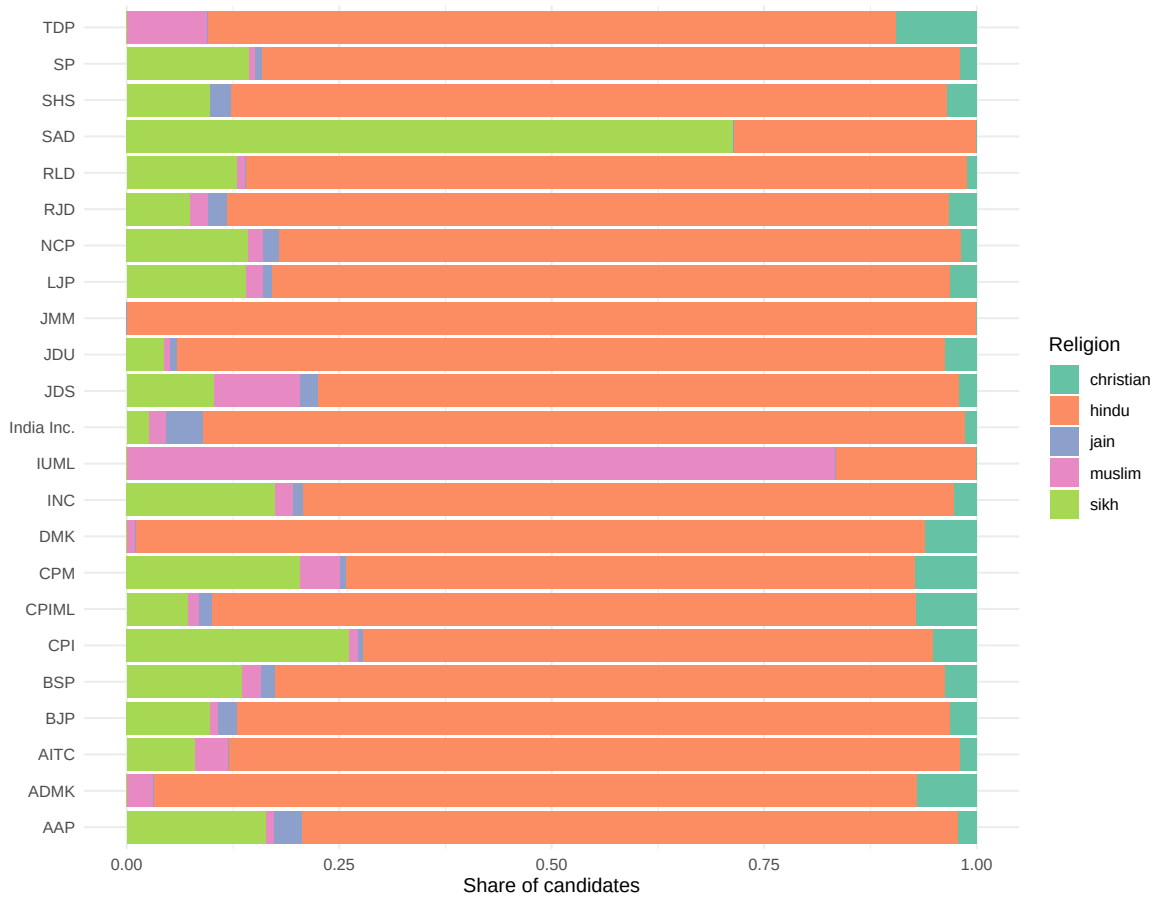
FIGURE A6. Mapping Last Names of Donor Board Members to *Jati* (sub-caste)



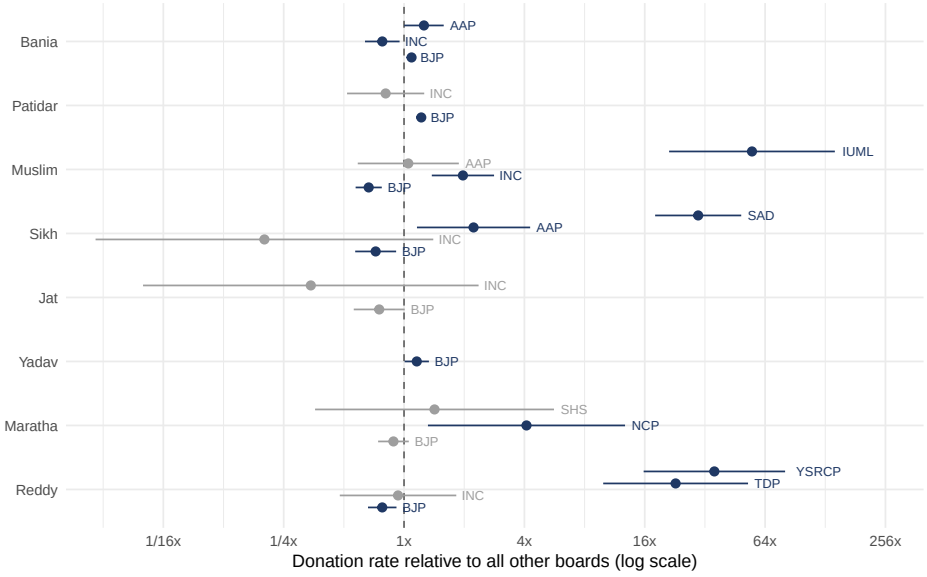
[34] *Jatis* constitute the "elemental unit" of the Indian caste system of five major castes, or *varnas* (Gould 1969)

[35] Bhagavatula et al. (2023) implement an innovative approach of using self-labeled *jatis* by mapping names to castes and sub-castes on matrimonial websites. They also find only about 40% of their names map unambiguously map to a specific sub-caste. They are able to overcome this hurdle by computing probability frequencies, which a static dictionary method is not able to do.

FIGURE A7. Social Identity and Corporate Political Activity



A. Religious and Caste Groups by Party



B. Relative Donation Rates by Board Community

Note: In panel A, I show ethnic mix for the largest 20 parties, plus SAD and IUML, and "India Inc.". Each party's ethnic mix is calculated by the share of its full list of candidates since 1980 that belong to each religion and caste group using name-matching procedures from Chaturvedi and Chaturvedi (2023) and Chakrabarti (2020b). For "India Inc." I replace candidates with all directors across 8388 randomly sampled companies. Panel B plots, for boards belonging to the Bania, Patidar, Muslim, Sikh, Jat, Yadav, Maratha, or Reddy community (at least half of a board's classified directors carry the label), the rate of ever donating to the party shown relative to the rate

I assign ethnic labels to each party's candidates and firm's board members by first assigning religion labels, and then using the name-to-caste dictionary to label castes and subcastes. Panel A in figure A7 shows how parties vary by religion and caste (*varna*) groupings. Parties like the BJP, Shiv Sena, and southern parties (where religious diversity is in any case less) like TDP, DMK, and AIDMK, all are dominated by Hindu candidates. Validating this religion label method, parties like the Akali Dal (SAD) and the Muslim League (IUML) reflect larger shares of Sikh and Muslim candidates. Caste labels are more uncertain, with the majority of names either not in the dictionary, or ambiguously mapping to multiple caste categories. I also include "India Inc." in the charts, reflecting the religion and caste make up of approximately 40,000 directors across around 8,000 randomly sampled companies. Confirming findings elsewhere (Bhagavatula et al. 2023), I find India's formal sector to have a greater share of upper caste board members than most political parties sampled.

Given the imprecision of the mapping, in order to test the relationship between controlling family ethnicity and corporate political activity, I hand pick a few pairings with strong priors on patterns of ethnic homophily. For instance, the BJP is the traditional party of traders and merchants (Jaffrelot 2010; Murali 2017), which would predict *Bania* (merchant caste) family businesses are more likely to donate to the BJP. Similarly, the Shiromani Akali Dal (SAD), a primarily regional party in Punjab, is closely associated with the Sikh religion, which would predict Sikh family businesses to have stronger affinity for the SAD. The India Union Muslim League, largely operating in Kerala and with Muslims constituting its core base of support, would expect stronger ties with Muslim family businesses. The Indian National Congress pitches itself as a big-tent party that builds coalitions across social identities (Banerjee et al. 2019), but political realignment under Indira Gandhi in the 1970s moved *Bania* groups away from Congress and towards opposition parties (Murali 2017).

In order to formally test the relationship between these pairings of family firms' social identities and party support, I follow Banerjee et al. (2019) and estimate equation A1:

$$y_i^p = \alpha + \beta \text{EthnicGroup}_i^g + \mathbf{X'}_i\gamma + \epsilon_i \tag{A1}$$

where y_i^p takes the value 1 if company i made a donation to party p (the BJP, the INC, and the community-linked parties with at least ten corporate donors: SAD, IUML, AAP, YSRCP, TDP, SP, NCP, Shiv Sena), and EthnicGroup_i^g is a dummy variable that takes the value 1 if at least half of the board's classified directors belong to community g (*Bania*, Patidar, Muslim, Sikh, Jat, Yadav, Maratha, Reddy), using the community dictionary of section 5. $\mathbf{X}_i$ captures standard control variables of size (as measured by paid up capital), industry, and state of registration. $\hat{\beta}$ therefore captures the theoretical concept of interest, which is whether a board's ethnic belonging predicts its likelihood of supporting a certain political party.

Panel B in figure A7 shows the raw pattern, plotting each community's donation rate to

its paired parties relative to the rate among all other sampled boards on a log scale. The co-ethnic pairings are unmistakable: Muslim boards reach the IUML at 55 times the rate of other boards, Sikh boards the SAD at 30 times, and Reddy boards the YSRCP and TDP at 36 and 23 times, while Muslim, Sikh, and Reddy boards all fund the BJP at significantly lower rates than other firms. The estimates of equation A1 confirm that these preferences are not artifacts of firm size, industry, or geography. Controlling for size, industry, and state of registration, *Bania* boards are 5.7 percentage points more likely to donate to the BJP (SE 1.5) and 2.1 points less likely to donate to the INC, reflecting the traditional ties between the party and its social base and the community's generations-long disaffection with the Congress. Muslim boards are 17 points less likely to donate to the BJP (SE 4.5), 9 points more likely to donate to the INC, and 3.9 points more likely to donate to the IUML (SE 1.8) against a base rate of 0.15%. Sikh boards are 14 points more likely to donate to the SAD (SE 5.4) against a base of 1%, and less likely to donate to either national party; Reddy boards are 10 points more likely to donate to the YSRCP (SE 4.1). Two exceptions are instructive: once state of registration is held fixed, Gujarati Patidar boards are, if anything, less likely than other firms to fund the BJP and more likely to fund the INC (both imprecise) — their above-average raw rate in panel B reflects Gujarat's overall tilt rather than a community preference — consistent with the Patidar agitation of 2015–17, and Maratha boards show no conditional preference for the NCP or the Shiv Sena. Restricting the sample to family firms sharpens the minority pairings further (Sikh–SAD +23 points, Muslim–IUML +8.5 points).

Taken together, these results provide robust evidence that family businesses tend to participate in politics in support of co-ethnic parties.

Appendix I. Estimating Returns to Donation

In preferring to donate loyally to co-ethnic political parties rather than opportunistically to the party in power, family firms in India appear to deviate from accounts of instrumental politics dominant in the corporate political activity literature. Do these donations reflect expressive preferences towards co-ethnics? Or are corporate donations in India nonetheless buying private benefits? This section tests the investment account of corporate giving on its own strongest ground. Rather than asking whether patient, loyal giving is eventually rewarded, I ask the more direct *quid pro quo* question: when a firm bankrolls the party that then takes power—donating to the incoming party in the run-up to an electoral turnover—does the firm perform better once its party governs?

Opportunistic firms may donate in exchange for a variety of different benefits—these classically include access to state-sponsored credit (Lazzarini et al. 2015) and government contracts (Boas et al. 2014), but also more procedural interventions, like encouraging politicians to engage in legislature that matters for the firm (Kim et al. 2020), or ensuring more lax regulatory scrutiny (Gordon and Hafer 2005). It is not possible to exhaustively capture measures on all the possible outcomes firms may seek when making political donations, but I gather data on key variables that scholars have shown are vulnerable to political influence, and that together span direct channels of favoritism and their bottom line: access to credit from state-owned banks (Khwaja and Mian 2008), the award of government procurement contracts, and accounting measures of firm performance—return on assets and revenue—that should capitalize political favors of *any* kind, including those (regulatory forbearance, expedited clearances) that no single administrative dataset records (Claessens et al. 2008). Table A7 summarizes the data I gather, along with its scope of coverage.

I.1. Firm Outcomes Data

Public sector bank loans: I collect loan-level records for each company from the Ministry of Corporate Affairs (MCA), via `InstaFinancials`. Companies are required to disclose all secured loans[36] taken out during the annual reporting period, with strict penalties for failing to do so (Chopra et al. 2021). For each loan I observe the value, the lending institution, and the date of its creation, capturing information on over 100,000 loans across all donor companies. While unsecured loans go unreported, the vast majority of bank lending in India, including to corporations, is collateralized,[37] and scholars have used these data as a relatively complete credit registry (Fernandes and Rigato 2023). I match the irregularly-reported lender names to the Reserve Bank of India's list of twelve state-owned ("public sector undertaking", or

[36] Technically called "charges".

[37] Chavan and Gambacorta (2019) estimate secured lending to make up over 80% of the loan book of the average registered bank in India; in a CMIE Prowess cross-section of the 30,000 largest firms, over 90% of bank financing is secured.

PSU) banks[38] using an augmented crosswalk (Fernandes and Rigato 2023), which correctly labels PSU banks in over 92% of cases, covering over 97% of loan value. From these records I construct, for each firm-year, an indicator for receiving at least one PSU-bank loan and the PSU share of loan value. Because these filings are mandatory for every registered company, the loan outcome covers the full donor ledger over 2003–2023—the widest coverage of the three outcome families—and I treat it as the primary outcome.

Firm financial performance: I match donor companies to the CMIE Prowess database, the standard source for Indian firm financials, drawing on companies' audited annual reports. Matching each Prowess company to its Corporate Identification Number (CIN) links 946 donor companies to their financial histories over fiscal years 2001–2022. For each firm-year I observe total income, profit after tax, and total assets, from which I take two outcomes: return on assets (profit after tax net of prior-period and extraordinary items, over average total assets) and log revenue (total income). Because Prowess skews towards larger and listed companies, this sub-sample covers the upper tail of the donor size distribution—a limitation, but one that works in favor of finding returns, since these are precisely the donors with the scale and visibility to collect on political investments.

Government procurement contracts: I also collect government procurement contract awards over 2013–2023 and I uniquely identify corporate entities that received contracts. Since the early 2010s, Indian national and state governments, as well state owned enterprises and public sector utilities (like Indian Railways) have used e-procurement marketplaces for both small and large scale contracts. I purchase data from a third-party data vendor, *Global Tenders Services*, which scrapes Indian government websites for announcements of tenders (invitations for bids) and contract awards (the result of the bidding process). Overall I collect records of over a million individual contract awards, that include information on the size of the amount, the date, the contract winner, and the contracting authority. I use a series of regular expressions to identify over 200,000 contracts going to registered companies, and map each contract winner to its CIN as a unique identifier, which then allows me to link donors to contract winners. Approximately 330 donor companies received a contract award in the period 2013–2023. From these records I construct a balanced firm-year panel: an indicator for winning any contract in a year, and the log of one plus the total value of contracts won.

Table A8 shows how donors and non-donors differ on key variables in the cross-section, comparing donor firms to a random sample of over 8,000 formally registered companies in India: donors tend to be dramatically larger in paid up capital, and more likely to have ever received a loan from a state-owned bank and to have won a government procurement contract—underscoring that donors select from the top of the firm-size distribution, and motivating the within-donor designs below.

[38] Public Sector Undertaking is the term in India for corporate entities where the government owns a controlling stake; in addition to the twelve PSU banks, PSUs include Indian Oil Corporation, Coal India, etc.

TABLE A7. Table of Firm Performance Measures

Outcome	Number of Donors Covered	Time Span	Source
Loans from public sector banks	5,595	2003-2023	MCA
Return on assets, revenue	946	FY 2001-2022	CMIE Prowess
Government procurement contracts	330	2013-2023	IndiaTenders

TABLE A8. Summary of Firm Performance by Donor Status; Universe: Random Sample

Donor	N	Donations (m, INR)	Has PSU Loans	Received Contract	Number Directors	Paidup Capital (m, INR)
0	8388	0	13%	1.6%	3	0.1
1	5595	0.2	47%	5.8%	3	7.2

Note: This table compares the full set of direct corporate donors (2003-2023) and a random sample of non-donors from MCA. Figures are median values; "Has PSU Loans" is the share of firms with at least one secured loan from a public-sector (state-owned) bank on record in their MCA filings.

I.2. Research Design: Donations to Incoming Parties

To identify whether donations to parties that come to power buy firm-level returns, I exploit electoral turnovers at the state level. State-level elections in India have a staggered property, where each state is on a different five-year cycle to conduct legislative assembly elections. In 2022, for instance, seven states in India held state elections, while in 2023, nine, different, states held elections. I identify all (38) cases of electoral turnover at the state level between 2003 and 2022—elections in which the ruling party lost power—and conduct a difference-in-difference analysis for each valid sub-setting, aggregating with a *stacked* difference-in-difference design (Cengiz et al. 2019; Deshpande and Li 2019). Stacking sidesteps the problems of staggered-adoption two-way fixed effects designs (De Chaisemartin and d'Haultfoeuille 2020; Goodman-Bacon 2021): each turnover is its own experiment with its own clean controls, and estimates aggregate across the 38 sub-experiments.

For each turnover, the universe of firms is companies that are (1) registered in the state of election, and (2) have ever made a donation to a political party, mitigating issues of selection into being a donor at all; for the credit outcome the universe is further restricted to firms with at least one PSU-bank loan on record—mitigating selection into (secured) bank borrowing at all, per the baseline differences in table A8—and for the financial-performance outcomes it is intersected with the Prowess match. Within this universe, I define *switcher donors*—the treated group—as firms that donated to the *incoming* party in the three fiscal years before the election ($[T-3, T-1]$ for an election in year T). Control firms are donors in the same state that did not give to the incoming party in that window. Note what this treatment deliberately

does *not* condition on: unlike a test of returns to long-run loyalty, I place no requirement that the party was out of power at the time of donation, and no requirement that the donation predate expectations about the race. Pre-election donations to the eventual winner are exactly the donations an investment model predicts should be rewarded, and the firms that make them—better informed about, or better connected to, the likely winner—are those most able to collect. Selection into treatment therefore biases *towards* finding returns, making a null result conservative evidence against *quid pro quo*.

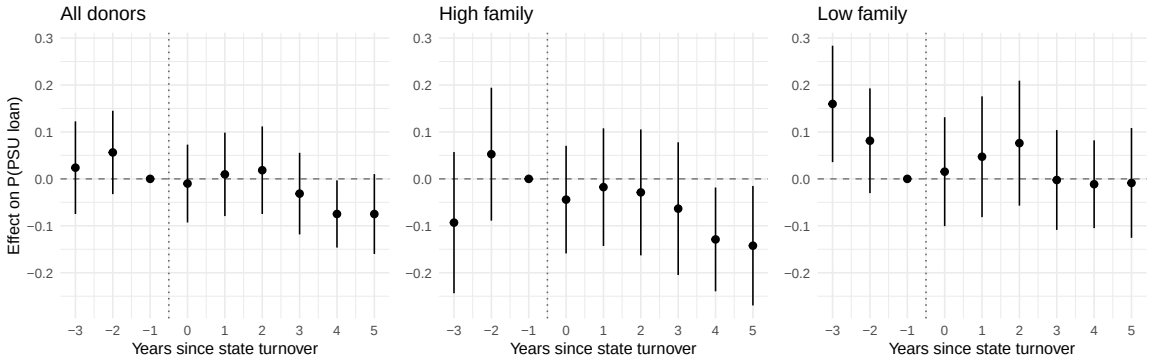
Formally, I estimate equation A2 on the stacked data:

$$y_{iet} = \alpha_{ei} + \gamma_{et} + \sum_{s \neq -1} \beta^s D_{ie} \cdot \mathbb{1}[t = s] + \epsilon_{iet} \tag{A2}$$

where y is a firm-level outcome variable—the probability of receiving a PSU-bank loan, return on assets, log revenue, the probability of winning a government contract, or log contract value—indexed by each state-election period e, company i, and relative time t within the $[-3, 5]$ year period around election turnovers. D_{ie} is a dummy defined at the company-election level, which takes the value 1 if the firm donated to the incoming political party in the three years before the election. Firm-by-election fixed effects α_{ei} absorb all time-invariant differences between switcher donors and other donors within each sub-experiment, and election-by-year effects γ_{et} absorb state-election-specific shocks. Because every firm registered in the state experiences the turnover—there is no group unexposed to the event—each sub-experiment is a *factorial* difference-in-differences (Xu et al. 2025): $\hat{\beta}^s$ identifies the *differential* effect of the turnover on the incoming party's donors relative to other donors in the state, compared to one period before the election year ($s = -1$), and averaged over each election e following the stacking procedure. That differential is the quantity an investment account speaks to: if backing the winner pays, the winner's financiers should gain relative to firms that backed the losing side. Following Cengiz et al. (2019), I cluster standard errors at the group-cohort level, i.e. company-election level. To test whether family firms are differently placed to collect on political bets, I estimate this model separately for businesses with high and low levels of family involvement (above and below the median composite family score introduced in Section 5), and formalize the comparison with a triple-difference interacting the post-turnover switcher differential with family involvement.

Data coverage limits which turnovers contribute identifying variation. The loan filings span the full donations window (2003–2023), while the Prowess financials begin in fiscal 2001 and the procurement panel in 2013, and the donations ledger begins in 2003, so early turnovers contribute no treated units and post-windows of the latest turnovers are truncated. In practice, 15 of the 38 turnovers contribute at least one treated firm to the loan stack (122 treated firm-elections against 1,572 controls), 9 to the financial-performance stack (42 against

FIGURE A8. Donations to Incoming Parties Do Not Buy Access to State Credit



Note: Stacked difference-in-difference estimates of the effect of having donated to the incoming party in the three years before a state electoral turnover, specified in equation A2. The outcome is the probability of receiving a loan from a state-owned (PSU) bank in a year relative to the election year ($s = -1$ is the baseline). Panels split companies into high and low family involvement at the median composite family score. 95% confidence intervals plotted; standard errors clustered at the company-election level.

313), and 12 to the procurement stack (222 against 2,939), with the 2014 and 2019 Maharashtra turnovers contributing the largest treated cohorts throughout. Table A9 reports summary statistics for each outcome over the stacked estimation samples. Two features bear noting. Winning a procurement contract is a rare event—under one percent of firm-event-years—so the value regressions lean on the log-plus-one transformation, and the binary win indicator is the more interpretable margin. And switcher donors are unconditionally advantaged on both discretionary margins—they receive a PSU-bank loan in 17.6 versus 15.6 percent of firm-event-years, and win contracts nearly twice as often as other donors (1.6 versus 0.9 percent); the design's within-firm comparison asks whether those gaps *widen* when their party takes power, rather than reflecting the time-invariant selection visible in table A8.

I.3. Results

Figures A8, A9, A10, and A11 present the stacked event studies for the probability of receiving a PSU-bank loan, return on assets, log revenue, and the probability of winning a procurement contract, for all donors and separately by family involvement. Pre-period coefficients are centered on zero—joint pre-period p-values are 0.46 for PSU loans, 0.68 for ROA, 0.72 for log revenue, 0.67 for contract wins, and 0.52 for contract value—lending credibility to the design.[39] Post-turnover, no outcome moves in the direction the investment account predicts: coefficients on the probability of a PSU loan average −2.7 percentage points across the post-election years, on ROA +1.2 percentage points, on log revenue −0.15, and on the probability of a contract win +1.0 percentage point, with no panel showing a build-up over the post-period

[39]The one exception is the low-family loan panel, where a positive coefficient at $s = -3$ yields a joint pre-period p of 0.04; its post-period estimates are null regardless.

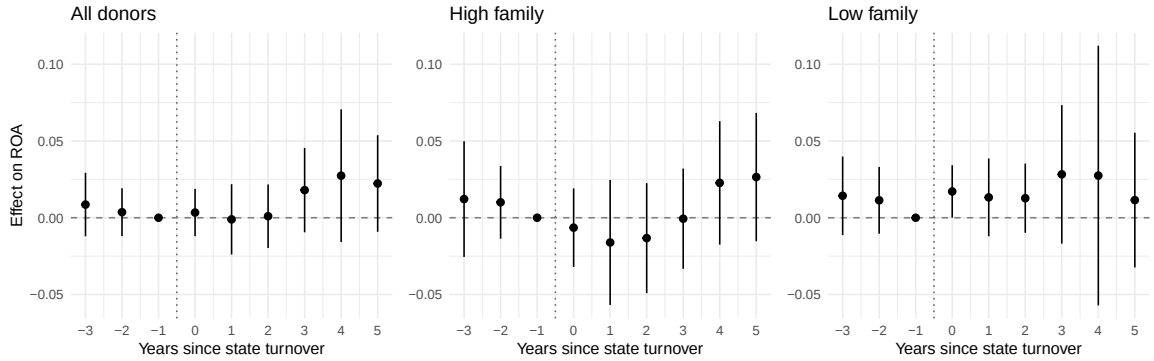
TABLE A9. Summary Statistics for Outcome Variables, Stacked Estimation Samples

	N	Mean	SD	p25	Median	p75
Panel A: Loan stack (15 turnovers)						
P(PSU loan)						
All firm-event-years	14,189	0.157	0.364	0.000	0.000	0.000
Switcher donors	1,034	0.176	0.381	0.000	0.000	0.000
Other donors	13,155	0.156	0.363	0.000	0.000	0.000
PSU share of loan value						
All firm-event-years	5,169	0.328	0.439	0.000	0.000	0.965
Switcher donors	438	0.313	0.431	0.000	0.000	0.859
Other donors	4,731	0.329	0.440	0.000	0.000	0.977
Panel B: Prowess stack (9 turnovers)						
ROA (winsorized 1/99)						
All firm-event-years	1,963	0.036	0.071	0.005	0.032	0.066
Switcher donors	216	0.042	0.072	0.005	0.033	0.068
Other donors	1,747	0.035	0.071	0.005	0.032	0.066
log(Revenue)						
All firm-event-years	1,963	4.951	1.800	3.867	4.869	5.908
Switcher donors	216	5.147	1.461	4.329	4.966	6.186
Other donors	1,747	4.926	1.836	3.776	4.863	5.880
Panel C: Procurement stack (12 turnovers)						
P(procurement contract)						
All firm-event-years	24,173	0.009	0.096	0.000	0.000	0.000
Switcher donors	1,651	0.016	0.125	0.000	0.000	0.000
Other donors	22,522	0.009	0.093	0.000	0.000	0.000
log(1+contract value)						
All firm-event-years	24,173	0.155	1.710	0.000	0.000	0.000
Switcher donors	1,651	0.256	2.207	0.000	0.000	0.000
Other donors	22,522	0.148	1.667	0.000	0.000	0.000

Note: Firm-event-year observations in the stacked samples. "Switcher donors" are firm-elections treated as having donated to the incoming party in the three years before the election; "other donors" are donor firms registered in the same state without such a donation. "P(PSU loan)" is an indicator for at least one secured loan from a state-owned bank registered in the firm-year, and the PSU share of loan value is defined only for firm-years with a loan filing; ROA is profit after tax over average total assets, winsorized at the 1st and 99th percentiles within the stack; revenue is total income from Prowess; contract values from the procurement panel, zero-filled for firm-years with no award.

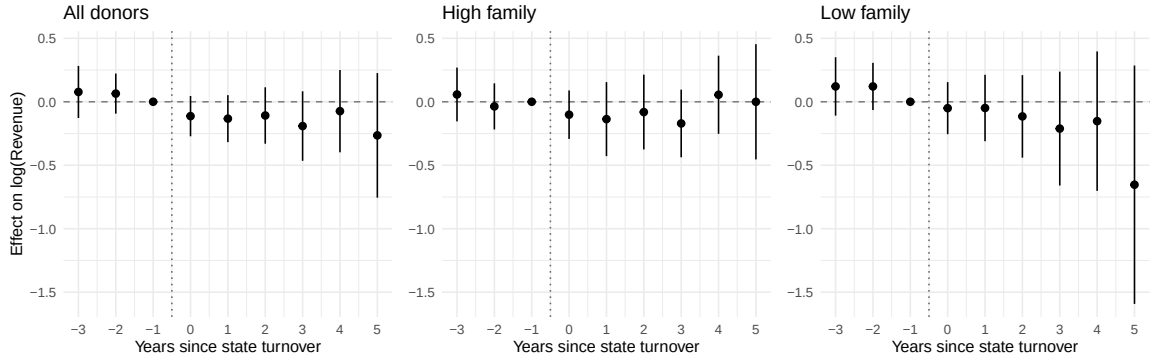
that would suggest slowly-materializing rewards. The only estimates to reach statistical significance anywhere are *negative*: switcher donors' loan probability falls 7.5 percentage points below other donors' four years after the turnover ($p < 0.05$, with a similar marginal estimate at $s = +5$), a late-horizon drift concentrated among high-family-involvement firms—

FIGURE A9. Donations to Incoming Parties Do Not Buy Firm Performance: ROA



Note: Stacked difference-in-difference estimates of the effect of having donated to the incoming party in the three years before a state electoral turnover, specified in equation A2. The outcome is return on assets (winsorized 1/99). Panels split companies into high and low family involvement at the median composite family score. 95% confidence intervals plotted; standard errors clustered at the company-election level.

FIGURE A10. Donations to Incoming Parties Do Not Buy Firm Performance: Revenue



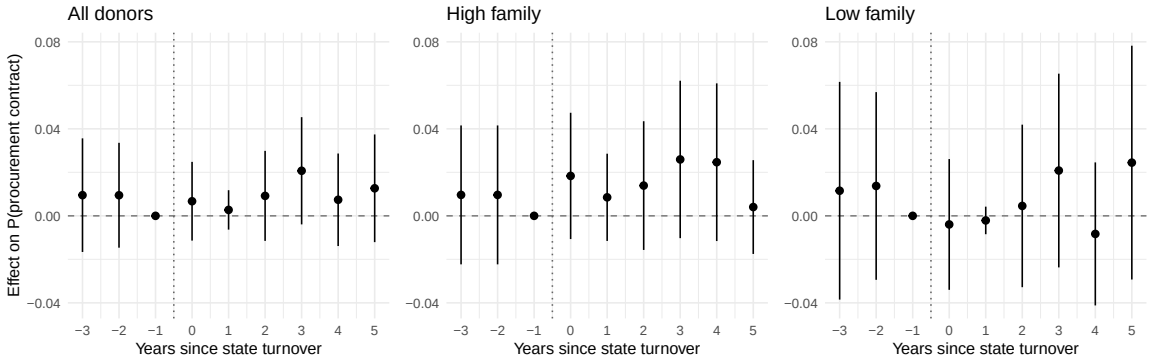
Note: Stacked difference-in-difference estimates of the effect of having donated to the incoming party in the three years before a state electoral turnover, specified in equation A2. The outcome is log revenue (total income). Panels split companies into high and low family involvement at the median composite family score. 95% confidence intervals plotted; standard errors clustered at the company-election level.

the opposite of a reward.[40] Firms that financed the winning side in the run-up to a turnover did not gain access to state-bank credit, did not become more profitable, did not grow faster, and did not win more government contracts than the donors around them that backed other parties or sat out.

Table A10 pools the post-period and asks the moderation question directly: are family firms differently rewarded for backing the winner? The answer is no on every margin. The pooled switcher differential ("Switcher donor × Post") is statistically indistinguishable from

[40]The intensive margin of credit—the PSU share of loan value, defined only for firm-years with a loan filing—fails its pre-period placebo test (joint $p = 0.01$), so I do not lean on it; its post-period coefficients are positive, but so is its pre-trend, and the selected (loan-taking) sample makes it the least interpretable of the loan margins.

FIGURE A11. Donations to Incoming Parties Do Not Buy Procurement Contracts



Note: Stacked difference-in-difference estimates of the effect of having donated to the incoming party in the three years before a state electoral turnover, specified in equation A2. The outcome is the probability of winning a government procurement contract in a year relative to the election year ($s = -1$ is the baseline). Panels split companies into high and low family involvement at the median composite family score. 95% confidence intervals plotted; standard errors clustered at the company-election level.

zero for all five outcomes—on PSU loans it is, if anything, negative (−6.2 percentage points, SE 4.7)—and the triple interaction with family involvement is likewise null throughout: +1.7 percentage points (SE 5.6) on the probability of a PSU loan, −1.7 percentage points (SE 2.0) on ROA, +0.05 log points (SE 0.20) on revenue, +1.4 percentage points (SE 1.9) on contract wins, and +0.32 log points (SE 0.35) on contract value. Appendix J.1 re-estimates the table with the continuous standardized family score in place of the median split, with the same conclusion.[41] If family firms' donations were rent-seeking investments, family donors who backed the winner should out-earn non-family donors who backed the winner once the votes are counted; they do not. This complements the cross-sectional pattern in appendix J.2: while donors as a class are more likely to hold a government contract even after controlling for size, industry, and state of registration, *family-firm* donors are significantly *less* likely to hold one—the opposite of what a rent-seeking account of family-firm giving would predict.

Absence of evidence of *quid pro quo* does not conclude the evidence of its absence. It is possible loans, contracts, and aggregate financial metrics do not capture the outcomes firms seek when making contributions to party coffers, though accounting performance should eventually capitalize benefits delivered through most channels. The financial-performance stack is also thin—built on the roughly 950 donors large enough to appear in Prowess, and dominated by the two Maharashtra turnovers—so modest effects on that margin cannot

[41]The two coefficients that reach marginal significance in the continuous-score specifications both point away from a reward story. The pooled switcher differential on PSU loans is *negative* (−5.3 percentage points, SE 2.8)—backing the winner predicts less state credit, not more. And contract values drift down for family firms after elections regardless of donation behavior (Post × Family score = −0.049, SE 0.028), which if anything makes the small positive—and insignificant—triple interaction read as family donors resisting a family-wide post-election decline, not collecting rewards.

TABLE A10. Family Involvement Does Not Moderate Returns to Backing the Winner

Dependent Variables:	P(PSU loan)	ROA	log(Revenue)	P(contract)	log(1+contract
Model:	(1)	(2)	(3)	(4)	(5)
Variables					
Switcher donor × Post	-0.0620	0.0092	-0.1760	-0.0020	-0.0692
	(0.0471)	(0.0150)	(0.1864)	(0.0137)	(0.2485)
Post × High family	0.0205	-0.0005	0.0993	-0.0012	-0.0328
	(0.0138)	(0.0071)	(0.0786)	(0.0036)	(0.0628)
Switcher donor × Post × High family	0.0174	-0.0173	0.0462	0.0143	0.3216
	(0.0563)	(0.0200)	(0.2033)	(0.0188)	(0.3523)
Fixed-effects					
Firm × event	Yes	Yes	Yes	Yes	Yes
Event × year	Yes	Yes	Yes	Yes	Yes
Fit statistics					
Observations	13,873	1,915	1,915	20,876	20,876
R^2	0.34808	0.71419	0.96056	0.44179	0.46115

Clustered (Firm × event) standard-errors in parentheses
*Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*

Note: Pooled stacked difference-in-difference estimates. "Switcher donor × Post" is the post-turnover differential for firms that donated to the incoming party in the three years before the election; the triple interaction tests whether that differential differs for firms above the median composite family score. All specifications include firm-by-election and election-by-year fixed effects; standard errors clustered at the company-election level. Column (1) uses the loan stack; columns (2)–(3) the Prowess financial stack; columns (4)–(5) the procurement stack. Appendix J.1 reports the same specifications with the continuous (standardized) family score, with the same conclusion.

be ruled out. The loan stack, by contrast, draws on filings mandatory for every donor and contributes the most turnovers of any outcome; it is where the data are strongest, and where the estimates are, if anything, negative. More fundamentally, firms often seek to hide their political activities and seek covert channels of influence instead (Bertrand et al. 2021; Jia et al. 2023), meaning the study of corporate political activity is often the study of *disclosed* corporate political activity. Nevertheless, these results show little evidence for a *quid pro quo* relationship between corporate campaign donations and private firm benefits—even for the donations best positioned to earn one, those made to the incoming party on the eve of its victory—both overall and subset by family involvement.

Appendix J. Returns to Donation: Additional Results

J.1. Family Moderation with the Continuous Family Score

Table A11 re-estimates the pooled triple differences of table A10, replacing the binary median split with the continuous standardized composite family score. The switcher-donor differential is never positive—on PSU loans it is marginally *negative* (−5.3 percentage points, SE 2.8), the wrong sign for a reward story—and its interaction with family involvement never approaches significance: +1.2 percentage points (SE 2.9) on the probability of a PSU loan, −0.001 (SE 0.009) on ROA, +0.01 log points (SE 0.10) on revenue, +1.5 percentage points (SE 1.2) on contract wins, and +0.25 log points (SE 0.23) on contract value per standard deviation of the family score.

TABLE A11. Switcher-Donor Returns by Continuous Family Score

Dependent Variables:	P(PSU loan)	ROA	log(Revenue)	P(contract)	log(1+contr
Model:	(1)	(2)	(3)	(4)	(5
Variables					
Switcher donor × Post	-0.0530*	0.0042	-0.1776	0.0050	0.09
	(0.0280)	(0.0108)	(0.1227)	(0.0094)	(0.17
Post × Family score (z)	0.0032	-0.0012	0.0513	-0.0020	-0.04
	(0.0066)	(0.0033)	(0.0428)	(0.0016)	(0.02
Switcher donor × Post × Family score (z)	0.0115	-0.0006	0.0101	0.0152	0.24
	(0.0292)	(0.0088)	(0.1022)	(0.0118)	(0.22
Fixed-effects					
Firm × event	Yes	Yes	Yes	Yes	Ye
Event × year	Yes	Yes	Yes	Yes	Ye
Fit statistics					
Observations	13,873	1,915	1,915	20,876	20,8
R^2	0.34791	0.71404	0.96054	0.44199	0.46

Clustered (Firm × event) standard-errors in parentheses

*Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*

Note: Pooled stacked difference-in-difference estimates, as in table A10, with the standardized continuous composite family score in place of the binary median split. All specifications include firm-by-election and election-by-year fixed effects; standard errors clustered at the company-election level.

J.2. Government Procurement Contracts in the Cross-Section

Dependent Variable:	ever_contract_n	
Model:	(1)	(2)
Variables		
Ever donor	0.0253***	0.0325***
	(0.0041)	(0.0050)
log(1+paid-up capital)	0.0076***	0.0076***
	(0.0006)	(0.0006)
Family firm (Dom-Name > 0.5)		-0.0182***
		(0.0066)
Fixed-effects		
state	Yes	Yes
industry5	Yes	Yes
Fit statistics		
Observations	14,710	14,710
R^2	0.15048	0.15135
Within R^2	0.02667	0.02766

Clustered (cin) standard-errors in parentheses
*Signif. Codes: ***: 0.01, **: 0.05, *: 0.1*