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REVIEWING TAX RISK AND TAX AGGRESSIVENESS IN INDONESIA

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Abstract

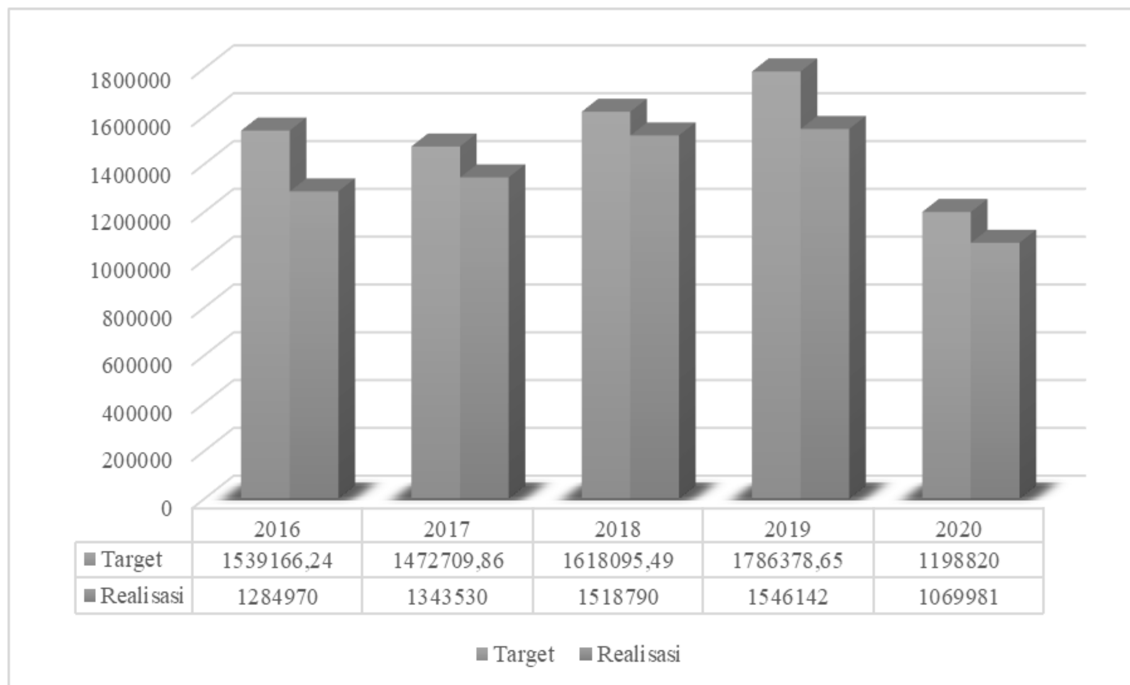
Purpose - The study is to examine tax aggressiveness and tax risk which have not been studied in previous studies so that this research is to add to the study of tax practices, especially in developing countries such as Indonesia. **Design / methodology / approach -** This study uses secondary data obtained from annual reports and independent audit reports issued by the Indonesia Stock Exchange. The population in this study were manufacturing companies listed on the Indonesia Stock Exchange from 2016 to 2020. The sample after applying the purposive sampling technique consisted of 40 companies. SEM analysis was used in this study with the help of SmartPLS 4.0 software. **Results -** Political connection has a positive relationship to tax aggressiveness and has no negative relationship to tax risk. Corporate social responsibility has a negative relationship with tax aggressiveness and has a positive relationship with tax risk. In addition, earning management is able to mediate the relationship between political connection and corporate social responsibility towards tax aggressiveness and tax risk. **Originality/Value -** This study uses variables according to the conditions that exist in Indonesia, especially on the strength of political connections which indeed become any tool by stakeholders so that it becomes a special interest in this research.

Keywords: Political Connection, Corporate Social Responsibility, Earning Management, Tax Aggressiveness and Tax Risk

1. INTRODUCTION

The company is one of the entities that has the obligation to obey and obey in paying taxes. The company's obedience in paying taxes will help the government achieve the tax sector revenue target. Corporate taxes can become a public concern if tax payments have implications for society, not just as a company operational cost (Lanis and Richardson, 2012). The impact of corporate taxation in terms of funding the provision of public goods such as education, national defence, public health care and law enforcement (Freedman, 2003, Friese et al., 2008, Sikka, 2010)

Based on the report of the Ministry of Finance of the Republic of Indonesia, the realization of national tax revenue during the 2016-2020 period has not reached the target. This is due to the fact that there are still many sources of tax revenue that have not been optimally absorbed. As we know that tax revenue is a source of state revenue that has a large portion of the State Revenue and Expenditure Budget (APBN). However, many taxpayers often avoid paying taxes so that tax realization does not meet the target. The target and realization of tax revenue during the 2016-2020 period can be seen in the following graph:



Graph 1.1: Target and Realization of Tax Revenue of the Republic of Indonesia for the 2016-2020 Period (Billion Rupiah)

Source: Ministry of Finance, 2023

Graph 1.1. Explained that during the last five years, the realization of state tax revenue has always been below the target. In 2019 it can be seen that the tax revenue target was IDR 1,786,378.65 billion, but the realization was IDR 1,546,141.89 billion. Then, if you look at it in 2020, the tax revenue target is 1,198,820 billion, while the realization is 1,069,980.78. The failure to achieve tax revenue is indeed caused by various factors. In 2019 there was a geopolitical conflict and also a trade war between China and the United States which had an impact on the Indonesian economy. In addition to the issue of sluggish international trade, it also resulted in a decrease in tax revenues. The existence of various turmoil in the economy certainly has an impact on taxpayer compliance. If we look at the taxpayer compliance ratio during the 2016-2020 period, it shows fluctuating numbers and tends to be below 90% as shown in graph 1.2 as follows:

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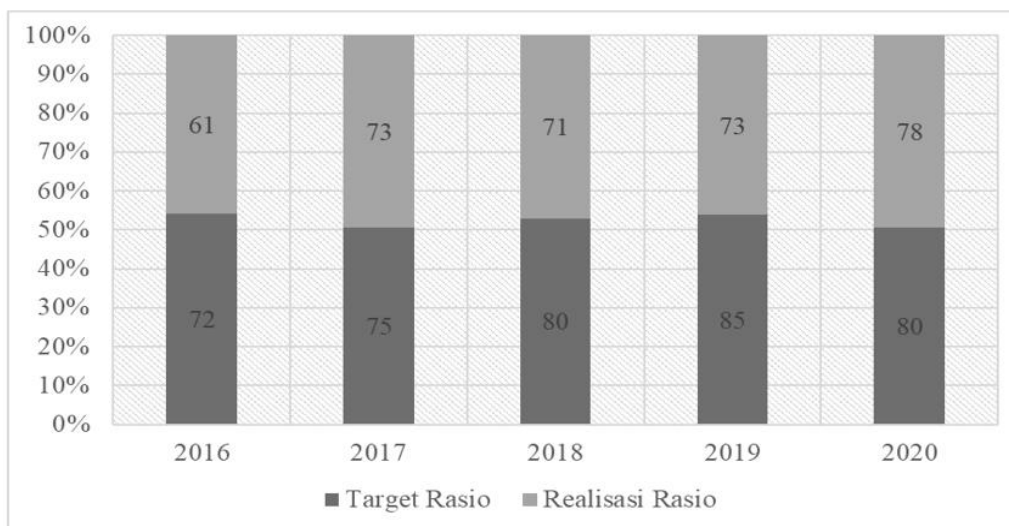

Graph 1.2: Republic of Indonesia Taxpayer Compliance Ratio 2016-2020 Period (Percent)

Source: Ministry of Finance, 2023

Graph 1.2. Explained that during the 2016-2020 period, the taxpayer compliance ratio was below 90%, which means that there are still many taxpayers who are not compliant in paying taxes. This condition cannot be separated from the sluggish economy in recent years. If in 2019 international economic turmoil was the cause of the decline in tax realization, then in 2020 the phenomenon of the Covid-19 pandemic emerged which had a more significant impact on tax revenues. It has been proven that in 2020 the government has changed the tax target three times and the realization is far below 2019.

Based on the existing phenomenon, tax management is important for the growth and profitability of the company. From this, several studies have revealed that tax aggressiveness is a cause and effect of company management (Hanlon et al., 2010, Lopo Martinez and Ferreira, 2019). Tax aggressiveness refers to the act of manipulating taxable income by companies through tax planning, using either legal (non-avoidance) or illegal (non-evasion) methods (Frank et al., 2009). Tax avoidance or tax evasion occurs when engineering is carried out without violating tax provisions, whereas tax evasion or tax evasion occurs when engineering is carried out in violation of tax provisions (Kurniawan et al., 2017).

Tax aggressiveness is classified into two views, namely traditional and contemporary views (Desai and Dharmapala, 2009). The traditional view interprets tax aggressiveness as a way of securing wealth aimed at reducing the tax burden. As for the contemporary view, tax aggressiveness is interpreted as a form of rent extraction. Rent extraction is a managerial action undertaken not to maximize the interests of the owner or shareholder, but rather for personal gain. Tax aggressiveness in the contemporary view has two objectives, not only to cover up revenue from the tax authorities but also to cover up hidden activities that can harm owners or shareholders.

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The existence of tax aggressiveness practices carried out by taxpayer bodies is generally carried out in three forms (Allen et al., 2016). First, it is done by exploiting loopholes in tax regulations. The company takes advantage of events or transactions that have not been regulated by the tax authorities. Second, it is done by recognizing current period income in the financial statements after the end of the period. This allows the company to collect more revenue from the next period. Third, taxable income is estimated by deducting certain costs that are not allowed by tax regulations.

From tax practice, of course, there are risks that must be faced. Risk increases complexity and tax functions are seen as value drivers but also as risks that must be controlled and this requires a balance between risk and value. (Cozmei and Şerban, 2014). Tax risk (tax risk) refers to the uncertainty of future corporate tax payments (Guenther et al., 2017). These uncertainties include uncertainty about the application of the Tax Law, the possibility of an audit by the tax authorities, uncertainty about financial accounting for income taxes, and the quality of accounting information as a basis for making tax decisions (Lin et al., 2019).

Companies have a tax risk because they develop policies in response to tax regulations (Firmansyah and Muliana, 2018). The response is not always in line with what it should be. Tax risk can be a potential loss that may occur in the future including contingent liabilities and failure to make profits. Therefore, tax risk also refers to the gap between tax returns and expected initial taxes driven by management actions or management activities (Guenther et al., 2013).

Tax risk is different from tax aggressiveness (Abernathy et al., 2019, Lin et al., 2019). Because tax risk reflects the way a company can maintain its tax position over time, while tax avoidance aggressiveness refers to reducing corporate income tax payments (Guenther et al., 2013, Lin et al., 2019). The tax position is closely related to the amount of tax payments made by a company. Changes to the Tax Law and tax policies adopted by management do not rule out the possibility that tax payments will change from time to time. The tax burden is considered a significant nominal value expense and is a deduction from the company's net profit, therefore if a company's tax position is increasingly uncertain, then the uncertainty of the company's future net cash flows (company risk) is also higher (Firmansyah and Muliana, 2018, Drake et al., 2017).

In practice, tax aggressiveness and tax risk are influenced by several things, such as the company's political connection. The existence of political power in a company helps its officers and directors have an impact on laws and regulations and provides companies with access to information that allows them to anticipate economic changes and reduce uncertainty (Maaloul et al., 2018). Even in developing countries, businesses depend on the government because dominate most of the market (Chen et al., 2014). However, companies are always trying to find strategies to benefit from resources and achieve competitive advantage. One strategy is to co-opt directors with political experience, and companies can invite people in government positions to join the board of directors.

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In relation to corporate tax practices, there are five reasons why companies with political connections are more tax aggressive than companies without political connections (Kim and Zhang, 2016). First, companies with political connections have a lower risk of detection because they are protected by the company's connections with politicians. Second, the ability of politically connected firms to access information on regulatory changes and tax enforcement allows firms to better explore different time series on tax regulation or tax enforcement using complex taxation strategies. Third, companies with political ties have less market pressure to be transparent. Fourth, political connections can reduce the political costs of being tax aggressive. Fifth, political connections can be associated with a higher level of tax aggressiveness due to the risk-taking effect (Abdul Wahab et al., 2017).

In addition to the existence of corporate social responsibility, it is also an influence on tax aggressiveness and tax risk practices. Companies are constantly trying to ensure that they operate within the boundaries and norms of society (Deegan, 2002). In this context, Bowman and Haire (1976, p. 13) broadly define corporate social responsibility (CSR) as including concern for the impact of all corporate activities on the welfare of society as a whole. Legitimacy theory suggests that when there is a mismatch between company actions and societal expectations, management uses disclosure media such as annual reports to help alleviate societal concerns or, more precisely, what they perceive as societal concerns (Hurst, 2004). Inclusion of CSR information in this report is intended to allay public concerns and demonstrate that the company is meeting societal expectations (Deegan et al., 2002).

Most studies on taxes focus on tax aggressiveness and the limited analysis of tax risks (Lin et al., 2019). For this reason, it is necessary to have further studies regarding tax risk, this is because tax avoidance cannot necessarily be managed and the level of tax risk can be used as a basis for classifying taxes and the extent to which tax aggressiveness is acceptable. Based on tax phenomena in Indonesia, there are differences in research results and recommendations for further research regarding tax risk and tax aggressiveness, for this reason this study adds earnings management as a mediating variable that can be a mechanism to explain the direct effect of political connection, CSR on tax aggressiveness and tax risks.

2. LITERATURE REVIEW

2.1 Political Connection, Tax Aggresiveness, Tax Risk

Tax aggressiveness may be favored by investors because it transfers value from government to companies and advances shareholder interests (Desai & Dharmapala 2009). However, this value transfer can be twisted and creates agency problems (Desai & Dharmapala, 2009). (Yuan et al., 2012) argue that based on the agency framework, tax aggressiveness activity may result from a stimulus for managers to use the tax function to forego private rents and increase their private utility at the loss of shareholders. Interest. In fact, (Wahab et al., 2017) supports the opinion (Yuan et al., 2012) and states that it can lead to corporate tax decisions that reflect the personal interests of directors rather than shareholders. Therefore, a corporate governance mechanism is needed to reduce agency problems. For example, (Yuan et al., 2012) suggest that external and internal corporate governance mechanisms need to be strengthened. (Hanlon &

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Slemrod, 2009) argues that tax aggressiveness can have positive and negative impacts on firm value. If this activity can reduce the tax liability, it will be positive news for the market. However, corporate tax aggressiveness is considered by the Internal Revenue Service (IRS) and tax courts as non-compliance, it creates negative news to the market. This condition makes the company branded as a "poor corporate citizen" (Hanlon & Slemrod, 2009) ILLONA.

Previous studies have explored the characteristics of politically connected firms worldwide (Faccio, 2010) and their influence on capital markets in relation to corporate transparency (Bushman et al., 2004), firm performance (Fisman, 2001; Johnson & Mitton, 2003) , conservatism (Madah Marzuki & Abdul Wahab, 2016), and earnings quality (Chaney et al., 2011). Gul (2006) examines the impact of political connections on audit fees in Malaysia, and finds that auditors view connected firms as riskier in taxes, which results in higher audit fees. In summary, the Malaysian evidence points to the presence of political risk that characterizes Malaysian corporate practices, and is consistent with the view that political risk is evident in countries in emerging markets that are therefore at risk in taxes (Chua et al., 2007) compared to developed countries. As suggested by Faccio et al. (2006), politically connected companies benefit from their connections, especially in countries with higher levels of corruption.

H1. Political Connection has a positive impact on Tax Aggressiveness

H2. Political Connection has a negative impact on Tax Risk

2.2 Corporate Social Responsibility, Tax Aggresiveness, Tax Risk

When tax authorities consider a company to be overtly tax aggressive, the company can react to the disapproval by acting in accordance with legitimacy theory and disclosing CSR information. However, this information is unlikely to be confined to the environment, as the consequences of corporate tax aggressiveness span a much wider spectrum of CSR activities, including community engagement, charity work, human resources and political contributions. The implication of legitimacy theory here is that the disclosure of corporate CSR information depends on its tax aggressiveness, with reference to the role played by information and disclosure in the relationship between organizations, governments, individuals and certain groups in society (Gray et al., 1996). A company that blatantly carries out tax aggressiveness will create a tax risk resulting in significant public attention because it is deemed to have failed to meet the public's expectations that it pays a fair share of taxes (Christensen and Murphy, 2004;). Legitimacy theory further suggests that a tax aggressive company will disclose additional information related to its CSR activities in various fields in an effort to reduce public attention, to show that it is fulfilling its obligations to society or to change people's expectations about its activities.

H3. Corporate Social Responsibility has a positive impact on Tax Aggressiveness

H4. Corporate Social Responsibility has a positive impact on Tax Risk

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2.3 Political Connection, Earning Management, Tax Aggressiveness, Tax Risk

In manipulating taxes, it is undeniable that there is a political connection between companies. The existence of political power in a company helps its officers and directors have an impact on laws and regulations and provides companies with access to information that allows them to anticipate economic changes and reduce uncertainty (Maaloul et al., 2018). In fact, in developing countries, businesses depend on the government for controlling a large part of the market (Chen et al., 2014). However, companies are always trying to find strategies to benefit from resources and achieve competitive advantage. One strategy is to co-opt directors who have political experience, in addition companies can invite people who hold government positions to join the board of directors.

Several previous studies revealed that there is a positive and significant relationship between political connections and tax aggressiveness (Zaitul and Ilona, 2019, Abdul Wahab et al., 2017, Adhikari et al., 2006). However, political connections also have a negative influence on tax aggressiveness, because the government gives appreciation in the form of awards given to companies, both State-Owned Enterprises and Private-Owned Enterprises, which make a major contribution to the state through high tax payments (Kim and Zhang, 2016). With this phenomenon, both companies which are State-Owned Enterprises and Private-Owned Enterprises will compete with each other in order to make a large contribution to the state through paying high taxes (Wicaksono, 2019). From this, political connections will also regulate management in managed companies.

Management tends to report more losses, especially during reorganization situations. Companies with high profits will be more likely to practice this technique to avoid political pressure, tax reflection and income tax risk because this technique will require management to increase expenses in order to minimize reported income. This technique is applied mostly for the benefit of individuals such as managers rather than for the benefit of shareholders. In many cases, management will refuse to describe low reported earnings, therefore companies will smooth earnings as a earnings management technique.

H5. Earning Management mediates a political connection to tax aggressiveness

H6. Earning Management mediates a political connection to tax risk

2.4 Corporate Social Responsibility, Earning Management, Tax Aggressiveness, Tax Risk

Corporate tax aggressiveness is also often associated with the debate that corporations are primarily responsible for maximizing the wealth of their shareholders, even through aggressive tax mechanisms and at the expense of other stakeholders (Sikka, 2010, 2013). However, such mechanisms place companies at risk of potential public backlash. However, it makes CSR performance an ideal shielding tool for companies to appease the public if their tax aggressive activities are exposed (Sikka, 2013). This view is supported by Lanis and Richardson (2012), who tested the legitimacy theory, that companies that are tax aggressive disclose more CSR information than companies that are not tax aggressive. They conclude that Australian-registered companies accused of tax aggressiveness by the Australian Tax Office (ATO) do

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indeed disclose significantly more on their CSR performance. To allay the growing public backlash against their tax aggressiveness, these companies openly and widely state their CSR performance to demonstrate that they are still socially responsible, even if they do not pay their fair share of taxes.

Meanwhile, Huseynov and Klamm (2012) imply that CSR-robust companies are tax aggressive to benefit not only their shareholders, but also society. Tax reductions allow companies, especially profitable ones, to engage in more CSR activities. This can ultimately transform aggressive and risky tax practices into more socially acceptable corporate activities (Huseynov and Klamm, 2012). Likewise, Davis et al. (2016) who found that US public companies with high CSR ratings paid significantly less tax and were more involved in tax lobbying activities, suggesting that companies perceive taxes to reduce their CSR performance by reducing distributable income. Thus, companies that pay less taxes can actually provide more social benefits, making CSR and taxes substitutes for one another (Davis et al., 2016). Nonetheless Davis et al. (2016) does not rule out the possibility that companies can carry out CSR to eliminate public reproach for their tax aggressiveness.

The desire to minimize taxes encourages managers to manipulate earnings (Marques et al., 2011). Companies that are aggressive in taxes will manage profits and arrange transactions to create differences in taxable profit and accounting profit. Managers use three related tax items to manage earnings such as appraisal allowances, tax contingency reserves, and the amount of foreign income set to be permanently reinvested. Companies use the income tax burden to manipulate profits and create opportunities for managers to achieve profit targets (Amidu et al., 2019). However, there are also companies that have difficulty managing earnings because they have to create high profits to attract investors, on the other hand, companies must minimize taxes. Efforts that stand out with differences in profits and taxes will receive special attention from tax collection authorities, especially when go public companies have strict governance, making it difficult for companies to carry out earnings management (Hashim et al., 2016).

H7. Earning Management mediates the relationship between Corporate Social Responsibility and Tax Aggressiveness

H8. Earning Management mediates the relationship between Corporate Social Responsibility and Tax Risk

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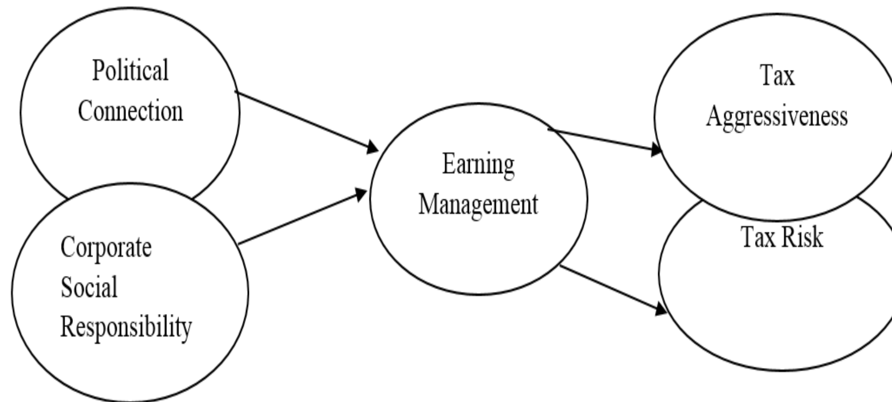

Figure 1: The Form of the Theoretical Model with the Hypothesis Proposed By the Researcher

3. RESEARCH METHODS

3.1 Research approach, types and sources of data

This research is a quantitative study using statistical casual analysis methods using the Structural Equation Modeling (SEM) approach with the help of the SmartPLS 4.0 program. Structural Equation Model (SEM) as a multivariate technique that combines aspects of multiple regression (testing dependency relationships) and factor analysis (describing concepts that cannot be measured by factors with multiple variables) to estimate interdependence relationships simultaneously with latent variables and their indicators. This study uses secondary data obtained from the IDX which consists of annual reports and independent audit reports.

Population and sample

This study uses manufacturing company data from 2016 to 2020 with a population of 212 companies. The reason for choosing the manufacturing sector is because this sector is the largest contributor to national exports from year to year (Ministry of Industry, 2020). The sampling technique used purposive sampling method with the selection of samples based on certain considerations or criteria. The sample criteria are manufacturing companies that conducted an initial public offering (IPO) before 2015, experienced losses during at least three years of the five-year study period and have a full annual report and independent audit report. Based on the sample selection criteria, the number of samples in this study were 40 companies with 200 data.

Research variable

The variables of this study consist of tax aggressiveness and tax risk as the dependent variable. The political connection and corporate social responsibility as independent variables, and earnings management as a mediating variable.

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Data analysis method

The data analysis method used in this study includes testing the outer model and inner model. Outer model includes validity and reliability. The inner model includes the R Square, Q Square values, quality indexes, and the t test for a significance value of less than 0.05.

4. RESULT AND DISCUSSION

4.1 Inner Model

4.1.1 R Square

The R Square value is used to explain the effect of certain exogenous latent variables on endogenous latent variables whether they have a substantive effect.

Table 1: R Square

	R Square	Adjusted R Square	Results
PC	0.783	0.777	Strong
CSR	0.780	0.765	Strong
EM	0.872	0.868	Strong
TA	0.880	0.870	Strong
TR	0.873	0.790	Strong

Source: Processed data, 2023

Note: PC: Political Connection. CSR: Corporate Social Responsibility, EM: Earning Management, TA: Tax Aggressiveness, TR: Tax Risk

Based on the results shown in Table 1, the R Square value of each variable is in a strong category because the R Square value is > 0.67.

4.1.2 Predictive Relevance

Predictive relevance or the Q Square test is used to measure how well the observed values are generated by the model and parameter estimates. If the Q Square value > 0 indicates that the model has good predictive relevance and vice versa. Based on the calculation results, it is known that the Q2 Tax Aggressiveness is 0.96, then Q2 Tax Risk is 0.984, Q2 Political Connection is 0.975, and Q2 Corporate Social Responsibility is 0.955, Q2 Earning Management is 0.941. From this value it shows that the number is > 0 (zero) so that the observation value generated by the research model has good predictive relevance.

4.1.3 Quality Indexes

Quality indexes are used to determine the goodness of fit with the GoF index. Goodness of fit or GoF index is used to validate the inner model and the overall model. To calculate GoF, it is calculated from the square root of the average AVE and average R Square values as follows

$$GoF = \sqrt{AVE \ x \ R^2}$$

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Based on the calculations, the resulting goodness of fit is 0.792 which indicates the large category. The goodness of fit number has good results to explain the relationship between latent variables and their assumptions.

4.1.4 Hypothesis Testing

Hypothesis testing uses the boostrap method. The boostrap procedure uses the entire original sample for resampling. The decision rule for testing the hypothesis if the original sample value is positive followed by a t-statistic value > 1.96 or a p-value < 0.05, then it produces a positive and significant hypothesis. The following is the result of testing the hypothesis presented in Table 2

Table 2: Direct Effect

	Original Sample	T Statistik	P-Values	Description
PC> TA	0.794	10.627	0.000	Positive, Significant
PC> TR	-0.760	10.771	0.000	Negative, Significant
CSR>TA	-0.529	10.722	0.000	Negative, Significant
CSR> TR	0.421	10.601	0.000	Positive, Significant

Source: Processed data, 2023

Note: PC: Political Connection. CSR: Corporate Social Responsibility, EM: Earning Management, TA: Tax Aggressiveness, TR: Tax Risk

Based on the statistical results of direct hypothesis testing in Table 2, it shows that the effect of a political connection on tax aggressiveness with an original sample of 0.794, p = 0.000 > 0.05 so that H1 is accepted. Several previous studies revealed that there is a positive and significant relationship between political connections and tax aggressiveness (Zaitul and Ilona, 2019, Abdul Wahab et al., 2017, Adhikari et al., 2006). Political power in companies helps officers and directors have an impact on laws and regulations and gives companies access to information that allows them to anticipate economic changes and reduce uncertainty (Maaloul et al., 2018). Even in developing countries, businesses depend on the government to control most of the market (Chen et al., 2014). However, companies are always trying to find strategies to benefit from resources and achieve competitive advantage. One strategy is to co-opt directors who have political experience. In addition, companies can invite people who hold government positions to join the board of directors or important positions in the company.

The effect of political connection on tax risk with an original sample of -0.760, p = 0.000 > 0.05 so that H2 is accepted. Uncertainties include uncertainty regarding the application of the Tax Law, the possibility of an audit by the tax authorities, uncertainty in financial accounting for income taxes, and the quality of accounting information as a basis for making tax decisions can be resolved due to political connections from high-power holders so that information received by companies is faster. And accurate. The effect of CSR on tax aggressiveness with an original sample of -0.529, p = 0.000 > 0.05 so that H3 is rejected. To avoid public assumptions due to tax aggressiveness, these companies openly and widely state their CSR performance to show that they are still socially responsible, even though they do not pay tax obligations, this is in accordance with Lanis' research (2012) that CSR has a positive impact

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on tax aggressiveness. As for CSR on tax risk with an original sample of 0.421, p = 0.000 > 0.05 so that H4 is accepted. The existence of social responsibility carried out will have an impact on the uncertainty received by the company because the company focuses on CSR performance, besides that the resources that should be able to overcome tax risks will be diverted to corporate social responsibility.

Analysis of mediating variables

The results of mediation testing or often called the indirect effect can be known from the total effect. The results of the indirect effect can be seen in Table 3

Table 3: Indirect Effect

	Original Sample	T Statistik	P Values	Results
EM> TA	0.675	8.785	0.000	Accepted
EM> TR	0.273	2.614	0.012	Accepted

Source: Processed data, 2023

Note: EM: Earning Management, TA: Tax Aggressiveness, TR: Tax Risk

Based on the statistical results of the indirect effect in Table 3, it shows that. Earning management mediates the relationship between political connection and corporation social responsibility with tax aggressiveness with an original sample of 0.675, p = 0.000 > 0.05 so that H5, H7 are accepted. Companies with high profits will be more likely to practice this technique to avoid political pressure, tax reflection and income tax risk because this technique will require management to increase expenses in order to minimize reported income. This technique is applied mostly for the benefit of individuals such as managers rather than for the benefit of shareholders. In many cases, management will refuse to describe low reported earnings, therefore companies will smooth earnings as an earnings management technique.

Meanwhile, earnings management mediates political connection, corporation social responsibility on tax risk with an original sample of 0.273, p = 0.012 > 0.05 so that H6, H8 are accepted. Companies use the income tax burden to manipulate profits and create opportunities for managers to achieve profit targets (Amidu et al., 2019). However, there are also companies that have difficulty managing earnings because they have to create high profits to attract investors, on the other hand, companies must minimize taxes. Efforts that stand out with differences in profits and taxes will receive special attention from tax collection authorities, especially when companies that go public have strict governance making it difficult for companies to carry out earnings management (Hashim et al., 2016).

5. CONCLUSION, RESEARCH LIMITATION AND FUTURE RESEARCH

Based on the results of the analysis, it can be concluded that political connection, corporate social responsibility, earnings management have a positive or negative effect on tax aggressiveness and tax risk. This study has theoretical and practical implications. Theoretically, this study contributes to the discipline of political economy in the sense that by design, there is a transfer of wealth from the state to the shareholders. The relationship-based economy creates

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opportunities for politically connected companies to reduce their tax liability due to better information, and lower political costs of aggressive tax planning. In practice, politically connected companies are not supposed to gain competitive advantage through a relationship-based economy because this relationship-based economy is temporary. A number of important limitations need to be considered.

The limitations and recommendations for further research. First, this study uses several corporate sectors for further research to classify sectors and compare results per sector. Second, further research can be emphasized by adding the tested variables and using variables according to the conditions of the countries being tested so that they will know the actual situation and can be used as material for consideration by stakeholders.

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