

A Moderating Political Connection Model in Environmental Performance, Corporate Governance, and the Corporate Social Responsibility (CSR) Disclosure Relationship

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This study examines whether political connections will strengthen the relationship of environmental performance and corporate governance to corporate social responsibility disclosure. A moderating variable political connection model is designed to investigate the issue of whether political connections strengthens the relationship of environmental performance (EP) proxied by PROPER of the environment ministry and corporate governance to the disclosure of corporate social responsibility. While previous research focused on environmental performance with disclosure of corporate social responsibility, in Indonesia has a different work culture such as political connection problems due to ethnic and racial diversity. The use of political connections in each company has a positive effect on the company determine the direction of the policy taken by the company. This effect is more real for companies, especially state-owned companies and with environmental regulations stipulated in Government Regulation No.47 of 2012 concerning Responsibility for Social and Environmental Responsibilities of Limited Liability Companies. This will have an impact on companies in providing policies for disclosure of corporate social responsibility. Using the power of political connections will be able to improve environmental performance (EP) and Corporate Governance in determining policies -

disclosure policies corporate social responsibility with the results of this study was rejected. The results of this study reflect that political connections in Indonesia that enter the ranks of the board of commissioners have not entirely played a role in company policies. This can consistently affect the performance of the company because the standards have been determined in the regulations so that the company operates and controls it. For the future study, the researcher must consider the measurement in the disclosure of corporate social responsibility and political connection measurement.

Keywords: *Political Connection, Environmental Performance, Corporate Governance, CSR Disclosure*

Introduction

The article aims to find out the political connections between the environmental performance variables and the corporate governance mechanism towards corporate social responsibility. This idea stems from a phenomenon that occurs where the sympathisers of political parties are included in the ranks of leaders and commissioners of the company. Direct and indirect political relations at a certain level are maintained at various levels of interest, especially about obtaining permits to build, land acquisition and business application of corporate social responsibility policies (Leuz & Oberholzer-Gee 2006; Nowland 2016; Zhang 2017). So what happens when the election season the investigators will carry out social activities given to the community around the company environment, the large allocation of funds used will be obtained from investigators or utilise funds from the industrial or corporate world.

Companies in Indonesia are already familiar in every turn of the country's leadership will also be accompanied by the change of leadership and board of commissioners, especially BUMN companies that have connections with the government by appointing BUMN commissioners from political party members (Leuz & Oberholzer-Gee 2006). This shows that political connections are very common in the corporate organisational structure (Gray, Harymawan, & Nowland 2016; Gu et al. 2013; Wirabuana et al. 2016). Political connection in Corporate Social Responsibility (CSR) policies. The company does this to have rapid risk and information detection because the tendency of politicians also protects companies that are connected to it so that the risk of CSR policies can be lower.

The relationship between political connections with companies can have better information so that the company will more quickly own any change in the regulation of social responsibility issues in the future. While the impact felt by the company on the low pressure from the capital market to make transparency and potentially reduce political costs related to social responsibility activities. Political connections are also beneficial for companies to gain

access to the central government. (Leuz and Oberholzer-Gee, 2006; Zhang, 2017). Companies that have political connections will try to establish closeness with the government; political connections are very valuable to companies (Hou, Hu, & Yuan, 2017; Nakpodia & Adegbite, 2018; Wirabuana et al., 2016).

Business actors view that social responsibility is a waste of costs, and social responsibility has become the responsibility of the government because the company considers paying taxes. The concept of corporate social responsibility policy implies that companies or business people generally have responsibilities that include legal, economic, ethical, and environmental responsibilities (Gu et al., 2013; Planken, Nickerson, & Sahu, 2013; Yang & Baasandorj, 2017). Corporate social responsibility policy emphasises the ethical and social aspects of corporate behaviour, business ethics, law compliance, abuse of authority and community property rights, employment, human rights, security and health, consumer protection, social contributions, standards of work and goods delegation, and operations between countries.

The company is running its business cannot be separated from environmental problems which are now a serious concern for the community, because the social and ecological impacts caused by the company's business activities must be immediately addressed (Deswanto & Siregar, 2018; Hirunyawipada & Xiong, 2018). Companies must have a good environmental performance to maintain a positive image among stakeholders (Siew, Balatbat, & Carmichael, 2013; Zhang, 2017). Environmental performance is the company's performance in preserving the environment and creating harmony, harmony and balance between humans and the environment. Law of the Republic of Indonesia number 23 of 1997 concerning environmental management Article 14 states that 1) Ensuring the preservation of environmental functions, every business and/or activity is prohibited from violating the quality and standard criteria for environmental damage; 2) Provisions regarding environmental quality standards, prevention and control of pollution and the recovery of its capacity is regulated by Government Regulation; and 3) Provisions concerning standard criteria for environmental damage, prevention and control of damage and restoration of carrying capacity are regulated by Government Regulation. The program that has been carried out in the Ministry of Environment has set the PROPER environmental performance rating (an environmental management rating program for the company) in five colours, starting with the highest rating of gold, green, blue, red and black (Angelia & Suryaningsih, 2015)

The linkage of environmental performance with corporate social responsibility disclosures is carried out by Rakhiemah and Agustia (2009), Angelia and Suryaningsih (2015). The research has found a positive influence on environmental performance on corporate social responsibility disclosure. Research result (Elder et al., 2012), also strengthened the results of

Rakhiemah and Agustia (2009) research, that environmental performance proxied by PROPER has a significant positive effect on corporate social responsibility disclosure. Whereas in the research conducted did not find a significant relationship between environmental performance if proxied with PROPER to the quality of environmental disclosure.

Corporate governance is a system that directs and controls the company (FCGI, 2003). The corporate governance mechanism is monitoring carried out on management performance and ensuring management accountability to stakeholders based on the regulatory framework. Weak corporate governance mechanisms in a company create opportunities for financial report manipulation practices. A good corporate governance mechanism will encourage management to make broader and more transparent disclosures so that management will try to provide corporate social responsibility policies in its annual report (Markonah, Cahaya, & Riwayati, 2016; Mouselli & Hussainey, 2014; Wahyudin & Solikhah, 2017). With the corporate social responsibility policy in the company, the company can attract investors to believe that the invested capital does not have a high risk and will get a satisfactory return. Research by Angelia and Suryaningsih (2015), O'Dwyer Brendan nd (YEAR??), Yang and Baasandorj (2017) stated that the results of the research conducted showed a significant relationship between corporate governance mechanisms and the disclosure of corporate social responsibility policies.

Literature Review and Hypothesis Development

The results of corporate social responsibility research are changes from controlling the company, operating trends and merger trends supporting stakeholder theory and social responsibility. Corporate decisions, such as dividend payments are influenced by local demographic characteristics. The surrounding environment with environmental performance in the right proxy from the environment ministry can influence the behaviour of companies in many ways. For example, the cultural environment can be used to predict variations in investor protection, such as credit rights, our research on environmental performance affects corporate social responsibility, environmental performance in managing good resources related to production or mining activities will have an impact corporate social responsibility disclosure (Rakhiemah & Agustia, 2009).

The company's gold rating from the environmental performance that the company commits to preserving the environment from damage due to company activities. Companies with a gold rating, environmental performance will be given public appreciation. Good environmental management will restore and preserve nature, and pollution will be managed with eco-efficiency, commitment to the environment. The community will believe in corporate responsibility so that public and public loyalty will bring increased sales. Environmental



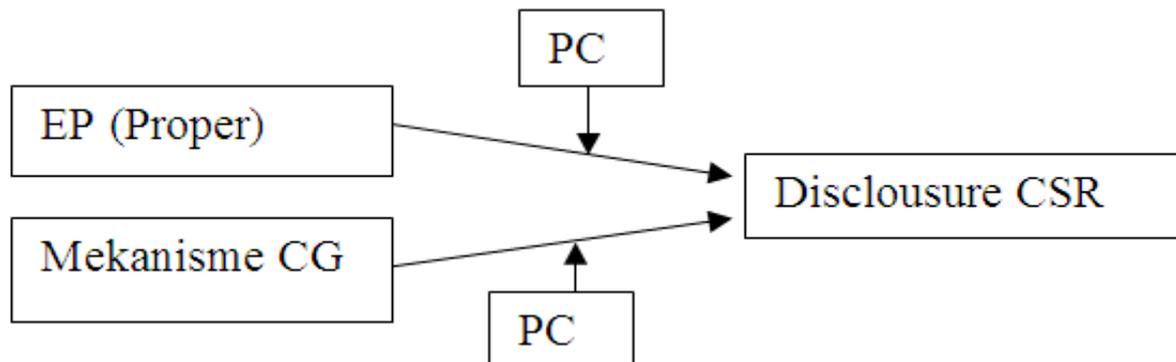
performance creates a beautiful, clean and green environment. PROPER's environmental performance rating is divided into five colours with the following definitions: (<http://proper.menlh.go.id>).

The more the composition of the decision commissioners in managerial management is more appropriate to the objectives of the company, corporate governance mechanism will look more professional. Composition of company leaders and experience will be more on good governance. The corporate governance mechanism is monitoring carried out on the performance of management assessments that are accountable to stakeholders based on regulations. Weak corporate governance mechanisms in a company create opportunities for financial report manipulation practices. Corporate governance mechanism with a proxy for institutional ownership, a board of commissioners, independent board of directors, and audit committee those who have responsibility and commitment, ethics, will encourage management to make broader and more transparent disclosures so that the management will try to provide corporate social responsibility policy in its annual report (Markonah, Cahaya, & Riwayati, 2016; Mouselli & Hussainey, 2014; Wahyudin & Solikhah, 2017).

The pressure of a politically connected corporate environment will implement CSR policies for environmental stability, environmental planning, and philanthropic action to be a benchmark of best practices. Environmental pressures will bring CSR policies to three types, regulation, normative and cognitive. The relationship of political connections that the company will have earlier information related to regulation so that any changes in the regulation of social responsibility issues in the future will be faster owned by the company. Low pressure from the capital market to make transparency and potentially reduce political costs related to social responsibility activities. Political connections are also beneficial for companies to gain access to the central government (Zhang, 2017).

The political connection context lies in the concept of culture in political parties. There are reciprocal relationships that are owned, such as nepotism and corruption related to corporate social responsibility where someone in achieving this, they want to do political communication (Cooper & Keim, 1983; Gu et al., 2013). Policymakers, the results of effectiveness as improvements in reducing the need for companies to rely on political connections (Gray et al., 2016; Gu et al., 2013; Hou et al., 2017) as a stakeholder in the company's behaviour in a comprehensive corporate social responsibility. The results of the study stated that both local religiosities have a positive impact on the level of corporate social responsibility. As in the above discussion, we make the following research concept framework;

Figure 1. Research Conceptual Framework Model



The disclosure of environmental performance will grow trust and provide good information and means describing good news for market participants (Angelia & Suryaningsih, 2015; Permana, 2012; Siagian, Siregar, & Rahadian, 2013). This indicates that companies that take part in PROPER will disclose higher corporate social responsibility (CSR). Therefore, the company will pay more attention to the environment and discuss its financial reporting as a success and concern for the company to become a government program in the Ministry of Environment. Advantages of companies that have political relationships because they protect the need to respond to market pressure and reduce willingness to produce high-quality accounting information (Chaney, Faccio, & Parsley, 2011; Gray et al., 2016). The relationship of political connections can also be seen from the presence or absence of direct ownership by the government in the company (Siagian et al., 2013), and research (Chaney et al., 2011) found that companies that have political connections have three potential sources of benefits, namely: 1) privileged access to credit, 2) tax discount, and 3) market power.

H1. The interaction of political connections strengthens environmental performance towards corporate social responsibility.

Managers or leaders of companies that have political relations will show greater willingness to adopt political nuances so that they are following policies to fulfil the concept (correctness and or correct behaviour) (Chen et al., 2018; At Giuli & Kostovetsky, 2014). Relations in the context lies in the concept of culture in political parties, reciprocal relationships such as nepotism and corruption related to corporate social responsibility where a person performs a particular role in achieving this. They want either personally or in groups and groups, which can be translated as responsibility social (Cooper & Keim, 1983; Gu et al., 2013). Companies that make policy-related environmental responsibilities more related are politically more proactive in carrying out policies such as using an environmental management system or assessing water and waste practices (Guet et al., 2013; Rochayatun 2016; Widya & Sandra, 2014; Baboukardo,s 2018).

Changes in political stability and government effectiveness have the opposite effect on corporate incentives that are politically connected to respond to market pressures and improve the quality of accounting information. For policymakers, the results of effectiveness as an improvement in reducing the need for companies rely on political connections (Gray et al., 2016; Gu et al., 2013; Hou et al., 2017) as local stakeholders in the community towards the company's behaviour in a comprehensive corporate social responsibility. The results of the study said that both local religiosities have a positive impact on the level of corporate social responsibility. This connection between political connections strengthens the mechanism of corporate governance proxied by the composition of institutional ownership, the board of commissioners, independent commissioners and audit committee on corporate social responsibility

H2. The interaction of political connections strengthens the mechanism of corporate governances towards corporate social responsibility

Research Methodology

Our study uses a moderating model to determine the variable political connection, which can strengthen environmental performance variables on corporate social responsibility and whether variable political connections can strengthen corporate governance mechanism variables on corporate social responsibility, based on data obtained from the website of Indonesia Stock Exchange (IDX).

Data Analysis

Corporate social responsibility is a process of communicating the social and environmental impacts of the organisation's economic activities on specific groups of interest and to the community as a whole. Disclosure of corporate social responsibility can be seen from the annual report of manufacturing companies listed on the Indonesia Stock Exchange. Environmental performance as measured by PROPER (Environmental Management Rating Programs for the Company) seperti gold colour given a score of 5, green with a score of 4, yellow with a score of 3, red with a score of 2 and black with a score of 1. Measurement of political connections using dammi variables if a company has a relationship with a political party with a number of 1 and that has no relationship with the number 0. Corporate governance mechanisms are proxied by institutional ownership, the board of commissioners, independent board of directors and audit committee.

Analysis Model

This study uses descriptive statistics, and this method is related to the collection, summarisation, presentation of data to provide the results of relevant information. The model

is descriptive statistical testing can be seen with the following model of moderating regression equation:

Model Equation 1 to Test the Effect of the Independent Variable to Dependent

$$\text{CRS} = \alpha + \beta_1\text{EP} + \beta_2\text{KI} + \beta_3\text{DKom} + \beta_4\text{DKIn} + \beta_5\text{KAud} + \beta_6\text{PC} + \varepsilon$$

Model Equation 2 to Test the Interaction of Variable Political Connections

$$\text{CRS} = \alpha + \beta_1\text{EP} + \beta_2\text{KI} + \beta_3\text{DKom} + \beta_4\text{DKIn} + \beta_5\text{KAud} + \beta_6\text{PC} + \beta_7\text{EP} * \text{PC} + \beta_8\text{KI} * \text{PC} + \beta_9\text{DKom} * \text{PC} + \beta_{10}\text{DKIn} * \text{PC} + \beta_{11}\text{KAud} * \text{PC} + \beta$$

Information

α : constant

CSR: Corporate Social Responsibility

EP: Environmental performance

KI: Institutional ownership

DK: Board of Commissioners

DKI: Independent Board of Commissioners

KA: Audit committee

PC: Political Connections

EP * PC: interaction Environmental performance with Political Connections

KI * PC: Interaction of institutional ownership with Political Connections

DK * PC: Interaction of the Board of Commissioners with Political Connections

DKI * PC: Interaction of Independent Commissioners with Political Connections

KA * PC: Interaction of the Audit Committee with Political Connections

ε : Error

Discussion

Iteration History table on block 0 or when independent variables are not included in the model: N = 88 gets Value -2 Log Likelihood: 32,544. Result of Degree of Freedom (DF) = N - 1 = 88-1 = 87. Chi-Square (X²) Table In DF 87 and Probability 0.05 = 109.77. With n values of -2 Log Likelihood (32,544) < x² tables (109,77) so that accepts H₀, it shows that the model before entering the independent variable is FIT with data.

Table 1: Iteration History

Iteration History ^{a,b,c}			
	Iteration	-2 Log likelihood	Coefficients
			Constant
Step 0	1	41,019	1,818
	2	33,400	2,602
	3	32,566	2,969
	4	32,544	3,042
	5	32,544	3,045
	6	32,544	3,045

a. Constant is included in the model.

b. Initial -2 Log-Likelihood: 32,544

c. Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

The test results in the Classification table in the appendix are 2 x 2 contingency tables which should occur or also called expectation frequencies based on empirical data on the dependent variable, where the number of samples that have the category of dependent variable performs CSR disclosures (code 1), which is 84 whereas those who did not disclose CSR were four companies. The number of samples is 88 people. So that the overall percentage value before the independent variable is included in the model is $84/88 = 95.5\%$. Above in the Block 1 Iteration history table or when an independent variable is included in the model: $N = 88$. Degree of Freedom (DF) = $N - \text{number of independent variables} - 1 = 88 - 11 - 1 = 76$. Chi-Square (χ^2) Table In DF 76 and Prob 0.05 = 97.351.

The value of -2 Log-Likelihood on the 20th interaction shows that it has been constant at $(0,000) < \chi^2$ table (97,351) so that it receives H_0 , then shows that the model by entering the independent variable is FIT with data. This is the same as the Block Beginning above, where the independent variable was entered into the model, the FIT model with data. In the omnibus table the test model found a significant value of $0.001 < (\alpha) 0.05$ which indicates that the addition of six independent variables can give a real influence on the model or in other words after adding variables, the model is declared FIT. Based on the signification value, the answer to the hypothesis of the simultaneous influence of the independent variable on the dependent variable is that there is a significant influence on the six independent variables on CSR.

Above in the Model Summary table: To see the ability of independent variables to explain the dependent variable, the values of Cox & Snell R Square and Nagelkerke R Square are used. These values are also called Pseudo R-Square or if in linear regression (OLS) better known as R-Square. Nagelkerke R Square value of 1.00 and Cox & Snell R Square .309, indicating that the ability of independent variables in explaining the dependent variable is

equal to 0.309, or 30.9% and there is a 100% - 30.9% = 69.1% of other factors outside the model that explains the dependent variable.

Environmental Performance, the Mechanism of Corporate Governance and Corporate Social Responsibility

Testing the influence of environmental performance with corporate governance mechanisms on corporate social responsibility shows that overall there is no effect between the independent and dependent variables as follows;

Table 2: The independent and dependent variable testing results

Variables in the Equation							
		B	SE	Wald	df	Sig.	Exp (B)
Step 1 ^a	EP (Environmental Performance)	-2,219	3389,310	000	1	, 999	, 109
	KI (Institutional Ownership)	-4,601	236,582	000	1	, 984	, 010
	DK (Board of Commissioners)	-, 252	3876,476	000	1	1,000	, 777
	DKI (Independent Commissioner)	26,241	12834,705	000	1	, 998	249017210 081,694
	KA (Audit Committee)	1,888	133,758	000	1	, 989	6,608
	PC (Political Connection)	3,482	267,403	000	1	, 990	32,518
	Constant	302,334	18228,350	000	1	, 987	2,004E + 131

a. Variable(s) entered on step 1: EP (Environmental Performance), KI (Institutional Ownership), DK (Board of Commissioners), DKI (Independent Board of Commissioners), KA (Audit Committee), PC (Political Connection).

$\ln(p / 1-p) = 302,334 - 2,219 EP - 4,601 KI - 0,252 DK + 26,241 DKI + 1,888 KA + 3,482 PC$
The higher the value of the PC, if other variables are considered constant, then the probability of the company to disclose the value of CSR will decrease with a factor of $e^{-2.219} = 0.108$; the higher the KI value, if other variables are considered constant, then the probability of the company to disclose the CSR value will decrease with the factor $e^{-4.601} = 0,010$; the higher the DK value, if other variables are considered constant, then the probability of the company to disclose the CSR value will decrease further with the factor $e^{-2.52} = 0.804$; the higher the DKI value, if other variables are considered constant, then the probability of the company to reveal the value of CSR will increase further with factor $e^{26,241} = 2,49 \cdot 10^{11}$; the higher the value of the train, if other variables are considered constant, then the probability of the company to disclose the value of CSR will increase by a factor of $1.888 = 6.553$; the higher the value of the PC, if other variables are considered constant, then the probability of the company to disclose the value of CSR will increase by a factor of $3.482 = 32,525$

Based on the results of testing all independent variables there is no effect on CSR disclosure because proper has become the responsibility of the company as stipulated in the environmental ministry regulation and that means that the company is committed to

environmental performance that is promoted by proper. Some of the company management that environmental performance is good news for market participants. (Angelia and Suryaningsih 2015) states that environmental performance using PROPER, especially the gold rating, has a significant influence on company performance, on the other hand (Nazari, 2017) that disclosure of social responsibility increases transparency related to the company's social and environmental performance.

Insignificant results indicate that the environmental performance carried out by the company does not have a significant influence on the company to disclose social responsibility. The management feels it is not necessary to provide disclosures about environmental performance because disclosure of environmental performance is not perceived to affect the position and compensation received. Responsibilities related to disclosure of environmental performance are more directed towards large-sized companies. Corporate social disclosures provide competitive loss because the company has to spend a lot of costs to disclose social information; companies with high profitability do not necessarily disclose more information about disclosure of environmental performance.

The company is aware of the responsibility for environmental sustainability around the area so that with the preservation of the company's environment, the balance of the ecosystem is well maintained. Social responsibility has become part of the program programmed by the company to contribute to the social community. The company becomes the object of research, most of them are mining companies so that the priority and focus of the company on environmental policies. They have become a program of the Ministry of the environment while CSR is regulated by Government Regulation No.47 of 2012 concerning social and environmental responsibility of limited liability companies and this is used as an excuse by the company.

The relationship between corporate governance (CG) and corporate social responsibility (CSR) is a matter of confusion for many people because there are many motives and goals are implied. This indicates that there is overlap, interconnectedness, potential temperance or reinforcement. Corporate governance (CG) emphasises external regulation and internal control of the company in legal ways. It assumes that the monitoring function is controlled by the board of directors and senior managers. CSR is about how companies manage their behaviour by referring to social norms, now including external, mass government systems, in which multifactor, personal behaviour, commitment, partnerships, associations (Mouselli & Hussainey, 2014; Wahyudin & Solikhah, 2017; Zhang, 2017) states that political connections help companies to receive government grants, subsidies and tax reductions related to environmental protection, and implement government environmental policies. CSR is seen as a threat to the relationship of managers who must prioritise shareholders for the short term. The main corporate governance has a broader goal than the benefits of shareholders, other

stakeholders and the community as the right choice of manager's responsibilities. The existence of research results has not been consistently proven that all shareholders are motivated by the return of long-term stability, and many recognise the company's benefits from CSR investments, at least in dealing with social and environmental risks (Yang & Baasandorj, 2017).

An understanding of the role of corporate governance and ownership in the company's financial performance (Paniagua, Rivelles, & Sapena, 2018; Schweizer, Walker, & Zhang, 2018). Political relations have a role to play in managing the company, but the research is not the same because CSR has become a mandatory must be carried out for a listed company (PT) and could be a political connection applies to state-owned companies, for public companies to focus on the company's performance to maximise profits and shareholders only

The Political Connection Interaction Strengthens the Environmental and Corporate Governance Performance towards the Disclosure of Social Responsibility

The results of the research test were all variables that became the focus of the study were not significant. The data used was 88 samples by measuring environmental performance using the PROPER rating of the Ministry of Environment, corporate governance measurement proxied by the percentage (%) Institutional Ownership, number of commissioners, number of Independent Commissioners, Percentage (%) of the Audit Committee with a financial background as well as the moderating variable percentage (%) of the board of commissioners who have a political connection and the dependent variable with dammi variable code 1 which expresses social responsibility and Zero (0) otherwise.

Table 3: Test results with moderating variables

Variables in the Equation							
		B	SE	Wald	df	Sig.	Exp (B)
Step 1 ^a	EP (Environmental Performance)	-12,054	23705,464	000	1	1,000	000
	KI (Institutional Ownership)	-4,996	438,836	000	1	,991	,007
	DK (Board of Commissioners)	-9,562	9000,972	000	1	,999	000
	DKI (Independent Commissioner)	34,979	9872,922	000	1	,997	1552749016317679,200
	KA (Audit Committee)	1,785	262,873	000	1	,995	5,957
	PC (Political Connection)	-16,913	4273,294	000	1	,997	000
	Moderation 1 (KI * PC)	,191	30,087	000	1	,995	1,211
	Moderation 2 (DK * PC)	1,260	563,626	000	1	,998	3,526
	Moderation 3 (DKI * PC)	-2,698	862,420	000	1	,998	,067
	Moderation 4 (KA * PC)	-,069	21,488	000	1	,997	,934
	Moderation 5 (EP * PC)	1,123	1132,493	000	1	,999	3,075
	Constant	399,506	88437,727	000	1	,996	3,187E + 173

a. Variable (s) entered on step 1: EP (Environmental Performance), KI (Institutional Ownership), DK (Board of Commissioners), DKI (Independent Board of Commissioners), KA (Audit Committee), PC (Political Connection), Moderation 1 (KI * PC), Moderation 2 (DK * PC), Moderation 3 (DKI * PC), Moderation 4 (KA * PC), Moderation 5 (EP * PC).

$$\ln(p / 1-p) = 399,506 - 12,054EP - 4,996 KI - 9,562 DK + 34,979 DKI + 1,785 KA - 16,913 PC + 0,191KI * PC + 1,260DK * PC - 2,698DKI * PC - 0,069KA * PC + 1,123 EP * PC + e$$

These results indicate that all variables that are interacted with political connections cannot strengthen the disclosure of social responsibility the higher the value of the PC, if other variables are considered constant, then the probability of the company to reveal the value of CSR will decrease with the factor $e^{-12,054} = 0,000$. The higher the KI value, if other variables are considered constant, then the probability of the company to disclose the CSR value will decrease with a factor of $e^{-4,996} = 0,007$. The higher the value of DK, if other variables are considered constant, then the probability of the company to disclose the value of CSR will decrease further with a factor of $e^{-9,562} = 0,000$. The higher the DKI value, if other variables are considered constant, then the probability of the company to disclose the value of CSR will increase by a factor of $e^{34,979} = 1,55711$. The higher the value of the train, if other variables are considered constant, then the probability of the company to disclose the value of CSR will increase by a factor of $e^{1,785} = 5,957$. The higher the value of the PC, if other variables are considered constant, then the probability of the company to reveal the value of CSR will increase with the factor $e^{-16,913} = 0,000$.

The effect of political connection interaction of all variables weakens the influence of corporate social responsibility on the probability of a company to disclose the value of EP * PC will decrease with a factor of $e^{1,123} = 3,075$. The higher the value of the interaction of KI * PC, if other variables are considered constant, then the probability of the company to disclose the CSR value will decrease with a factor of $e^{0,191} = 1,211$. The higher the interaction value of DK * PC, if other variables are considered constant, then the probability of the company to reveal the value of CSR will decrease further with a factor of $e^{1,260} = 3,526$. The higher the value of DKI * PC interaction, if other variables are considered constant, then the probability of the company to disclose the CSR value will increase with the factor $e^{-2,698} = 0,067$. The higher the value of KA * PC interaction, if other variables are considered constant, then the probability of the company to disclose the value of CSR will increase with the factor $e^{-0,069} = 0,934$

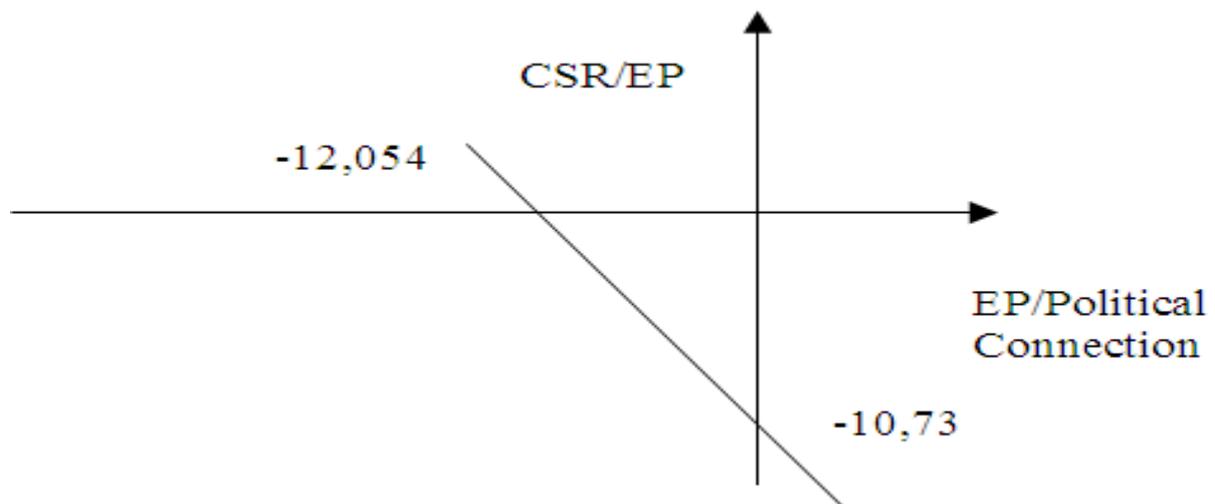
Politically connected CEOs experience significantly higher loan failure rates and worse operating performance during a crisis than those who do not have politically connected CEOs. However, these politically connected CEOs are less likely than others to be punished for their bank's poor performance. Our evidence shows that CEOs of politically connected government banks can influence bank loan decisions by using their political power and influence to loosen loan standards and to obtain personal benefits that increase their bank's sensitivity to the crisis (Chen et al., 2018; Deng, Yan, & van Essen, 2018; Hou et al., 2017).

To find out whether political connections can strengthen each independent variable on corporate social responsibility in moderating regression can be seen as follows.

$$\ln(p / 1-p) = 399,506 - 12,054EP - 4,996 KI - 9,562 DK + 34,979 DKI + 1,785 KA - 16,913 PC + 0,191KI * PC + 1,260DK * PC - 2,698DKI * PC - 0,069KA * PC + 1,123 EP * PC + e$$

Based on the results of the equation, the first political connection variable interaction with the environmental performance of corporate social responsibility becomes the equation $\frac{y}{x_1} - 12,054 + 1,123$ proper and to determine the intersection point of the X axis: $\frac{y}{x_1} = 0$ so that it becomes $EP = \frac{-12,054}{1,123} =$; the intersection of the X axis (-10.73; 0). To determine the intersection point of the Y axis then: $x_2 = 0; \frac{y}{x_1} = 0, -12,054$; the intersection of the Y axis (0; -12,054). So that the image of the moderating variable can be determined as follows;

Figure 1. Moderating EP * PC interaction



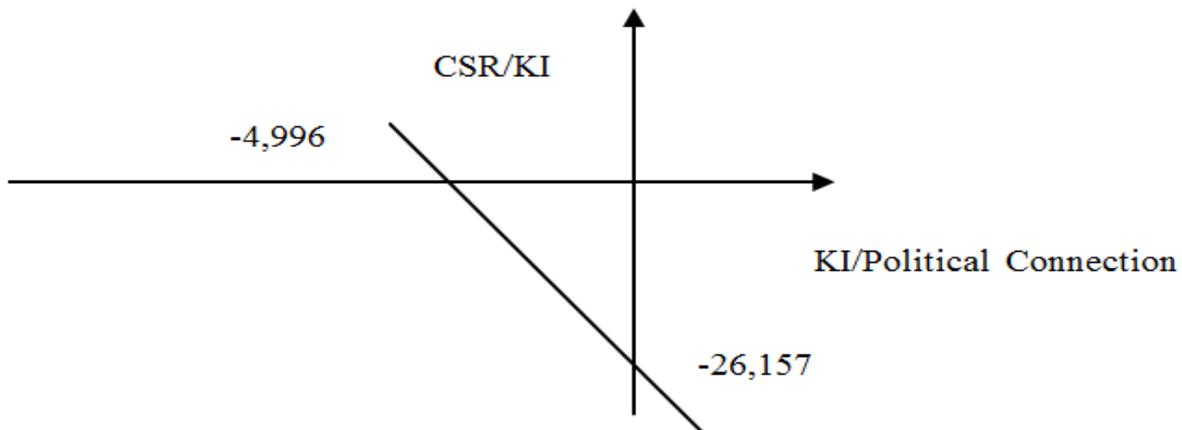
Based on the picture above shows that the political connection weakens the EP relationship (Environmental performance) to corporate social responsibility, even though in this case the company's political connection ($x_2 = 0$), the CSR and Environmental performance (Proper) relationships remain negative. The results of PC research are not included in the moderating variables but the Independent variables. The PC does not strengthen the Environmental Performance (Proper) towards CSR because the PC has been attached to the profession of each individual who cannot change the rules that have been made by the company.

Companies that have good environmental performance gold ratings will provide good news with political connections tend not to have an impact because the environmental performance can represent it because the indicators used in determining the disclosure of social responsibility already exist in determining the PROPER rating of environmental performance

from the environment ministry. Provisions of the regulation of the environment minister Republic of Indonesia number 3 of 2014 concerning the rating program for the performance of the company in environmental management. So that the results of our study, the measurement variable of PROPER ranking with the disclosure of corporate social responsibility of this research is not in line with Rakhiemah and Agustia (2009).

Both political connection variables interact with institutional ownership of corporate social responsibility being the equation $\frac{y}{x_1} - 4,996 + 0,191 KI$ and to determine the intersection point of the X axis: $\frac{y}{x_1} = 0$ so that it becomes $KI = \frac{-4,996}{0,191} =$; the intersection of the X axis (-26.157; 0). To determine the intersection point of the Y axis then: $x_2 = 0$; $\frac{y}{x_1} = 0$, -4.996; the intersection of the Y axis (0; -4.996). So that the image of the moderating variable can be determined as follows;

Figure 2. Moderate interaction of KI * PC

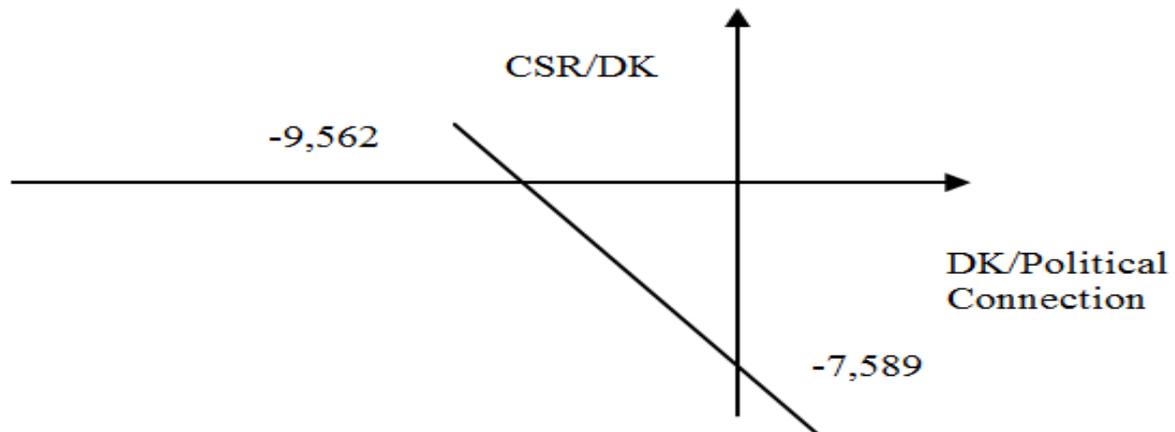


Based on the picture above shows that the political connection does not strengthen the institutional ownership relationship to corporate social responsibility, even though in this case the company's political connection ($x_2 = 0$), the relationship between CSR and institutional ownership remains negative. The PC research results are not included in the moderating variable but the independent variables because the PC does not strengthen institutional ownership of CSR. The PC has been attached to the profession of each individual who cannot change the rules that have been made by the company.

The three interactions are political connection variables with the board of commissioners on corporate social responsibility being the equation $\frac{y}{x_1} - 9,562 + 1,260 DK$ and to determine the intersection point of the X axis: $\frac{y}{x_1} = 0$ so that it becomes $DK = \frac{-9,562}{1,260} =$; the intersection of the X axis (-7,589; 0). To determine the intersection point of the Y axis then: $x_2 = 0$; $\frac{y}{x_1} =$

0, -9,562; the intersection of the Y axis (0; -9,562). So that the image of the moderating variable can be determined as follows;

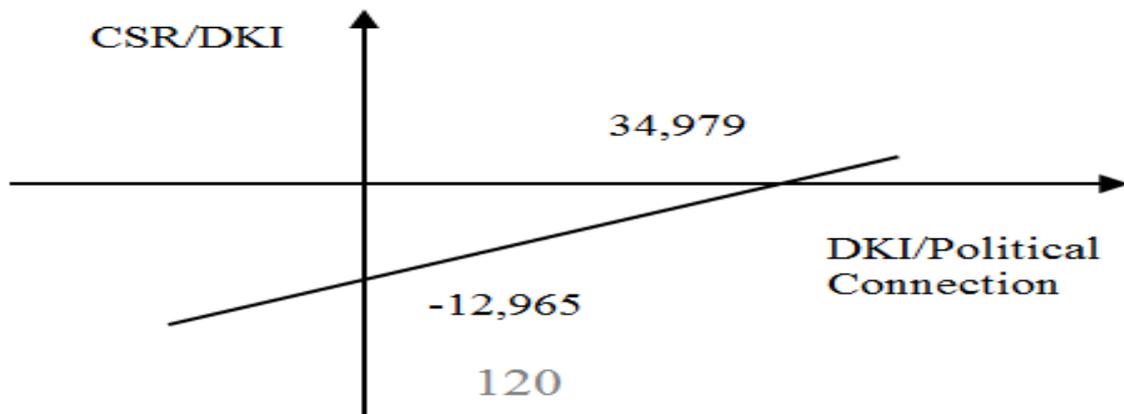
Figure 3. Moderating interaction of DK * PC



Based on the picture above shows that the political connection does not strengthen the relationship of the board of commissioners to corporate social responsibility, even though in this case the company's political connection ($x_2 = 0$), the relationship of CSR and the performance of the board of commissioners remains negative. The results of the PC research are not included in the moderating variable but the Independent variable. The PC does not strengthen the board of commissioners on CSR because the PC is attached to the profession of each individual who cannot change the rules that have been made by the company.

Fourth, the interaction of political connection variables with the board of Independent commissioners on corporate social responsibility becomes the equation $\frac{y}{x_1} 34,979 - 2,698$ DKI and to determine the intersection point of the X axis: $\frac{y}{x_1} = 0$ so that it becomes $\text{DKI} = \frac{34,979}{-2,698}$; the intersection of the X axis (-12,565; 0). To determine the intersection point of the Y axis then: $x_2 = 0$; $\frac{y}{x_1} = 0$, 34,979; the intersection of the Y axis (0; 34,979) so that the image of the moderating variable can be determined as follows;

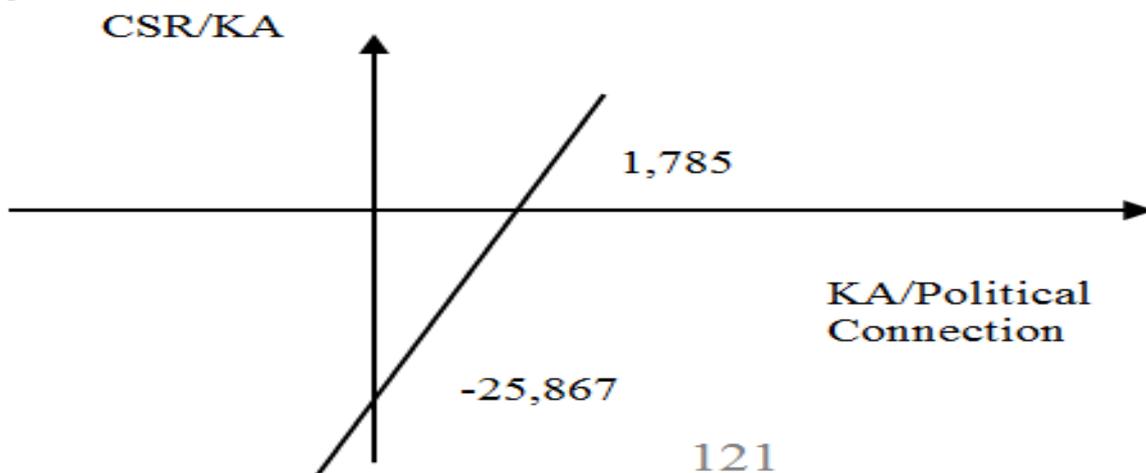
Figure 4. Moderate interaction of DKI * PC



Based on the picture above shows that the political connection does not strengthen the relationship of the independent board of commissioners to corporate social responsibility, although in this case the company's Political connection ($x_2 = 0$), the relationship between CSR and the independent board of directors remains negative. The results of the PC research are not included in the moderating variable but the Independent variable. The PC does not strengthen the independent board of directors of CSR because the PC is attached to the profession of each individual who cannot change the rules that have been made by the company.

The five interactions of the political connection variable with the audit committee on corporate social responsibility become the equation $\frac{y}{x_1} 1,785 - 0,069 KA$ and to determine the intersection point of the X axis: $\frac{y}{x_1} = 0$ so that it becomes $KA = \frac{1,785}{-0,069} =$; the intersection point of the X axis (-25.867; 0). To determine the intersection point of the Y axis then: $x_2 = 0$; $\frac{y}{x_1} = 0$; 1,785; the intersection of the Y axis (0; 1,785). So that the image of the moderating variable can be determined as follows;

Figure 5. Moderate interaction of KA * PC



Based on the picture above shows that the political connection cannot strengthen the audit committee's relationship to corporate social responsibility, the relationship between CSR and audit committee changes negatively. The results of the PC research are not included in the moderating variable but the Independent variable. The PC does not strengthen the audit committee on CSR because the audit committee has standards and ethics. It cannot be influenced by the political connection that is attached to the profession of each individual who cannot change the rules that the company has made. Corporate governance (CG) emphasises external regulations and internal control of the company that the monitoring function is controlled by the board of directors and senior managers. CSR is about how companies regulate behaviour by referring to social norms, now including external, mass government systems, in which multifactor, personal behaviour, commitment, partnerships, associations. Mouselli and Hussainey (2014), Wahyudin and Solikhah (2017), Zhang (2017) state that political connections help companies to facilitate policies in general.

Conclusion

The results of research on political connections do not strengthen environmental performance and corporate governance towards the disclosure of corporate social responsibility because politicians consider performance in working professionally and in accordance with the provisions that have consistently formulated company policies. This poor performance arises from corruption or political problems, strong state governance or low levels of corruption, with companies implementing the rules so that the company's performance will function properly. Directors and managers who cannot utilise their political and government connections to create corporate value, not from environmental performance and disclosure of social responsibility, this originates from a weaker relationship between business and politics in developing countries such as Indonesia.



Weak political lobbying so that this research deepens understanding of institutional factors that facilitate the existence and benefits of political connections in public companies in the capital market. Rare first will identify which companies have directors with political and government connections and types of expertise and social responsibility disclosures.

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