EFFECT OF POLITICAL CONNECTION AND FOREIGN OWNERSHIP TO CORPORATE SUSTAINABILITY THROUGH CORPORATE GOVERNANCE AS A MEDIATION

PAULUS TANGKE
ABDUL HAMID HABBE
Hasanuddin University, Makassar, Indonesia.

ABSTRACT
This study aimed to test effect political connections and foreign ownership to corporate sustainability through corporate governance. This study is an empirical research using secondary data from companies listed on the Indonesia Stock Exchange period 2011 - 2015. The statistical test equipment used in this study is the SEM AMOS version 22. The results of this study are have a positive influence political connections and significant to corporate governance and corporate sustainability. While foreign ownership has no effect on corporate governance but has negative and significant influence on corporate sustainability. Corporate governance in connection of political connection with corporate sustainability in this research is classified as type partial mediation while corporate governance in relationship foreign ownership with corporate sustainability is classified as a type no mediation.

Keywords: political connections, foreign ownership, corporate governance, corporate social responsibility

INTRODUCTION
Currently the business competition is very tight because the company is required to be more leverage in its business strategy in order to exist in the field of business. Looking at the current phenomenon where not a few political people have joined the business world to occupy important positions such as
commissioners and directors. On the other hand not a few also enter the business or even establish a political party. Likewise, the opening of opportunities by the government to foreign investors entering in Indonesia makes researchers interested to examine the effect of political connections and foreign ownership to corporate sustainability through corporate governance.

Choose it corporate governance and corporate sustainability as mediating variables and the dependent variable in this study is due to the current corporate governance is an issue that is still very attractive for researchers today. Similarly, corporate sustainability is currently attracting many researchers, especially in the social field.

REVIEW OF LITERATURE

Stakeholder Theory

Stakeholder theory (Freeman, 1983) explains that the company is not the only entity that operates for its own account but must provide benefits to its stakeholders, Healt and Norman (2004). The existence of a company is strongly influenced by the support provided by the stakeholders to the company (Chariri & Ghozali, 2007). Stakeholder theory in this study is a main theory. This theory will used to examine and clarify the relationship the political connection, specific assets, leverage and foreign ownership to corporate governance and corporate sustainability.

Freeman (1984), Donaldson and Preston (1995) also explains that normative stakeholder theory are trying to interpret the function and insight to investors and the owners of the company to act or take out a policy on the basis of moral considerations and principles of philosophy (Phillips, 2003; 38 ). With moral understanding and philosophical principles will help the company in developing organizational ethics both within the company environment itself and with the community and the surrounding
environment. Through home visits stakeholders stressed the need for ethics and principles of philosophy for forest stakeholders. From some of the definitions and explanations above, it is clear that the essence of stakeholder theory is emphasizing the importance of corporate relations for internal and external groups who have a legitimate claim on the company, Gossy (2008).

**Theory of Legitimacy**

Legitimacy theory (O'Donovan, 2002) focuses on the interaction between companies and communities. In this study this theory is a supporting theory. Basically the legitimacy theory holds that that organization is a part of society and should be watched social norms for conformity to social norms can make the company more legitimate (Gray, et al., 1996).

According to Dowling and Pfeffer (1975), legitimacy is essential to the organization, the limitations imposed by the norms and social values, and the reaction to these restrictions encourage the importance of organizational behavior analysis by looking at the environment. If the ethics there is a difference between the values held firm to the values of society, then the company will be in a position threatened. This difference is called legitimacy gap and may affect the company’s ability to continue its business activities.

Legitimacy theory explains that the legitimacy of a benefit or potential resource for companies to survive (going concern). One of the factors that can strengthen the legitimacy of the company is the implementation of good corporate governance. Increasingly legitimate company will increasingly survive (going concern) and sustainable.

**Stewardship Theory**

Stewardship theory is introduced as a theory that is based on behavior that was developed from psychology and sociology that
are designed to explain a situation where the manager as a steward and act in the interests of the owner (Donaldson and Davis, 1991). In theory stewardship the manager will behave. According to mutual interest, when interests stewards and the owner is not the same, the stewards will try to cooperate rather than against it, because the stewards felt mutual interest and behave according to behavior holder is a rational consideration where the steward more see on the effort to achieve organizational goals. In his stewardship theory, Donaldson and Davis (1991) explain that managers will behave based on shared interests. At the time of steward and owner's interest is different or inconsistent, the stewards will endeavor to work together rather than against it, because the stewards felt common interests and behave in accordance with the owner's behavior is a rational consideration as steward rather look at efforts to achieve organizational goals. The theory of stewardship is the theory that describes the situation where the manager is not motivated by the goals of individuals but rather aimed at the target their primary outcome for the benefit of the organization, so that this theory has basic psychology and sociology that has been designed in which the executives as stewards are motivated to act as you wish principals, other than that the behavior of the stewards would not leave the organization because the steward tried to reach the target organization.

**Political Connection**

In general, political connections can be explained as a situation where in business or company there are political people or people who have closeness with politicians. Faccio (2006) explained that the company is said to be connected to politics if at least one of the shareholders of the company or commissioners/directors (ie CEO) is an MP, a minister, or a head of state, or a person who has a close relationship with top politicians.
Some studies found that political connection to contribute or valuable benefits, such as the presence of political relations between the company and the government, the company can acquire a comparative advantage, which can improve the performance and value of companies (Fan et al., 2008; Fisman, 2001; Goldman et al., 2009; Johnson and Mitton, 2003; Li et al., 2008 in Wu et al., 2010). Advantages include access to key resources, such as bank loans granted with favorable terms (Charumilind et al., 2006; Claessens et al., 2002), tax policy easing (Adhikari et al., 2006; Facio, 2006), market power (Francis et al., 2009), and government-sponsored bailouts (facio et al., 2006). However, the existence of a political connection can also threaten the value of the company. Shleifer and Vishny (1994) and Ang et al. (2011) states that the value of the company could be threatened if political connections distort incentives, the wrong investment placement, and raise the level of corruption.

**Foreign Ownership**

The structure of company ownership is an indication of corporate governance. The relationship of ownership structure to firm performance was initially introduced by Berle and Means in 1932 where they hypothesized that there was an inverse relationship between share ownership and company performance. This is in line with the results of research Mintzberg (1983) in Pathak et al. (2012) which showed that the higher the involvement of the owners and their ownership is increasingly concentrated, the greater their power to influence perusahaan. This statement confirms the importance of ownership in performance. The ownership structure is an important component of the corporate governance system, Delios and Beamish, (2002) explain that the structure of foreign ownership is an important strategic decision in multinational companies. This means that foreign ownership in the ownership structure reflects the level of control over the firm's resource.
commitment, investment risk and resource requirements (Delios and Henisz, 2000).

**Corporate Governance**

Corporate governance can be defined as a process and structure used by the organs of the company (shareholders / capital owners, commissioners / board of trustees and directors) to increase the success of business and corporate accountability in order to realizing shareholder value in the long term by taking into account the interests of other stakeholders, based on legislation and ethical values (Sutedi, 2011).

Corporate governance is a concept that is critical to the performance and success of a company (Stuebs and Sun, 2015). The issues surrounding corporate governance is not only related to business and economic issues, but also deals with social and political issues (Jang, 2001). Corporate governance is very helpful to encourage transparency and accountability on the part of the business community. This gives the community an overall advantage because of the influence of transparency and accountability in both the public and private sectors.

Jang (2001) also explained that strengthening corporate governance is one way to strengthen democracy in society for its own market economy can not function without democracy. Thus, corporate governance does not only support business efficiency alone, but also contribute to the strengthening of transparency and democratic freedoms in society as a whole (Surya and Yustiavandana, 2008).

Based on the above, the researcher believes that political connection (in this case the politicians) with political ethics and their moral responsibilities to which it aspires will try to give my best for the company and other stakeholders via governance
(corporate governance). Providing the best for the company also means giving the best to the public because the companies live, grow and thrive in the community.

Similarly, the foreign ownership as one of the capital structure by researchers deemed to have an influence on corporate governance due to the presence of foreign ownership will reflect the level of control over the enterprise resource commitments, investment risk and resource requirements. This is in line with what the Delios and Henisz have expounded, (2000). Speaking about the level of control means associated with governance (corporate governance).

**Corporate Sustainability**

According to Elkington (1997), sustainability is a balance between people-planet-profit, known as the concept of the Triple Bottom Line (TBL). Sustainability lies at the junction between the three aspects, people – social-environment planet, and profit – economic. Therefore, according to Elkington, the company should be responsible for both positive and negative impacts on the economic, social, and environmental aspects.

Understanding sustainability above is not much different from the definition put forward by Ameer and Othman (2012) which states that sustainability is a concept related to the impact or influence of real action on ecosystems, communities and the environment in the future. Concerns about the impact of those referred to in the above definition should be reflected in the strategic planning of corporate sustainability.

In this case the planned strategy should be used for the long term with a set of responsibilities that include or involve concern for ethical practices, karyawan, environment, and customers. Research on corporate sustainability is still attractive to researchers. This is because the concept of sustainability will
continue to grow along with the times, global competition and the advancement of science and technology.

CONCEPTUAL FRAMEWORK AND HYPOTESIS

Conceptual Framework

Relationships between variables in this study is built on the theory of stakeholders (stakeholder theory) as the main theory, whereas the stewardship theory, legitimacy theory in this study into a supporting theory (supporting theory). This research is in addition based on the main theories and supporting theories, also refers to previous studies and rationalizations to be able to form a model of theoretical frame work. This study puts Corporate Governance (CG) as an intervening variable that connects political connection and foreign ownership in Corporate Sustainability. In this study, researchers selected two independent variables mentioned above due consideration of these variables are highly relevant to the conditions and in accordance with the phenomenon that is society development today.

Development of Hypotheses

Direct effect of the Political Connection to corporate governance

The success or success of a company can not be separated from the environmental influences on which the company is founded. One of the environmental factors that is also considered to have an effect on the success of the company is socio-politics. Politics by Budiardjo (2016) is defined as an effort to reach a good life. The presence of politicians or political people are connected with the board of directors or commissioners of a company by the researcher is seen from the positive side, which is aiming to fight for the welfare of society at large. Keberadaan politicians in the company should be seen as a relationship that is consistent and in line with
corporate objectives, which is to the benefit of society. And the company is also part of the community, because the company grows, lives and thrives in society. Based on the above description it can be said that politicians in maintaining their reputation and good name will always try to give the best for society, including business organization where they join. Thus the presence of politicians in the company will encourage or further strengthen the implementation of corporate governance, so the researchers hypothesized H1 as follows:

H1: Political Connection has a direct effect to Corporate Governance

Direct effect of the Political Connection to Corporate Sustainability

One approach in political science is a behavioral approach that holds that society can be seen as a social system, and a state as a political system that becomes a subsystem of social systems. Thus the political system, the system can survive or persist (Budiardjo, 2016). Politik can be described as an activity carried out by people with a view to achieve common goals by harnessing the influence, authority, power or strength (Arifin, 2014). From the description above it appears that the existence of political or political connections within a company can help create the survival of the company. Thus it can be proposed the following hypothesis:

H2: Political Connection has a direct effect to Corporate Sustainability.

Effect of the Political Connection to Corporate Sustainability through Corporate Governance

Political connections is, having its implications, is seen as one of the factors that may affect directly or indirectly through corporate governance corporate sustainability. According to Surya and Yustiavandana (2008) implementation of Corporate Governance is
also influenced by external factors, which explained that from the view of institutional, corporate governance is directly related to public policy makers because of the laws, regulations and institutions in which there is the most important source for the formation of the normative framework corporate governance (corporate governance framework) in a country. The same thing also expressed by Jang (2001), which explains that the issues surrounding corporate governance is not only related to business and economic issues, but also deals with social things. Politics is part of the social life of society. Jang insists that strengthening corporate governance is one way to strengthen democracy in society for its own market economy cannot function without democracy. Jang look at corporate governance greatly help promote transparency and accountability of the business community, including politicians who participate in business activities. Corporate Governance is a bridge towards corporate sustainability. Based on the above description then formulated the following hypothesis:

H3: Political Conception affects Corporate Sustainability through Corporate Governance.

**Direct Effect Foreign Ownership to corporate governance**

In some studies, ownership structure is seen as an important factor affecting company performance. Some empirical research on foreign ownership showed mixed results. Hyang et al (2012) asserts that foreign ownership and overseas directors will provide independent monitoring or monitoring of management. Management control through or by foreign investors has a relationship with the increase in corporate value. Similarly, Wu, et al., (2012) explains that with the participation of foreign ownership in the company will avoid the occurrence of earnings management that will encourage the creation of corporate governance. The same is also stated by Gurbuz and Aybars (2010) which explains that the profitability of the company tends to increase with the presence of foreign ownership in the
company. However, Gurbuz and Aybars (2010) also warned that the important thing to note is that the level of foreign ownership in the company should not reach the majority level, because it will result in a decrease in company performance.

Companies with foreign ownership are usually more likely to encounter information asymmetry problems due to geographical and language barriers. Therefore, companies with foreign ownership of shares will generally be encouraged to report or disclose their information voluntarily and more widely (Huafang and Jianguo, 2007).

According to Puspitasari (2009), companies that have foreign ownership tend to provide greater disclosure than those who do not. This is due to several reasons. First, foreign companies mainly from Europe and America is more familiar with the concept of CSR practices and disclosure. Second, foreign companies receive better training in accounting from the parent company abroad. Third, the company may have a more efficient information systems to meet internal needs and the needs of the parent company. Fourth, the possibility of a greater demand on a foreign-based company from customers, suppliers and the general public.

Based on the above description, the hypothesis is proposed as follows:

\( H4: \) Foreign ownership has a direct influence on Corporate Governance

**Direct Effect Foreign Ownership to Corporate Sustainability**

Foreign ownership (foreign ownership) that have better resources tend to do innovation with better anyway (Diaz-Diaz, et al., 2008). They tend to develop new products to create benefits for the company. Benefits for the company, including competitive advantage that can support the sustainability or continuity of the
company’s business. Furthermore, the presence of foreign ownership or foreign directors in the company will provide independent oversight of the management company (Hyang, et al., 2012). In relation to stakeholder theory, the company’s performance will tend to increase if there is good oversight within the company. Based on the above short description, the hypothesis is formulated as follows:

**H5: Foreign ownership has a direct effect to corporate sustainability.**

**Effect of Foreign Ownership to corporate sustainability through Corporate Governance.**

Delios and Beamish (2002), explains that the foreign ownership structure is an important strategic decision in multinational companies. The existence of foreign ownership (foreign ownership) in the ownership structure reflects the degree of control of the company to the enterprise resource commitments and investment risk (Delios and Henisz, 2000). Foreign companies generally have ownership structures that can minimize transaction costs arising from the risk of uncertainty (Hennart, 1991, Anderson and Gatignon, 1986 in Ando, 2012). Thus the presence of foreign ownership in multinational companies will encourage improving company performance in building the company’s survival. In other words, the presence of foreign ownership tends to encourage the building of corporate sustainability through good governance. Based on the above description, the hypothesis is proposed as follows:

**H6: Foreign ownership affects Corporate Sustainability through Corporate Governance**

**Direct effect of the Corporate**

**Governance toCorporate Sustainability**

The concept of corporate governance, among others proposed by Shleifer and Vishny (1997), which states that corporate governance
is concerned with the way or mechanism to convince the investors to obtain returns in accordance with the investment that has been planted. Companies that implement good corporate governance practices will provide quality financial reports to investors so that the credibility of those statements is increased. The credibility of the increased financial statements will increase investor confidence so that stock prices also increase. Therefore, it can be predicted that the better the corporate governance practices adopted by an enterprise the higher the value of the company. And the higher the value (value) of the company, the company is increasingly sustainable, because the value is formed from the value of the operation, the value of debt and the value of equity (Koller et al., 2010 and Koller et al., 2011).

Based on the above description, the hypothesis is proposed as follows:

\[ H7: \text{Corporate governance has a direct influence on the Corporate Sustainability.} \]

**RESEARCH METHODOLOGY**

**Research Design**

This study aims to empirically examine the influence of political connection, and foreign ownership to corporate sustainability through corporate governance. The main design of this research is explanatory research (explanatory research) is research that attempts to explain the phenomena (Neuman, 2014 and Jogiyanto, 2007). In this study the researchers tried to establish a causal relationship between one variable with another variable.

The variables in this study were (a) The independent variables consist of political connection and foreign ownership, (b) Variable
Intervening (mediation), is corporate governance, and (c) the dependent variable is the corporate sustainability

Population and Sample

The population in this study is a non-financial companies listed on the Indonesia Stock Exchange from 2011 - 2015. The population of this research focused on non-financial companies since most financial companies are under special supervision of government finance authority which limits the company's accounting practices (Pucheta, et al., 2014). The sample in this study determined using purposive sampling method, the sampling technique to consider or to certain criteria (have now and Bougie, 2013). The sample criteria in this study are: (a). Companies listed on the Indonesia Stock Exchange from 2011 – 2015(5 years), without experiencing delisting. (b) . Non-financial companies. (c). Companies that issue financial statements in rupiah currency. Based on the sampling criteria above, then the companies that qualify to be used as samples in this study were 132 companies from years 2011-2015, the sample data can be seen in Table 4.1 below.

Table 4.1 Corporate Data Being Sample Research

<table>
<thead>
<tr>
<th>Corporate Data Being Sample Research</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Non- Financial Companies</td>
<td>207</td>
</tr>
<tr>
<td>Companies that have incomplete data</td>
<td>35</td>
</tr>
<tr>
<td>Companies Using Foreign Currencies</td>
<td>40</td>
</tr>
<tr>
<td>Number of Company Sample Used</td>
<td>132</td>
</tr>
</tbody>
</table>

Source: Indonesia Stock Exchange (2016)

Types and Data Sources

The data used in this experiment is a documentary data in the form of financial statements of companies listed on the Indonesia Stock Exchange period 2011 - 2015. While the source of the data used in
this research are secondary data from the figures in the company’s annual financial report obtained from www.idx.co.id.

Data Collection Method

Data collection methods used in this study is the observation method, the method of data collection through the surveillance of the financial statements of companies listed on the Indonesia Stock Exchange in the period from 2011 to 2015.

Operational Definition and Variable Measurement

Political Connection

Political connection or political relations by faccio et al., (2006) is defined as a situation where a company there are politi si or close relatives or close friends of politicians with good positions as directors, commissioners, shareholders. Measurement political connection in this study draws on research Yusoff et al., (2015) which uses the ratio, by adding the weighted towards politicians as a multiplier of the ratio to show a more rational measurement of the political connection. Thus the political connection in this study is measured by the number of close relatives of politicians or politicians who occupied the position of director and / or commissioners divided by the total number of directors and / or commissioner then multiplied by the index (weighting)

Measurement political connection formulated as follows:

\[
\text{Political Connection} = \left( \frac{\sum \text{ of Politicians or politicians become a Board of Directors and/or Commissioners}}{\text{Total Number of Directors and/or Commissioners}} \right) \times \text{Index}
\]

\[
\text{Index} = \text{weight x Scores of politicians in companies with Political Connection}
\]
In this research political connection measured with seven components of the weighting, with respective values. The seven components or elements in question are:

1) Position in the MPR / DPR / DPD,
2) Ranked Earned seats in the Legislature,
3) department at the Central Government,
4) Position or Positions in Political Parties,
5) Background,
6) Experience in Political Organization, and
7) Education.

b. Foreign Ownership
Foreign *ownership* in this study refers to the definition and Thi Duc, 2013, which defines it as a proportion of the company’s shares are owned by individuals, legal entities, government as well as the status of its parts abroad

\[
\text{Foreign Ownership} = \frac{\text{Total shareholding by foreign parties}}{\text{Number of shares outstanding}}
\]

**Corporate Governance**

Corporate governance briefly defined by Kajola (2008) as a system where companies diarahkan and controlled. Corporate Governance Variable (CG) in this study was measured by the ASEAN Corporate Governance Scorecard (ASCG) Level 1, which consists of 185 items of questions, with five key elements associated with the OECD principles, namely: Part A: Rights of Shareholders (26 items), Part B: Equitable Treatment (17 items), Part C: Role of Stakeholders (21 items), Part D: Disclosure and Transparency (42 items) and Part E: Responsibilities of the Board (79
items). Thus the formula for calculating corporate governance are as follows:

\[
\text{Corporate Governance} = \frac{\text{Number of Items implemented}}{\text{Total ACGS}}
\]

**Corporate Sustainability**

Sustainable is a concept of sustainability that can meet the needs in the future present without compromising the ability of future generations to meet their needs (Gray et al, 1996). Corporate sustainability in this research is measured by the value (value), since the value reflects the value that includes the economic dimension (economic) governance social, ethics and the environment abbreviated EGSEE.

Other than that sustainability measurement by using value by Koller et al, (2010) is on the consideration that the value formed from value of operation, the value of debt and the value of equity, meaning that all such components in the financial statements may describe the sustainability of the future. In this research, corporate sustainability values measured with reference to the formula Tobin’s Q is used by Gaio and Raposo (2011) and Ficici and Aybar (2012) with the following formula:

\[
Q_{i,t} = \frac{\text{BVA}_{i,t} + \text{MVE}_{i,t} - \text{BVE}_{i,t}}{\text{BVA}_{i,t}}
\]

\[
Q_{i,t} = \text{Rated Company}
\]

\[
\text{BVA} = \text{Book Value of Total Assets}
\]

\[
\text{BVE} = \text{Value of Equity Books}
\]

\[
\text{MVE} = \text{Stock Price of Ordinary Shares x Number of shares outstanding}
\]
DATA ANALYSIS

With reference to the conceptual framework and the framework of research that has been stated previously, the method or technique chosen for data analysis in this research is path analysis (Path analysis) with the help of software AMOS version 22.

RESULTS AND DISCUSSION

Descriptive Statistics

For a description of the variables used descriptive statistical analysis by taking into account the maximum value, minimum, average (mean) and standard deviation. The results of descriptive statistical test in this study can be seen in table 5.1 below.

Table 5.1 Descriptive Statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC</td>
<td>422</td>
<td>0.00</td>
<td>4.612</td>
<td>1.589</td>
<td>1.490</td>
</tr>
<tr>
<td>Foreign Ownership</td>
<td>422</td>
<td>0.00</td>
<td>99.090</td>
<td>32.028</td>
<td>31.434</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>422</td>
<td>28.108</td>
<td>80.000</td>
<td>50.927</td>
<td>11.070</td>
</tr>
<tr>
<td>Corporate Sustainability</td>
<td>422</td>
<td>-4.617</td>
<td>807.882</td>
<td>173.106</td>
<td>137.848</td>
</tr>
</tbody>
</table>

Source: Data of Tabulation (2017)

Political Connection (PC) indicates the minimum value of 0 and a maximum value of 4.612 with an average of 1.589 and a standard deviation of 1.490. This illustrates that political connections (Political Connection) has an influence to Corporate Governance and Corporate Sustainability. Standard deviation of 1.490 <1.589 illustrates that the mean value for the variable data dissemination Political Connection quite normal. Foreign Ownweship (FO) indicates a minimum value of 0 and a maximum value of 99.090 with an average of 32.028 and a standard deviation of 31.434. This shows that the average proportion of shares of foreign companies that status on the Indonesia Stock Exchange are owned by individuals, legal entities, government as well as the parts reach 32.028. Standard deviation value of 31.434 <a mean value
of 32.028 illustrate that the dissemination of data on foreign ownership variable tends to normal. Corporate Governance (CG) showed a minimum value of 28.108 and a maximum value of 80,000 with an average of 50.927 and a standard deviation of 11.070. This shows that in general the companies listed in Indonesia Stock Exchange has administered companies although they are in the range of 28.108 ratio of up to 80,000 from a total of 185 items of ASEAN Corporate Governance Scorecard.

Corporate Sustainability (CS) indicates the minimum value of -4.617 and a maximum value of 907.882 with an average of 173.106 and a standard deviation of 137.848. Corporate sustainability in this study was measured by value (value companies) according to Alipour (2013) if the value of the company is greater than 1, it indicates that the value has been added to the company for many years. And this implies that a company has been well managed. If the value of the company is less than 1 then it describes the value has "disappeared", meaning the company is less well managed. The average value of 173.106 Corporate Sustainability shows that the average company listed on the Indonesia Stock Exchange has been well managed so as to create value for the stakeholders of the company. Standard deviation value of 137.848 <173.106 illustrates the mean value of the distribution or dissemination of data for corporate sustainability variables tend to be distributed normally.

**Testing Assumptions 5.2 Outliers**

Outlier is an observation, case or data that has unique characteristics that look very different from other observations and appeared in the form of extreme good value for a single variable or variables combination (Ghozali, 2012: 41 and Ferdinand, 2005: 142). In this analysis of outliers will be evaluated by analysis of multivariate outlier. The test results assuming overall outliers can be seen in Table 5.2 below.
Table 5.2 Outlier Test Results

<table>
<thead>
<tr>
<th>Information</th>
<th>N</th>
<th>Outlier</th>
<th>Chi-Square</th>
<th>Multivariate Normality</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Testing</td>
<td>660</td>
<td>77</td>
<td>25,055</td>
<td>42,456</td>
<td>Not fulfilled</td>
</tr>
<tr>
<td>Remove_Outlier_1</td>
<td>583</td>
<td>78</td>
<td>22,758</td>
<td>10,098</td>
<td>Not fulfilled</td>
</tr>
<tr>
<td>Remove_Outlier_2</td>
<td>505</td>
<td>37</td>
<td>19,363</td>
<td>4,676</td>
<td>Not fulfilled</td>
</tr>
<tr>
<td>Remove_Outlier_3</td>
<td>468</td>
<td>25</td>
<td>17,350</td>
<td>3,769</td>
<td>Not fulfilled</td>
</tr>
<tr>
<td>Remove_Outlier_4</td>
<td>443</td>
<td>21</td>
<td>16.002</td>
<td>2,821</td>
<td>Not fulfilled</td>
</tr>
<tr>
<td>Remove_Outlier_5</td>
<td>422</td>
<td>15</td>
<td>4,099</td>
<td>1,455</td>
<td>Meet</td>
</tr>
</tbody>
</table>

Source: Processed Data (2017)

Based on test results outlier in Table 5.2 above, it is known that at the time of the initial sample testing obtained about 660 observations 77 observations and the Mahalanobis Distance is greater than 12.592.

Testing Normality Assumption

Multivariate testing in this study requires the fulfillment of the normality assumption. Multivariate testing is done at the time of surgery AMOS runs. There are two tests for normality, the normality of univariate and multivariate normality. A data distribution can be considered normal if the value of CRskwenes and the value of CR kurtosis is smaller than the critical value tables ±1.96 at the 0.05 significance level (p-value 5%). Table 5.3 below shows the results of testing the normality of univariate and multivariate with AMOS program version 22.

Table 5.3 Normality Test Results

<table>
<thead>
<tr>
<th>Variables</th>
<th>min</th>
<th>max</th>
<th>skew</th>
<th>cr</th>
<th>kurtosis</th>
<th>cr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political Connection</td>
<td>0,000</td>
<td>4.613</td>
<td>0.173</td>
<td>1.452</td>
<td>-1.569</td>
<td>-6.580</td>
</tr>
<tr>
<td>Foreign Ownership</td>
<td>0,000</td>
<td>99.090</td>
<td>0.602</td>
<td>5.049</td>
<td>-0.961</td>
<td>-4.029</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>28.108</td>
<td>80.000</td>
<td>0.268</td>
<td>2.250</td>
<td>-0.538</td>
<td>-2.258</td>
</tr>
<tr>
<td>Corporate Sustainability</td>
<td>-4.617</td>
<td>807.882</td>
<td>2.183</td>
<td>18.306</td>
<td>4.890</td>
<td>20.506</td>
</tr>
<tr>
<td>Multivariate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.388</td>
<td>1.455</td>
</tr>
</tbody>
</table>

Source: Processed Data (2017)
Analysis univariate in table 5.3 above, shows that there is still a variable that has a value of c. r. skewnes and kurtosis is greater than the critical value tables ±1.96. It can be concluded that the distribution of data in univariate is not normal at the 0.05 significance level (p-value 5%). However, if the test was analyzed by multivariate note that cr kurtosis of 1.455 is smaller than the critical value tables ±1.96. Therefore we can conclude the data distribution ismultivariate normal.

Kline (2011: 60) argues that if testing multivariate is normal then the univariate also normal. While testing all variables univariate abnormal does not ensure that the test multivariate also not normal. Thus it can be concluded that the data in this study normally distributed, because although not normally distributed in univariate but normally distributed as multivariate.

**Testing Assumptions Multicollinearity**

Testing multicollinearity basically aims to test whether the regression model found a strong correlation between the exogenous variables. A model study or research is said to be good if it has a low multikolinearitas. Testing multicollinearity can be based on the value of tolerance and VIF (Variance Inflation Factor). If the tolerance values> 0.10 and VIF <10, it can be understood that there is no multicollinearity in the study. But on the contrary if the tolerance <0.10 and VIF> 10, it indicates an interruption in the research multikolinearitas (Ghozali, 2012: 106). The test results multikolinearitas assumptions in this study can be seen in Table 5.4 on the following pages.
Table 5.4 Testing Results Multicollinearity

<table>
<thead>
<tr>
<th>Equation</th>
<th>Exogenous variables</th>
<th>collinearity</th>
<th>tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural</td>
<td>Political Connection</td>
<td></td>
<td>.994</td>
<td>1.006</td>
</tr>
<tr>
<td>Endogenous variables:</td>
<td>Foreign Ownership</td>
<td></td>
<td>0.972</td>
<td>1.029</td>
</tr>
<tr>
<td>Substructure - 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Substructure - 2</td>
<td>Political Connection</td>
<td></td>
<td>.898</td>
<td>1.114</td>
</tr>
<tr>
<td>Endogenous variables:</td>
<td>Foreign Ownership</td>
<td></td>
<td>.971</td>
<td>1.030</td>
</tr>
<tr>
<td>Corp. Sustainability</td>
<td>Corporate Governance</td>
<td></td>
<td>0.875</td>
<td>1.143</td>
</tr>
</tbody>
</table>

Source: Processed Data (2017)

Based on table 5.4 above, it appears that all the good exogenous variables to the equation 1 or the equation subtruktur-substructure-2 has a value of tolerance > 0.10 and VIF <10, it can be concluded that there is no multicollinearity symptoms. Thus, the assumption multikolineari bag in this study have been met.

**Testing of Suitability Model (Goodness-of-Fit model)**

Testing the suitability of the model (Goodness-of-Fit Model) is basically done to test the suitability of the models proposed by various testing criteria. In this testing phase to evaluate the suitability index and the cut-off value to test the correctness of the proposed model is acceptable or rejected based on various criteria that exist in the test of goodness-of-fit. Results of testing the suitability of the model (goodness-of-fit) as a whole can be seen in Table 5.5 below.
Causality Tests with Path Analysis (Path Analysis)

After testing the suitability of the model (Goodness-of-Fit Model), it can be tested against the hypothesis using a regression model in path analysis (path analysis) to predict the relationship between exogenous and endogenous variables. Based on the analysis above lines, the following is presented Coefficient track standardized structural equation this study.

Table 5.6 Coefficient Line Standardized Value

<table>
<thead>
<tr>
<th>variable combination</th>
<th>Koef. estimation</th>
<th>SE</th>
<th>P</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC ----&gt; CG</td>
<td>2.285</td>
<td>0.339</td>
<td>***</td>
<td>Significant</td>
</tr>
<tr>
<td>FO ----&gt; CG</td>
<td>0.012</td>
<td>0.016</td>
<td>.444</td>
<td>Not significant</td>
</tr>
<tr>
<td>PC ----&gt; CS</td>
<td>13.005</td>
<td>4.491</td>
<td>0.004</td>
<td>Significant</td>
</tr>
<tr>
<td>FO ----&gt; CS</td>
<td>-0.472</td>
<td>0.204</td>
<td>0.021</td>
<td>Significant</td>
</tr>
<tr>
<td>CG ----&gt; CS</td>
<td>-1.468</td>
<td>.613</td>
<td>0.017</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Processed Data (2017)

The estimation results of path coefficient standardized value in table 5.6 above menun jukkan following conditions:
**Political Connection (PC)** has a positive and significant impact on the **Corporate Governance (CG)**. This indicates that the higher or more powerful political connections of a company will make the company more capable of performing good corporate governance in carrying out the activities of his efforts.

**Foreign Ownership (FO)** or foreign ownership does not have a significant impact on **Corporate Governance (CG)**. This shows that foreign ownership is less or does not play an important role in corporate governance.

**Political Connection (PC)** has a positive and significant impact on **Corporate Sustainability (CS)**. This suggests that the existence of political connection (political connections) within an enterprise is very hamper or support to create an effective corporate sustainability corporate sustainability.

**Foreign Ownership (FO)** has a negative and significant impact on **Corporate Sustainability (CS)**. This shows that foreign ownership has played an important role in the economy of developing countries because of increased high enough in foreign investment. However, the level of foreign ownership is high enough it will lead to more and more companies are not sustainable. This condition indicates that foreign ownership (foreign investors) are more oriented to short-term interests.

**Corporate Governance (CG)** has a positive and significant impact on **Corporate Sustainability (CS)**. This shows that the implementation of good corporate governance will support the creation of sustainability of the business of an enterprise. In other words Corporate Sustainability would be realized if the company is able acted upon by good governance.
Effect of Direct, Indirect, and Total Effect

The direct effect is obtained from standardized beta coefficient indicated by the coefficient of paths based on test results of t-statistic of each variable. Furthermore, the indirect effect is obtained by multiplying the path coefficients indicate a direct effect of exogenous variables on mediating variables with the path coefficients indicate a direct effect of mediating variables on endogenous variables.

Calculation of Direct Effect

Directly effects of variable in this research can be seen in Table 5.7 below:

Table 5.7 Variable Direct Impact Research

<table>
<thead>
<tr>
<th>variable combination</th>
<th>Direct Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC ---</td>
<td>&gt; CG</td>
</tr>
<tr>
<td>FO ---&gt; CG</td>
<td>0.035</td>
</tr>
<tr>
<td>PC ---&gt; CS</td>
<td>0.141</td>
</tr>
<tr>
<td>FO ---&gt; CS</td>
<td>-0.108</td>
</tr>
<tr>
<td>CG ---&gt; CS</td>
<td>0.118</td>
</tr>
</tbody>
</table>

Source: Processed Data (2017)

Based on the calculation of direct effect in table 5.7 above are taken from the estimated coefficient standardized regression was obtained by weighting the results of the political connection terhadap corporate governance of 0.308 indicates weighting the least positive than the results of other variables . Relating to corporate sustainability , in table 5.7 above is also obtained by weighting the results between the political connection to the corporate sustainability of 0.141 is a positive value weights highest compared with other variables. This suggests that the presence of politicians or people connected with politics in the ranks of commissioners or directors of the company would affect corporate sustainability.
Calculation of Indirect Influence

Calculation indirect effect is done by multiplying the value of each variable, which can be seen in Table 5.8 below:

Table 5.8 Indirect Influence Research Variables

<table>
<thead>
<tr>
<th>variable combination</th>
<th>Calculation</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC ---&gt; CS via CG</td>
<td>(0.308) x (0.118)</td>
<td>0.036</td>
</tr>
<tr>
<td>FO ---&gt; CS via CG</td>
<td>(0.035) x (0.118)</td>
<td>0.004</td>
</tr>
</tbody>
</table>

Source: Processed Data (2017)

Based on the calculation in table 5.8 above result variable combinations Political Connection Corporate Sustainability via Corporate Governance has a weight value is higher by 0.036 compared with the combination of other variables.

Calculation of Total Effect

Calculations performed by summing the total effect the value of each variable, as can be seen in the table below 5.9 this:

Table 5.9 Total Effect of Variable Research

<table>
<thead>
<tr>
<th>variable combination</th>
<th>Calculation</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC ---&gt; CS via CG</td>
<td>(0.141) + (0.036)</td>
<td>0.177</td>
</tr>
<tr>
<td>FO ---&gt; CS via CG</td>
<td>(-0.108) + (0.004)</td>
<td>-0.104</td>
</tr>
</tbody>
</table>

Source: Processed Data (2017)

Based on the results of the calculation of the effect of the total on the table 5.9 above are also the same result with the value of the standardized total effects result variable combinations Political Connection (PC) of the Corporate Sustainability (CS) via Corporate Governance (CG) weighs the highest value of 0.177 compared to a
combination of other variables. According to results it can be concluded that the variable political connection has a stronger effect than the other variables.

**Calculation Value Significance Effect of Mediation (Sobel Test)**

One disadvantage lies in the AMOS program can not know the value of the significance of the role of the intermediary variables or indirect effect (indirect effect) in a model. The predictive value of the model can be found in the path analysis, however, the amount of significant value measurement model is not da pat known. The solution to resolve this problem is one done by testing Sobel (Sobel test) which aims to get the significant value of the role of intermediary variables in a model. The significant value of the role of intermediary variables calculated by multiplying the estimated value (estimate) and standard error (SE) of a track (Sobel, 1982) with the following formula:

\[ z \text{ Value} = \frac{a \cdot b}{\sqrt{b^2 \cdot SE_a^2 + a^2 \cdot SE_b^2}} \]

Table 5.10 Results of Calculating Significance Value of Indirect Testing (Sobel Test)

<table>
<thead>
<tr>
<th>Variable Combination</th>
<th>Value</th>
<th>Standard</th>
<th>p value of Sobel Test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>estimation</td>
<td>Error</td>
</tr>
<tr>
<td>PC ---&gt; CS via CG</td>
<td>2.285; 1.468</td>
<td>0.339; .613</td>
<td>0.02403383</td>
</tr>
<tr>
<td>FO ---&gt; CS via CG</td>
<td>0.012; 1.468</td>
<td>0.016; .613</td>
<td>0.47416362</td>
</tr>
</tbody>
</table>

Source: Calculations with the help of program statistics calculators version 3.0

Based on calculations Sobel test at table 5:10 can be explained as follows:

The indirect effect of political connection to corporate sustainability has a value p - value ( two-tailed probability ) Sobel test amounted to 0.024 < alpha of 0.05. Effect of indirect foreign ownership to corporate sustainability has a value p-value ( two-tailed probability ) Sobel test amounted to 0.474> alpha of 0.05.

Based on the explanation Little, Bovaird and Card (2007: 210) distinguishes mediating variables in four types, namely: full mediation, partial mediation, inconsistent mediation and no mediation. Corporate governance variable in relation to variable political connection with corporate sustainability in this study is a type of partial mediation. Variable correlation foreign ownership with corporate sustainability, variable corporate governance can be classified as type no mediation.

**Hypothesis Testing**

Hypothesis testing is done by comparing the p-value with a significance level ( alpha) of 0.05. If the p-value < alpha 0.05, H0 is rejected and H1 accepted. Conversely, if the p-value > alpha 0.05 then H0 and H1 rejected. Results of testing the hypothesis in this study are summarized in the following table.

<table>
<thead>
<tr>
<th>Hypothesis Testing Results</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: PC --&gt; CG</td>
<td>Be accepted</td>
</tr>
<tr>
<td>H2: PC --&gt; CS</td>
<td>Be accepted</td>
</tr>
<tr>
<td>H3: PC --&gt; CS v he CG</td>
<td>Be accepted</td>
</tr>
<tr>
<td>H 4 : FO --&gt; CG</td>
<td>Rejected</td>
</tr>
<tr>
<td>H5 : FO --&gt; CS</td>
<td>Be accepted</td>
</tr>
<tr>
<td>H6 : FO --&gt; CS via CG</td>
<td>Rejected</td>
</tr>
<tr>
<td>H 7: CG --&gt; CS</td>
<td>Be accepted</td>
</tr>
</tbody>
</table>

Source: Processed Data (2017)
Hypothesis Testing 1

Based on the results of path analysis in table 5.6 above, the coefficient of standardized beta direct influence Political Connection (PC) of the Corporate Governance amounted to 0.308 with a value of p-value of 0.000 < alpha of 0.05. This shows that the political connection has a positive and significant impact on corporate governance.

Hypothesis Testing 2

Based on the results of path analysis in table 5.6 above, the coefficient of standardized beta direct influence political connection to corporate sustainability is at 0.141 with value p-value of 0.004 < alpha of 0.05. This shows that the political connection has a direct positive influence and significant impact on corporate sustainability.

Hypothesis Testing 3

Based on the analysis of indirect influence on the tables 5.8 and the calculation of significant value Sobel test in the table above 5.10, the coefficient values obtained indirect influence political connection to corporate sustainability through corporate governance amounted to 0.036 with p-value Sobel test amounted to 0.024 < alpha of 0.05. This shows that the political connection has indirect influence on corporate sustainability.

Hypothesis Testing 4

Based on the results of path analysis in table 5.6 above, the coefficient of standardized beta direct influence of foreign ownership to corporate governance is equal to 0.035 with a value of p-value of 0.444 > alpha of 0.05. This shows that foreign ownership has no direct influence on corporate governance.
Hypothesis Testing 5

Based on the results of path analysis in table 5.6 above, the coefficient of standardized beta direct influence of foreign ownership to corporate sustainability is a value of -0.108 with a p-value of 0.021 < alpha of 0.05. This shows that foreign ownership has a direct negative influence and significant impact on corporate sustainability.

Hypothesis Testing 6

Based on the analysis of indirect influence on the tables 5.8 and the calculation of significant value Sobel test in the table above 5.10, the coefficient values obtained indirect influence foreign ownership to corporate sustainability through corporate governance of 0.004 with a p-value of Sobel test amounted to 0.474 > alpha of 0.05. This shows that foreign ownership has no direct influence on corporate sustainability.

Hypothesis Testing 7

Based on the results of path analysis in table 5.6 above, the coefficient of standardized beta direct influence on corporate governance to corporate sustainability is at 0.118 with a value of p-value of 0.017 < alpha of 0.05. This indicates that corporate governance has a positive and significant impact on corporate sustainability.

DISCUSSION

Direct Effect Political Connection to Corporate Governance

Results of testing the hypothesis 1 (H1) indicates that the political connection has a positive and significant impact on corporate governance. Results of this research is similar to the results of research Li, et al., (2015) which found that political connection has a very strong relationship with the humanitarian activities of the
company (corporate philanthropy). The results support or equal to the results of the study Li and Zhang (2010) which states that political power or political interference played a role important in the implementation and/or disclosure of Corporate Social Responsibility (CSR). And as we know that CSR is a component or part of the Corporate Governance.

Commissioners or directors of the company which is connected with the politics or politics will tend to maintain the reputation and good name them in carrying out their duties and responsibilities within the company. Commissioners and directors are selected and appointed by the shareholders at the General Meeting of Shareholders with the hope that they can manage and supervise the company properly. With their position and status as a politician or political connections, a director or commissioner will have more authority and "power" in the company so that it can easily manage and direct the enterprise.

**Direct Effect Political Connection to Corporate Sustainability**

Results of testing the hypothesis 2 (H2) of the direct influence of political connection to the corporate sustainability shows that political connection has a positive and significant impact on corporate sustainability. The results of this study reinforce the research hasill Aras and Crowther (2008) found that between corporate governance and corporate sustainability there is a positive relationship or effect.

Likewise, research Sallha, et al., (2015) that the results indicate that the political connection has a positive and significant effect on firm value. Political connections owned by one of the researchers is an instrument that can support the company's survival if used properly. That is the meaning or the essence of true politics that by Machiavelli called "populist politics" instead of "political power" (Simbolon, 2015).
Effect of Political Connection to Corporate Sustainability through Corporate Governance

The results of hypothesis testing 3 (H3) demonstrate that the political connection has indirect influence on corporate sustainability through corporate governance. Or in other words, corporate governance may mediate the effect of political connection to corporate sustainability.

The results support or equal to the result Facio et al., (2006) which found that political connection (political connections) have a strong influence on the value of the company, where political connections would provide several advantages for the company, including the ease in obtaining loans, and obtain assistance from the government bailout.

Direct Effect Foreign Ownership to Corporate Governance

Results of testing the hypothesis 4 (H.4) with respect to the effect of foreign ownership on corporate governance shows that foreign ownership has no direct influence on corporate governance. The results of this study are not in line with the Douma et al., (2006), Díaz-Díaz et al ., (2008), Gurbuz and Aybars (2010) and Wu et al ., (2012) which found that foreign ownership can improve performance and quality of corporate profits. And the performance and quality of earnings increase due to good governance. The results of this study differ with Gurbuz and Aybars research (2010) shows that minority foreign ownership has a better performance than the ownership of the majority of domestic and foreign ownership. Results of the research showed that foreign ownership (of foreign ownership) does not affect the corporate governance indicate that in general, foreign investors into Indonesia only aim to meet their strategic interests for short-term, so the lack of control over corporate governance and decisions another possible they will determine the strategic innovation for the company (Díaz-Díaz et al ., 2008). The results are consistent and consistent with the Duc and Thi (2013) conducted in Vietnam which found that there was a negative
impact of foreign ownership on corporate performance. These results illustrate that the role of the lawyer endalian foreign ownership did not work at companies that registered the Indonesia Stock Exchange

**Direct Effect Foreign Ownership to Corporate Sustainability**

Results of testing the hypothesis 5 (H. 5) on the effect of foreign ownership on corporate sustainability shows that foreign ownership has a negative and significant impact on corporate sustainability. Shareholders of foreigners generally have a strategic interest because their shares are motivated by non-financial objectives, such as acquiring the controlling interest as well as excellence and sustainable competitive ability (Aguilera and Jackson, 2003). Thus the results of this study indicate that although foreign ownership (of foreign ownership) has the role of the company in Indonesia, but tends to focus on short-term interests with the goal of a non-financial as well as tend to be concentrated so as not creating an effective control on survival life companies of the future.

**Effects of Foreign Ownership to Corporate Sustainability through Corporate Governance**

Results of testing the hypothesis 6 (H.6) shows that foreign ownership (of foreign ownership) does not have indirect influence on corporate sustainability. Or in other words, corporate governance failed to mediate the effect of foreign ownership of corporate sustainability (corporate sustainability). The results of this study are not consistent with the perspective of stakeholder theory proposed by Freeman, Harrison, Wicks, Parmar, and De Colle (2010) in Harrison and Wicks (2013) which supports the existence of a positive relationship between stakeholder management and performance of the company, which is almost always measured financially. The results are consistent with the results of research Ng (2016), which states that foreign ownership (of foreign ownership) does not have the indirect effect on firm value. Penelitian found
that corporate governance failed to mediate the effect of foreign ownership of corporate sustainability. This condition indicates that foreign ownership will only enhance the company’s financial performance to a certain level. Foreign shareholders generally have a strategic interest such as acquiring rights and the ability to control and competitive advantage that is sustainable for them without regard to the group of stakeholders widely (Aguilera and Jackson, 2003).

**Direct Effect Corporate Governance to Corporate Sustainability**

The results of testing the hypothesis 7 (H 7) showed that corporate governance has a positive and significant influence on corporate sustainability. The results are consistent with the results of research Aras and Crowther (2008) which states that corporate governance and corporate sustainability have any connection or influence. Likewise Klettner et al., All (2014) which states that a combination of good governance will create / bring an organization in the most effective balance not only for long-term sustainability but also to obtain legitimacy from the people. A positive relationship of hypothesis testing results show that the good governance of a company then the company is likely to become more a sustainable.

**CONCLUSION**

By using sample data of 132 companies listed on the Indonesia Stock Exchange period 2011 to 2015, then from the results of this study can be concluded that: Political connection take effect directly to corporate governance and corporate sustainability. And indirect effect on corporate sustainability through corporate governance. With the results of this then political connection should be seen as one of sat u influential element in establishing governance and maintain business continuity. Foreign ownership has no influence on corporate governance and yet has a negative and significant impact on corporate sustainability. Also kepemilikan foreigners do not have indirect influence on corporate
sustainability through corporate governance. In other words, corporate governance failed to mediate the association of foreign ownership with corporate sustainability through corporate governance. Furthermore, corporate governance has a positive and significant impact on corporate sustainability.

**Theory implications**

The theory used in this study fit and support in the discussion of the phenomena that the researchers considered still very relevant for use in cases that exist and thrive in today’s business world.

**Practice Implications**

This study can serve as a reference for investors and other stakeholders in assessing and see the existence of a company, especially from the aspect of political connections and the structure of the shareholding companies.

**Research limitations**

Limitations of this study are only using political connections and foreign ownership as independent variables. In addition samples are also still limited company listed in Indonesia Stock Exchange so it could have a political system in Indonesia is not the same with other countries, particularly in countries of ASEAN.

**Reference**


