

Corporate Governance, Political Connection and Corporate Risk Disclosure: The Case of State-Owned Enterprises in Indonesia

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Abstract

Corporate risk disclosure is one of the strategic issues in efforts to optimize the role of corporate governance in state-owned enterprises in Indonesia. This study will examine the factors that influence the level of corporate risk disclosure in state-owned enterprises in Indonesia, namely corporate governance and political connections. This study uses data from the annual report of state-owned enterprises in Indonesia for 2015-2022. The sampling technique used is purposive sampling. Hypothesis testing in this study uses moderated regression analysis. The results indicate that, in state-owned enterprises in Indonesia, corporate governance has a positive effect on corporate risk disclosure. This research also found that political connections strengthen the influence of corporate governance on corporate risk disclosure. This study implies that if investors want more comprehensive corporate risk disclosure, investors must ensure that management has adequately implemented all corporate governance mechanisms. In implementing good corporate governance, political connections can convince state-owned management to improve the quality and quantity of corporate risk disclosure.

Keywords: risk, corporate governance, corporate risk disclosure, political connections, state-owned enterprises

JEL classification: G32, G30, M40, M41

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➔ Introduction

This study examines the moderating role of political connections on the influence of corporate governance in the case of state-owned enterprises listed on the Indonesia Stock Exchange. Academics, practitioners, and policymakers in Indonesia have paid more attention to strengthening corporate governance and have emphasized the importance of disclosing risk management information since several financial scandals in state-owned enterprises (BUMN) in Indonesia. The case of fictitious documents for debt guarantees at PT Waskita Beton in 2016-2020 and the data falsification scandal in the financial reporting of PT Garuda Indonesia in 2018 are some examples of fraud cases in Indonesian state-owned enterprises. These financial scandals have caused losses for investors, provided evidence of the weak corporate governance of state-owned enterprises, and reduced trust in the Government of the Republic of Indonesia, which is considered unprofessional in managing state-owned enterprises.

Financial reporting is an essential data source for investors when making business decisions. However, since the fraud scandals in global companies such as Enron, Parmalat, and Toshiba, investor confidence in the credibility of information disclosed in financial reports has decreased ([Amrin, 2019](#)). Companies must honestly and transparently disclose various business risks and management performance information. Companies are required to submit various disclosure reports outside of financial reporting data. The goal is to provide comprehensive information for investors when making business decisions. One of the latest studies on BUMN in Indonesia that is interesting to discuss is the quantity and quality of disclosures related to company risk.

[Purnamawati et al. \(2017\)](#) explained that the Government of the Republic of Indonesia needs to continue to improve supervision of the performance of BUMN. This effort is realized by demanding strict implementation of corporate governance and great attention to corporate risk management. The first research question to be answered in this study is whether implementing corporate governance will increase corporate risk disclosure. [Ahmad et al. \(2021\)](#) argue that a strict monitoring mechanism through corporate governance will improve information and explanations of the company's business risks. In the case of Indonesia, not all companies on the stock exchange implement an integrated risk management mechanism, so research on the quality of corporate governance and corporate risk disclosure is important to implement. [Viola et al. \(2023\)](#) added that no specific regulatory framework in Indonesia discusses risk management and disclosure in non-financial companies.

Political connections are also an important issue in managing BUMN in Indonesia. [Purnamawati et al. \(2017\)](#) explained that state-owned enterprises in Indonesia cannot be separated from the political interests of the government in power in Indonesia. According to [Junus et al. \(2022\)](#), as a representative of the majority shareholders, the President of the Republic of Indonesia appoints politically affiliated parties to strategic positions such as directors and commissioners of state-owned enterprises. The critical question is whether the entry of politically connected parties into the structure of state-owned enterprises will impact the corporate governance mechanism and the amount of company risk disclosure.

[Ismail et al. \(2022\)](#) stated that there are two conflicting perspectives regarding the role of political connections in companies. The first perspective explains that political connections are a helping hand that can help advance the company's business. In contrast, the second perspective explains that political connections are a grabbing hand that can harm and reduce the company's value. The second research question to be answered in this study is whether political connections are a moderating variable between corporate governance and corporate risk disclosure. The assumption put forward by the researcher in testing this moderation variable is that, if political connections are proven to strengthen the influence of corporate governance on corporate risk disclosure, then the role of political connections is more supportive of the helping hand explanation where political connections have a positive impact on the company, but if political connections are proven to weaken the influence of corporate governance on corporate risk disclosure, then the role of political connections is proven to be a grabbing hand that is detrimental to the company.

The paper is further structured as follows: the second part presents a literature review, the third part describes the research methodology, the fourth section focuses on the results and discussion, and the fifth section presents the conclusions and recommendations of the research.

➤ Review of literature and hypotheses

■ Agency theory

The grand theory used in developing this research is agency theory. [Jensen and Meckling \(1976\)](#) explained that agency relationships have a spread between ownership and control of the company, leading to information asymmetry, increased uncertainty, increased monitoring costs, and decreased company value. [Rezeki et al. \(2021\)](#)

explain that information asymmetry gives rise to agency conflicts. According to [Agyei-Mensah and Buerthey \(2019\)](#), shareholders requested the optimization of disclosure policies, management incentives, and corporate governance to increase company value. Corporate policies are chosen to reduce information asymmetry, leading to a cheaper cost of equity capital. Disclosure of risk information helps reduce agency conflicts. If shareholders do not observe management risk directly, shareholders will demand strengthening institutional monitoring mechanisms to oversee manager performance.

[Khandelwal et al. \(2020\)](#) explain that disclosure of company business risks is a valuable decision for company managers to reduce information asymmetry. [Amrin \(2019\)](#) argues that implementing risk disclosure conveys reliable information from management to company shareholders. [Khandelwal et al. \(2020\)](#) added that companies with reliable corporate governance mechanisms will try to signal their quality by providing investors with information about company risks. Information on risks will make it easier for financial report users to evaluate the performance of company managers. [Haj-Salem et al. \(2020\)](#) explain that risk disclosure helps to reduce agency problems, helps shareholders obtain accurate information on risk profiles, and builds trust in company managers. Corporate governance and risk disclosure are necessary to access manager accountability, make investment decisions, and experience better profits.

■ Corporate risk disclosure

According to [Solomon et al. \(2000\)](#), risk is a condition of uncertainty related to a company's potential for profit and loss. Determining risk priorities is an important part of corporate risk management. [Sexena et al. \(2017\)](#) state that risk disclosure explains opportunities, prospects, difficulties, and potential losses that can impact the company's future profits. Risk disclosure will help investors, stakeholders, and users of corporate communications to evaluate the company's prospects better and assess how competent the company's managers are in managing corporate risks. Risk disclosure is conveying information to readers of the report about the potential for danger, threats, and potential losses that can impact the company's condition in the future ([Linsley & Shrives, 2006](#)). [Haj-Salem and Hussainey \(2021\)](#) argue that risk disclosure is an effort to reduce information asymmetry due to agency conflicts. Investors need relevant and valuable information to achieve confidence and reduce uncertainty related to their investments. Risk disclosure must be disseminated so that all parties with the potential to experience a conflict of interest with the company can access information on risks and make more appropriate business decisions after understanding the risks.

[Khaledi \(2014\)](#) explains that corporate risk disclosure is a form of communication on the company's information statement. Companies have several objectives in making disclosures, such as reducing agency costs, reducing information asymmetry in the capital market, reducing the cost of equity capital and the uncertainty investors face, and increasing the company's stock price. According to [Solomon et al. \(2000\)](#), the occurrence of company failure is a warning to investors about the sources of risk and uncertainty. This condition causes an increase in demand for company managers to strengthen internal control and more substantial analysis of corporate risk management. [Lajili \(2009\)](#) explained that stock exchange authorities have encouraged companies to increase voluntary corporate disclosure, but the disclosure has not specifically required disclosure of business risks. Corporate risk disclosure still raises research opportunities for documentation of risk disclosure and behavior that influences changes in risk disclosure.

■ Corporate governance and risk management

Corporate governance is a mechanism used to control agent behavior according to the objectives of the company's shareholders ([Jensen & Meckling, 1976](#)). [El-Helaly \(2018\)](#) explains that the essence of corporate governance is increasing supervision and control, the efficiency of company resources, reducing management's

opportunistic behavior, and efforts to reduce information asymmetry in assessing performance and making more precise business decisions. [Khaledi \(2014\)](#) explains that a strict monitoring mechanism in a company is expected to make company managers convey credible information to investors, including information on business risks, as a form of commitment to information transparency.

[Kamaruzaman et al. \(2019\)](#) explained that the public demands that companies have transparent and honest financial reports on the company's business. One is the demand for companies to have reports that focus on corporate risk management. The company's directors are expected to be able to have a mechanism for preventing and controlling business risks. Firm control and supervision mechanisms are believed to reduce directors' opportunistic behavior and increase transparency in financial reporting. According to [Hernández Madrigal et al. \(2015\)](#), increasing risk disclosure is part of corporate governance reform. The increasing need for information is for traditional users and potential investors looking for relevant and timely information about company performance, social dimensions, and business risks. The disclosure of information on the company's business risks is part of aligning information for the company's shareholders. Explaining business risks is also part of the company's strategy in managing public expectations and demonstrating the board of directors' commitment to managing the company's risks.

[Abdallah et al. \(2015\)](#) argue that shareholders can reduce information asymmetry by monitoring performance and management decisions through corporate governance. The corporate governance mechanism is a monitoring mechanism that reduces information asymmetry while increasing the disclosure of company risks. [Agyei-Mensah and Buerter \(2019\)](#) explain that a sound corporate governance system will provide comprehensive risk management for users of financial reports. [Abdallah et al. \(2015\)](#) stated that corporate governance mechanisms can increase the amount of company risk disclosure. Risk disclosure is a form of reporting transparency and a signal of the competence and capability of company management in mapping company risks. According to [Amrin \(2019\)](#), corporate governance mechanisms will enable company management to increase the quantity and quality of company risk reporting as a reliable information supply for shareholders in making investment decisions.

Based on the explanation above, the researcher suspects that implementing corporate governance will increase the company's corporate risk disclosure, so the first hypothesis is stated as follows:

H1: Corporate governance positively affects corporate risk disclosure in state-owned enterprises in Indonesia.

■ The role of political connections

[Ananzeh et al. \(2023\)](#) stated that government-owned companies cannot be separated from political connection factors. As the majority shareholder, the government will place people with political connections on the company's board of directors or commissioners. Management with political connections will bring resources to the company that will influence the company's strategy. As a form of legitimacy, political connections within a company will cause the company to be more compliant with government regulations, make more voluntary disclosures, and be more actively involved in social programs. This situation becomes the company's strategy and commitment to those in power. Political connections are expected to prevent companies from conditions of uncertainty that can be detrimental to the company ([Ananzeh et al., 2023](#)).

[Rusli et al. \(2018\)](#) argue that two points of view try to explain the relationship between political connections and company performance. The first perspective states that political connections are a helping hand that provides positive benefits for the company. Political connections provide advantages over networks and ease of regulations, which enable companies to win competition with similar competitors. Political connections also provide easier access to funding sources, more accessible capital costs, subsidies, and tax incentives, which

result in reduced operational costs and increased profit distribution. [Faisal et al. \(2021\)](#) explain that political connections provide benefits in the form of more access for management to the government in power. This access will enable companies to better align organizational decisions with government policies, which can bring profitable resources. The second perspective mentions political connections as a grabbing hand detrimental to the company. This perspective assesses that, when corporate governance is weak, the presence of politicians in the company will increase agency conflicts due to the expropriation of shareholder rights for political purposes. Politically connected parties with the power they control use companies for their political interests and goals. Company involvement in political activities burdens shareholders, and when expropriation is extensive, share prices will decrease when compared to companies that do not have political connections.

[Saraswati et al. \(2020\)](#) explained that companies with political connections will provide many disclosures to gain legitimacy from stakeholders. [Faccio \(2006\)](#) said that management with political connections tries to gain legitimacy from the government and society by providing more disclosure. Disclosure of information is a manifestation of the company's compliance with the law and, simultaneously, an effort to gain benefits from government policies. The advantages of the company in question are ease of taxation, looser supervision, and winning government projects. [Saraswati et al. \(2020\)](#) argue that increasing the amount of disclosure in state-owned enterprises is an effort to meet public expectations regarding company performance. Likewise, corporate risk disclosure is disclosed to meet investors' needs for information about the company's condition.

[Faisal et al. \(2021\)](#) stated that disclosure of corporate sustainability is an activity related to the creation of intangible assets both internally and externally. Internally, sustainability disclosure is an effort to protect the company's employee resources, while external disclosure is a strategy to maintain the company's reputation. Political connections will make management discussions and analysis more readable because companies with political connections prioritize their image in front of their shareholders ([Harymawan & Roiston, 2022](#)).

Based on the explanation above, researchers highlight the positive impact (helping hand) of political connections on company business activities. Referring to [Abdallah et al. \(2015\)](#), [Amrin \(2019\)](#), and [Salem et al. \(2019\)](#), researchers argue that the implementation of corporate governance will be able to increase the quantity and quality of information through corporate risk disclosure. This influence will be more substantial with the existence of political connections. [Saraswati et al. \(2020\)](#) explain that increasing risk disclosure is a form of legitimacy for the existence of political connections. According to [Ananzeh et al. \(2023\)](#), management with political connections will advise companies to comply with regulations, be active in social activities, and increase disclosure of information about the company, including disclosure of company risks. [Saraswati et al. \(2020\)](#) explained that increasing disclosure legitimizes political connections to gain public trust and get a good assessment from the government as the majority shareholder in BUMN.

Based on the literature analysis above, we state our second hypothesis as follows:

H2: Political connections strengthen the positive influence of corporate governance on corporate risk disclosure in state-owned enterprises in Indonesia.

➤ Research methodology

■ Research data, population, and sample

The focus of this study is state-owned enterprises on the Indonesia Stock Exchange. The data analyzed in this study were taken from the annual reports of state-owned companies in Indonesia from 2015 to 2022. The sample selection technique in this study was the purposive sampling method. State-owned enterprises that have financial conditions in the form of negative profit, have capital deficiencies, and experience financial distress were excluded from the research data analysis.

Table 1. Details of research data selection

No.	Research data indicator	Number of data
1	Number of state-owned enterprises in the Indonesian capital market with complete research data	23
2	Total initial observation data during 2015-2022	184
3	State-owned enterprises experiencing financial difficulties	5
4	BUMN with harmful profitability data	21
5	Outlier data	12
6	Total research observations	146

Source: Results of data analysis by the author.

■ Research variables

✓ *Dependent variable*

The dependent variable in this study is corporate risk disclosure. [Adamu \(2021\)](#) explains that risk disclosure is a review of corporate risk presented in annual reports, interim reports, prospectuses, financial reports, corporate websites, and other media that provide information to corporate stakeholders for decision-making. The amount of risk disclosure shows how comprehensive the company's management is in analyzing the company's business risks. Corporate risk disclosure is proxied by the corporate risk disclosure index ([Haj-Salem et al., 2020](#)).

✓ *Independent variable*

Corporate governance, an independent variable in this research, can be defined as sound business management and control, as seen in the board of director structure, procedures, disclosures, ownership structure, and shareholder rights. Corporate governance is proxied by the corporate governance index ([Ararat et al., 2017](#)).

✓ *Moderating variable*

The moderating variable proposed in this study is political connections. Political connections can be interpreted as the existence of individuals affiliated with the Government of the Republic of Indonesia in the structure of the board of commissioners of state-owned enterprises. Political connections are measured by the dummy variable political connections, which is a value of 1 if the company has political connections and zero if the company does not ([Kusnadi, 2019](#)).

✓ *Control variables*

This study uses four control variables. The first control variable is profitability, measured by return on assets, according to [Mule et al. \(2015\)](#). The second control variable is the company's debt ratio as measured by leverage, according to the research of [Ismail et al. \(2022\)](#). The third control variable is company size, measured by the natural logarithm of total assets, according to [Kusnadi \(2019\)](#). The last control variable is audit quality as measured by the dummy of the Big Four public accounting firms ([DeAngelo, 1981](#)).

■ Analysis model

The two regression models below are the analysis models used to answer the test of the research hypothesis.

$$CRD = \alpha + \beta_1 ICG + \beta_2 DPC + \beta_3 ROA + \beta_4 LEV + \beta_5 DBIG4 + \beta_6 LN SIZE + e$$

$$CRD = \alpha + \beta_1 ICG + \beta_2 DPC + \beta_3 ICG \times DPC + \beta_4 ROA + \beta_5 LEV + \beta_6 DBIG4 + \beta_7 LN SIZE + e$$

Information:

CRD – Corporate risk disclosure

ICG – Corporate governance

DPC – Dummy political connection

ROA – Return on assets (profitability)

LEV – Leverage

DBIG4 – Audit quality with dummy variable

LN SIZE – Company size (natural log of total company assets)

ICG x DPC – Interaction between corporate governance and political connection

➔ Empirical findings and discussion

■ Descriptive statistics

Table 2 below shows the descriptive statistical results of the variables used in the research.

Table 2. Descriptive statistics

Research variable	N	Minimum	Maximum	Mean	Std. deviation
CRD	146	0.58	0.88	0.73	0.05
ICG	146	0.58	0.75	0.66	0.05
DPC	146	0.00	1.00	0.82	0.38
ROA	146	0.00	0.28	0.04	0.05
LEV	146	0.08	0.91	0.60	0.18
DBIG4	146	0.00	1.00	0.63	0.48
LN SIZE	146	27.96	35.22	31.45	1.68
Observations	146				

Source: Results of data analysis by the author.

PT Indofarma (INAF) in the reporting year 2015 had the highest risk disclosure index, while PT Bank Tabungan Negara (BBTN) obtained the smallest risk disclosure value for the reporting year 2021. The most significant corporate governance index value and the smallest corporate governance index occurred in several state-owned companies spread across several reporting years (the ICG score is the same for several BUMN). Political connection data shows that 82% of BUMN on the Indonesia Stock Exchange have political connections on the company's board of commissioners.

Table 3. Correlation

	CRD	ICG	DPC	ROA	LEV	DBIG4	LN SIZE
CRD	1						
ICG	-0.0080	1					
DPC	-0.0140	0.2736	1				
ROA	0.2001	-0.0578	0.0131	1			
LEV	-0.3133	0.2311	0.1884	-0.5064	1		
DBIG4	-0.1851	0.1025	0.0142	0.2341	-0.0972	1	
LN SIZE	-0.4777	0.3471	0.3403	-0.1407	0.5196	0.4501	1

Source: Results of data analysis by the author.

Based on the analysis in Table 3, we can see that the results of the correlation test between research variables show that the most considerable correlation that occurs between company size and leverage is still within acceptable limits, so the regression model is considered fit to be continued to the following analysis stage. The results of the classical assumption test of this study are presented in the following table.

Table 4. Summary of the results of the classical assumption test

Type of classical assumption	Test approach	Test results	Description
Data normality test	The Jarque-Bera (JB) test	Test JB = 0.941, p-value = 0.624	Normal
Autocorrelation test	Autocorrelation test	DW = 1.57	No autocorrelation
Multicollinearity test	Variance inflating factor (VIF)	VIF < 10	No multicollinearity
Heteroscedasticity test	Breusch-Pagan-Godfrey test	Prob. Chi-squared (2) on Obs. x R-Squared is 0.593	No heteroscedasticity

Source: Results of data analysis by the author.

Table 4 above shows that all data analyzed in this study has met the requirements for the classical assumption test.

■ Results of analysis of research hypothesis

The table below presents a summary of the results of the research hypothesis testing.

Table 5. Summary of research regression analysis

Variable	Model 1			Model 2		
	Coef.	t-statistic	Prob.	Coef.	t-statistic	Prob.
Constant	1.157	11.906	0.000	1.438	9.514	0.000
ICG	0.159	2.040	0.043	-0.300	-1.453	0.148
DPC	0.018	1.717	0.088	-0.319	-2.264	0.025
ICG x DPC	-	-	-	0.528	2.401	0.018
ROA	0.114	1.289	0.199	0.139	1.595	0.113
LEV	-0.007	-0.275	0.783	-0.001	-0.055	0.955
DBIG4	0.002	0.205	0.837	-0.000	-0.041	0.967
LN SIZE	-0.017	-0.499	0.000	-0.017	-5.007	0.000
Observation	146			146		
Adjusted R ²	0.259			0.283		
Δ Adjusted R ²	-			0.025		
F-Stat	9.471			9.221		
Prob. F-statistic	0.000			0.000		

Source: Results of data analysis by the author.

Table 5 shows that the coefficient of determination of the first regression equation is 0.259. The results of the first regression can be interpreted as follows: 25.9% of changes in corporate risk disclosure are influenced by corporate governance, political connections, return on assets, leverage, audit quality, and company size. The first regression model shows a coefficient of corporate governance of 0.159, with a p-value of 0.043. Based on this test, it can be seen that, in the case of state-owned enterprises on the Indonesia Stock Exchange, the

implementation of corporate governance will be directly proportional to corporate risk disclosure. The first hypothesis in this study is supported. The better the implementation of corporate governance mechanisms in a state-owned company, the better the management's commitment to disclosing the company's risk management analysis.

The second regression model in Table 5 shows the analysis results of including the political connection as a moderation variable in the research model. In the second equation regression model, a determination coefficient of 0.283 is obtained, which means that 28.3% of the change in corporate risk disclosure is influenced by corporate governance, political connections, the interaction variable (ICG x DPC), return on assets, leverage, audit quality, and company size. The results of the second regression test show that the coefficient value of the political connection moderation variable (ICG x DPC) is 0.528, with a p-value of 0.018. The results of the analysis above show that political connections in this study can act as a moderating variable. The positive influence of corporate governance implementation on corporate risk disclosure in state-owned enterprises will be even more significant when the company has political connections with the company's board of commissioners. The second hypothesis in this study is supported. The commitment to implementing corporate governance in state-owned enterprises will align with the amount of disclosure of information on company risks. In this condition, the presence of political connections in the company's commissioner structure will further strengthen the influence of corporate governance on corporate risk disclosure.

■ Discussion

The first finding of this study explains that, in state-owned enterprises in Indonesia, the implementation of corporate governance has a positive impact on corporate risk disclosure. The results of this study are in line with the results of previous studies such as those of [Abdallah *et al.* \(2015\)](#), [Amrin \(2019\)](#), [Agyei-Mensah and Buertey \(2019\)](#), and [Khandelwal *et al.* \(2020\)](#). According to [Amrin \(2019\)](#), implementing suitable corporate governance mechanisms in companies will improve aspects of control and supervision of company operations. Efforts to reduce information asymmetry in BUMN in Indonesia can be made by increasing the number of disclosures, including disclosures of company risks.

[Abdallah *et al.* \(2015\)](#) argue that companies with good corporate governance will try to increase transparency by providing information that makes it easier for investors to evaluate company performance. State-owned enterprises in Indonesia that have suitable corporate governance mechanisms are committed to working according to the goals of the company owners. Management should provide information openly to reduce information asymmetry and overcome agency problems. [Haj-Salem *et al.* \(2020\)](#) stated that disclosure of information on corporate risk management is an effort to increase the trust of investors or potential investors in corporate management. [Amrin \(2019\)](#) stated that the corporate governance mechanism will make company managers increase the quantity and quality of corporate risk disclosure to supply information to shareholders. Corporate risk disclosure protects shareholders while demonstrating the manager's competence in managing corporate risk ([Abdallah *et al.*, 2015](#)). Corporate risk disclosure will help investors understand the risk profile of BUMN, anticipate risks, and prevent investment failures in the future.

The second finding of this study proves that the political connection variable strengthens the positive influence of corporate governance implementation on the amount of corporate risk disclosure. This study supports the opinion of [Rusli *et al.* \(2018\)](#), who stated that political connections can act as a helping hand that has a positive impact and provides progress for state-owned enterprises in Indonesia. This study's results align with [Saraswati *et al.* \(2020\)](#), according to which state-owned enterprises will increase risk disclosure as a form of legitimacy for the existence of political connections. [Ananzeh *et al.* \(2023\)](#) explained that political connections

in state-owned enterprises will play a role as a party that advises the company's directors to always comply with the rules and bring financial reporting mechanisms more oriented towards information transparency.

Harymawan and Roiston (2022) stated that companies with political connections will always be oriented towards image and reputation in front of shareholders. When state-owned enterprises have implemented good corporate governance, political connections also support increased corporate risk disclosure. Corporate risk disclosure will help investors map the company's business risks (Abdallah *et al.*, 2015). Support for political connections in strengthening corporate risk disclosure is carried out to improve performance and show the legitimacy of political connections in implementing corporate governance in state-owned enterprises. This strategy is carried out to gain the trust of shareholders and the public for the competence and professionalism of managing state-owned enterprises.

➔ Conclusion

This study concludes that, in state-owned enterprises in Indonesia, the implementation of corporate governance will be directly proportional to the quantity of corporate risk disclosure by the company. This study also found that political connections can act as a moderating variable in the influence of corporate governance and corporate risk disclosure of the company. The novelty of this study is that, in state-owned enterprises in Indonesia, political connections have a positive impact that strengthens the influence of corporate governance implementation on corporate risk disclosure. The theoretical contribution of this study is that, in the case of state-owned enterprises in Indonesia, political connections are evaluated by users of financial statements as a helping hand that can advance company performance. Political connections from the board of commissioners in state-owned enterprises play a role in encouraging and supervising company management to increase the quantity of corporate risk disclosure.

Some limitations of this study are the measurement of political connections using dummy variables and the coefficient of determination value, which is relatively not too high, so subsequent studies are advised to develop a research model by developing measurements of political connections and testing other factors that are suspected of influencing corporate risk disclosure, such as ownership structure, characteristics of directors, and accounting conservatism.

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