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DO POLITICAL CONNECTIONS AFFECT TAX AVOIDANCE IN INDONESIA? A SYSTEMATIC REVIEW AND META-ANALYSIS

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Abstract
Previous correlational studies have shown a significant effect between political connections and tax avoidance. However, this also cannot deny other empirical facts which state that there is no significant influence between political connections and tax avoidance. This study aims to generalize the results of previous studies that discuss the influence of political connections and tax avoidance in Indonesia. Quantitative methods were chosen to analyze this; we used Systematic Review and Meta-Analysis. We searched for eligible studies from the databases Garba Rujukan Digital (GARUDA), Ebsco, and Google Scholar until 17 September 2022. Meta-analysis was carried out using STATA software with the help of Microsoft Excel to calculate the effect size of each study data. Fourteen studies were successfully netted for analysis, of which 14 developed into 29 data using the data available in each study. We find that the relationship between political connections and tax avoidance in Indonesia has an insignificant direction; this is indicated by the value of z = -1.23 and p-value of 0.22 or above 0.05. It is the latest study in Indonesia to investigate the relationship between political connections and tax avoidance. Furthermore, the test results indicate that differences in tax avoidance proxies affect the test results for political connections. In contrast, there was no significant effect on the political connection proxy. The relevant tax authorities can consider significant tax avoidance proxies for political connections as one of the detection indicators in the compliance risk management of taxpayer supervision.
Keywords: Meta-Analysis, Political Connections, Tax Avoidance

Abstrak
Penelitian-penelitian korelasional sebelumnya menunjukkan adanya pengaruh yang signifikan antara koneksi politik dan penghindaran pajak. Namun, hal ini juga tidak dapat menafikan fakta empiris lain yang menyatakan bahwa tidak ada pengaruh yang signifikan antara koneksi politik dan penghindaran pajak. Penelitian ini bertujuan untuk menggeneralisasi hasil dari penelitian-penelitian sebelumnya yang menguji pengaruh koneksi politik terhadap penghindaran pajak di Indonesia. Metode kuantitatif dipilih untuk menganalisis hal ini; para peneliti menggunakan Systematic Review dan Meta-Analisis. Kami mencari penelitian yang memenuhi syarat dari database Garba Rujukan Digital (GARUDA), Ebsco, dan Google Scholar hingga 17 September 2022. Meta-analisis dilakukan dengan menggunakan perangkat lunak STATA dengan bantuan Microsoft Excel untuk menghitung ukuran efek dari setiap data penelitian. Empat belas studi berhasil dijaring untuk dianalisis, dari 14 studi tersebut dikembangkan menjadi 29 data dengan menggunakan data yang tersedia di setiap studi. Kami menemukan bahwa hubungan antara koneksi politik dan penghindaran pajak di Indonesia memiliki arah yang tidak signifikan, hal ini ditunjukkan dengan nilai z = -1.23 dan p-value sebesar 0.22 atau di atas 0.05. Penelitian ini merupakan penelitian terbaru di Indonesia yang menginvestigasi hubungan antara koneksi politik dan penghindaran pajak. Lebih lanjut, hasil pengujian menunjukkan bahwa perbedaan proksi penghindaran pajak mempengaruhi hasil pengujian koneksi politik. Sebaliknya, tidak ada pengaruh yang signifikan pada proksi koneksi politik. Otoritas pajak terkait dapat mempertimbangkan proksi penghindaran pajak yang signifikan untuk koneksi politik sebagai salah satu indikator pendeteksian dalam manajemen risiko kepatuhan pengawasan wajib pajak.
Kata Kunci: Koneksi Politik, Meta-Analisis, Penghindaran Pajak

INTRODUCTION

Tax revenue is a state revenue source that plays a significant role in various countries (Ortiz-Ospina & Roser, 2016). This significant role faces the harsh reality of not achieving tax revenues in many countries (Zhang, 2007). One of the factors considered to be the leading cause of not achieving tax revenue is tax avoidance activities (Wang et al., 2020; Besley & Persson, 2014). Tax avoidance includes reducing the tax burden using legal tax planning to violating tax laws (Wang et al., 2020). The existence of tax avoidance is not only a problem for state finances. Furthermore, tax avoidance can erode public compliance with regulations and community

integrity (Bird & Davis-Nozemack, 2018). Asian Agri Group with defendant Suwir Laut in 2014 is a prime example of the most significant tax fraud case ever discovered in Indonesia (Pasliadja et al., 2014). This case has cost the government Rp2.6 trillion (Sitepu, 2017; Zulma, 2016). Another instance of tax evasion is the Bakrie Group mining firm (Sulistiyanti & Saputra, 2020; Zulma, 2016). This corporate group comprises PT Kaltim Prima Coal (KPC), PT Bumi Resources, and PT Arutmin Indonesia, which are implicated in IDR 2.1 trillion in tax evasion (Nurfaizah, 2016). PT. Kaltim Prima Coal (PT. KPC) avoids tax via a transfer pricing strategy by selling coal to an allied firm below the market price (PT Indocoal Resource Limited). The fee is only half of what PT. KPC would usually charge other customers. Then, PT Indocoal sells the coal to other purchasers using KPC's standard pricing structure. Consequently, PT. KPC's coal sales revenue is significantly reduced, resulting in state losses of Rp 1.7 trillion (Sulistiyanti & Saputra, 2020).

The existence of tax avoidance can threaten the systemically and significantly state. The Directorate General of Taxes (DGT) estimates that tax evasion costs the government up to Rp 68.7 trillion annually (Santoso, 2020). The Tax Justice Network published a report titled The State of Tax Justice 2020: Tax Justice in the Age of Covid-19 in November 2020. According to the report, tax evasion by corporations in Indonesia is estimated at up to IDR 67.6 trillion per year, while around IDR 1.1 trillion is attributed to individual taxpayers (Tax Justice Network, 2020). Organizations such as the Organization for Economic Co-operation and Development (OECD) have also developed the Base Erosion and Profit Shifting Project (BEPS) Action Plan to combat tax avoidance due to the urgent need for a worldwide tool to tackle tax avoidance (Kemmeren, 2014; Christians, 2016; Gebhart, 2017). This BEPS Action Plan is a response to concerns over the erosion of tax revenues in developing nations, especially Indonesia, due to tax avoidance (Crivelli et al., 2015).

The rule has fifteen action plans, ranging from addressing tax issues in the digital economy to building global mechanisms to combat tax avoidance (Picciotto et al., 2017). The significant impact of tax avoidance on state finances requires effective measures to eliminate this behavior. This effort is the responsibility of the appropriate tax authorities and most tax avoidance academics. Tax avoidance research is an essential topic for scholars. Several elements affect tax avoidance. Arham et al. (2020) state that the firm's size drives most tax avoidance. According to another study, tax dodging activities surged dramatically after the advent of International Financial Reporting Standards (IFRS) (Braga, 2017; Huang et al., 2018; Lee & Kao, 2018). Hanlon & Heitzman (2010) describe tax avoidance as decreasing explicit tax rates using several strategies, including tax management, tax planning, tax aggressiveness, tax evasion, and tax shelters. Braithwaite (2005) demonstrates in his research that the board of directors' efforts to aggressively reduce the corporation tax burden have become regular and pervasive in several nations.

According to several studies, political ties are a factor in tax avoidance. Political ties can lower the additional expenses associated with aggressive tax preparation, allowing businesses to be more proactive in their tax planning. There are several benefits for businesses with political links. First, Kim & Zhang (2016) demonstrate that politicians can insulate businesses from the danger of detecting lower tax shelters, which minimizes the anticipated costs of tax sheltering. Second, political contacts facilitate access to bank loans and tax benefits. Political connections are an essential asset for businesses in both emerging and established nations. It is a crucial domestic decision that can alter the company's strategic policies. Kim & Zhang (2016) state that politically connected corporations will be more active in tax avoidance. This corporation offers other advantages, such as reduced risk detection, reduced transparency pressure on the capital market, speedier information on changes to tax legislation and other laws, and reduced political expenses. Moreover, the influence of political connections on tax

avoidance has been observed to be particularly significant in developing economies, indicating the need for comprehensive research in diverse economic contexts (Adhikari et al., 2006). Moreover, the impact of political connections on tax avoidance practices during specific periods, such as election years, further underscores the need to investigate this relationship in different time contexts (Indarto & Widarjo, 2021).

Several studies on political connections and tax avoidance have been conducted in Indonesia. However, the resulting outcomes are quite variable. In addition to the numerous prior studies on political connections and tax avoidance, we believe there are intriguing issues to investigate or do a literature review on the outcomes of these studies. It is conducted to obtain empirically and statistically more valid results than by examining a single study outcome. Meta-analysis is a technique that may be used to aggregate many study findings into a single, more accurate conclusion. A meta-analysis is a form of systematic review that synthesizes various studies using studies that already exist and have been used by other researchers. These studies are carried out systematically and quantitatively to obtain accurate conclusions. It encourages the need for further research to generalize the results of previous studies regarding the relationship between political connections and tax avoidance. The generalization is made by utilizing a systematic review and meta-analysis to empirically measure the fundamental relationship between political connections and tax avoidance. Both significant and non-significant research will be involved to determine valid conclusions. In the first stage, the research will select literature based on a systematic review. Next, we calculated each study's effect size and standard error. The last stage is calculating the total effect size, data visualization, analysis, and analysis for publication bias.

This study contributes significantly to the literature on the relationship between political connections and tax avoidance. Using a meta-analytic approach, this study strengthens the understanding of the relationship between these two variables and highlights the diversity in using proxies for political connections and tax avoidance. By conducting subgroup analyses, this study successfully demonstrates that differences in proxies significantly impact research results, leading to a deeper and more nuanced understanding of the dynamics of the relationship. In a practical context, these findings are useful for tax authorities, such as the Directorate General of Taxes in Indonesia, in formulating and implementing reliable compliance risk management (CRM) indicators. By understanding the relationship between political connections and tax avoidance, tax authorities can more effectively identify and manage tax compliance risks. In particular, the findings can assist in developing more sensitive and specific CRM indicators that reflect the diversity of proxies and operational contexts of companies. In addition, this study guides future researchers in selecting appropriate proxies for political connections and tax avoidance. By mapping the proxies used in previous studies and analyzing their effectiveness, this study provides a solid foundation for further research in this area. It is important to produce more accurate and relevant research to real-world conditions, especially in developing countries with distinctive political and economic dynamics, such as Indonesia.

LITERATURE REVIEW

Agency Theory

The conflict of interest between shareholders and firm management resulting from the separation of ownership and control is one of the most critical topics in business economics. It must be thoroughly investigated (Bauer et al., 2018). As the agent, management desires large profits since it will raise the remuneration provided by the principal. However, as the principals, shareholders desire as much profit as feasible and a minimal tax burden. Management should satisfy shareholders by delivering a high return on investment. A substantial return is possible if the company's profit is likewise substantial. This information will impact the substantial tax burden the corporation will pay to the state. The tax will diminish the benefits of the contractual

relationship for shareholders and management. It frequently generates tensions for managers since the company's management must attempt to reduce its tax burden to achieve high profits. The subject of agency theory is the competing interests of principals and agents. The model of agency costs and ownership structure given by Jensen & Meckling (1976) play a significant role in the literature on corporate governance. This theory considers the agency relationship as a contract in which one or more principals hire an agent to provide a service on their behalf and delegate decision-making authority to the agent. When there is a separation between the principal and the agent, the agency problem arises because they constantly want to maximize their utility function. The agent will not always operate in line with the principal's objectives.

Tax Avoidance Proxy

Several tax avoidance measures have been employed in prior research utilizing data from financial statements. This measurement may be categorized into three groups: the tax proportions of business income, the gap between accounting income and taxable income, and additional measures (Salihu et al., 2013). Hanlon & Heitzman (2010) explain several proxies for measuring tax avoidance, including GAAP ETR, Cash ETR, Current ETR, Long-run Cash ETR, Differential ETR (Difference ETR), DTAX, Total BTD, and others. Hanlon & Heitzman (2010) elaborate on the benefits and drawbacks of each technique for quantifying tax avoidance. The ETR represents the average tax rate per currency unit or cash flow. The Effective Tax Rate, or ETR, is the most common indicator of tax avoidance. It is predicated on the premise that ETR can assist in estimating the efficacy of a company's tax preparation efforts (Mills et al., 1998).

ETR may often determine the proportion of tax liability to taxable income. The ETR is unaffected by tax strategies with tax deferral, such as accelerated depreciation. However, other techniques that might impact the ETR are not included in tax planning, such as changes in the valuation of allowances or the contingency of tax reserves. The cash ETR is computed using taxes paid in the numerator and is impacted by tax deferral tactics but not by changes in tax accounting accruals. The yearly cash ETR may not match the numerator and denominator if the cash tax paid includes income tax from many periods. However, the denominator only contains the current period's earnings. Long-term ETR is calculated by comparing the cash paid for taxes over ten years to pre-tax income (net of special items). The primary advantage of assessing the long-term ETR is that it reduces tax rate volatility.

Book Tax Differences (BTD) measures can reveal tax avoidance activity. Wilson (2009), cited in Hanlon and Heitzman (2010), discovered that BTD is larger for enterprises that utilize tax shelters than those that do not. This research implies that BTD captures certain aspects of tax avoidance. Desai and Dharmapala (2006) quantify BTD irregularity by regressing BTD total on total accruals, where total accruals are used to regulate accounting earnings management. Residues are employed as surrogates for tax avoidance compilation.

According to Chen et al. (2014), the book-tax gap represents temporary and permanent BTD in tax avoidance. However, it makes no distinction between operational operations and tax shelter transactions, and the company's profits management also influences this book-tax discrepancy. Desai & Dharmapala (2009) provide an empirical measure of corporate tax avoidance in which the components of the book-tax gap are not attributed to accrual accounting to diminish the influence of earnings management. The two indications may be complementary. A recent study used the effective corporate tax rate (ETR) to quantify tax avoidance. However, the ETR does not differentiate between tax avoidance, government tax favors, and tax lobbying (Hanlon & Heitzman, 2010).

Political Connection

A company can be considered to have political connections if one of the Board of Commissioners/the Board of Directors/the family of the Board of Commissioners/the Board of

Directors has served or is currently serving as a central and regional government official, military/police officer or political party administrator and has ties to politicians in power today (Ha & Frömmel, 2020; Ika et al., 2021; Saputra, 2021). The criteria for political connections used in the research include: (a) The Board of Commissioners or the Board of Directors or the family members of the Board of Commissioners or the Board of Directors have served or are currently serving as government officials, both central and local government officials, members of parliament, ministers, and assistants to the presidency; (b) The Board of Commissioners or the Board of Directors or the family members of the Board of Directors have served or are currently serving as military or police officers; (c) The Board of Commissioners or the Board of Directors or the families of the Board of Commissioners or the Board of Directors have served or are currently serving as politicians affiliated with political parties; (d) The Board of Commissioners/the Board of Directors/the family members of the Board of Directors have or are currently serving have a relationship or affinity with the politicians in power.

Political Connection and Tax Avoidance

Kim & Zhang (2016) discovered that enterprises with political ties were more tax aggressive than those without political ties. Furthermore, it is suggested that politically linked enterprises will be more aggressive due to reduced expectations of tax enforcement costs, early tax knowledge, reduced capital market transparency demands, and political risk-taking. Prior research by Adhikari et al. (2006) showed a negative correlation between political ties and the Effective Tax Rate (ETR). Politically connected businesses pay much-reduced taxes. According to Wu et al. (2012), there is a negative correlation between political ties and the Effective Tax Rate for private enterprises, while there is no correlation between political connections and taxes for state-owned companies. Private corporations with political ties to the government will receive tax benefits, as demonstrated by the lower effective tax rate, but companies without political ties do not receive tax benefits. Rustiarini & Sudiartana (2021) further explain that political connections play a role in reducing the tax burden through nepotism efforts. One factor that strengthens the influence of political connections and tax avoidance is managerial ownership.

METHODS

A comprehensive literature search was conducted for journals from 2012 to 2022 using the following databases: Garba Rujukan Digital (GARUDA), Ebsco, and Google Scholar until 17 September 2022. This study samples research conducted between 2012 and 2022 to ensure that recent developments in accounting and finance are considered. This time frame has been selected to provide a precise and relevant view of current dynamics in tax avoidance practices and the potential influence of political connections within Indonesia. A literature search for the meta-analysis was conducted using the following keywords: 'tax avoidance' and 'political connection' and 'Indonesia,' 'tax aggressiveness' and 'political connection' and 'Indonesia,' and 'tax evasion' and 'political connection' and 'Indonesia.' In addition, We conducted a manual search to retrieve potential articles that were not included in the database. Eligible studies must meet the following criteria: (a) the article assesses the relationship between political connections and tax avoidance; (b) the research method used is quantitative; and (c) the research design is correlational. Publications that could not be accessed entirely were not included in this study. The excluded literature was as follows: (a) the study did not use a sample of companies in Indonesia; (b) duplicate publications; (c) the article does not report the complete statistical test results, and (d) non-English or non-Indonesian articles.

Data is collected and synthesized by NDK independently based on the required criteria.

Publication data collection is done by downloading the publication through an agreed database. Statistical calculations, such as the effect size and standard error, are done with the help of Microsoft Excel. Information taken from each publication includes the first author's name, year of publication, research design, variables used for tax avoidance, political connections, and statistical test results (e.g., p-value, t-statistics, standard error). The ETR proxy is transformed into negative to equalize analysis and interpretation to get the effect size. The interpretation of the higher ETR value indicates lower tax avoidance. Meanwhile, the lower the value, the higher the tax avoidance. A transformation is carried out to have the same interpretation as other proxies.

Because there are different proxies for measuring tax avoidance and political connections used in previous studies, estimates from each previous study cannot be compared. Thus, we used the partial correlation coefficient (PCC) as the standard effect measure commonly used in meta-analyses (Doucouliagos & Ulubaşoğlu, 2008; Ridhwan et al., 2022). The partial correlation coefficient can be obtained from the t-statistics and degrees of freedom of the estimators (Ridhwan et al., 2022):

$$pcc_{ij} = \frac{t_{ij}}{\sqrt{t_{ij}^2 + dof_{ij}}}$$

Where pcc_{ij} is the partial correlation coefficient of the estimated political connection to tax avoidance i from study j, which ranges from -1 to 1; t is the t-statistic, and dof are the degrees of freedom collected from the selected study estimates. The partial correlation coefficients represent a measure of the effect of political connections on tax avoidance. The standard error for each partial correlation coefficient is acquired from the PCC and t-statistics:

$$SEpcc_{ij} = \frac{pcc_{ij}}{t_{ij}}$$

Publication bias is one of the additional elements that may alter the effect magnitude that we must assess (Fanelli et al., 2017; Kühberger et al., 2014). Publication bias may occur because studies more likely to be published are more likely to yield statistically significant results. However, even a thorough assessment of the current published literature cannot offer an accurate picture of the corpus of research in a specific field if the literature displays selection bias. Consequently, publication bias is typically evaluated technically or visually using funnel plots. A funnel plot is a scatter diagram depicting the relationship between estimated accuracy and effect (e.g., using regression or partial correlation coefficients). The reciprocal of the standard error of the partial correlation coefficient provides the most accurate measurement of precision (Doucouliagos & Stanley, 2009; Ridhwan et al., 2022):

$$prec_{ij} = \frac{1}{SEpcc_{ij}}$$

RESULTS AND DISCUSSIONS

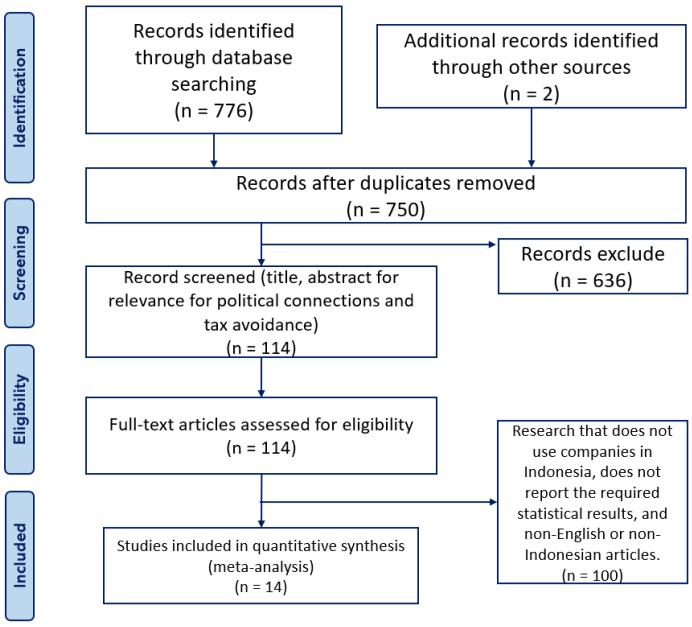
Study Characteristics

As seen in Figure 1, we initially obtained 776 studies through a primary database search and 2 through a manual search. Then, we selected 750 potentially relevant articles. In addition, we removed duplicates and screened studies, and 636 of them were excluded because they were

not relevant to the topic of discussion. Subsequently, a total of 114 full-text studies were examined for feasibility. Eventually, some studies were excluded due to irrelevant research designs, insufficient information or ineligible articles. Finally, 14 potential articles were screened and eligible for meta-analysis. The 14 selected articles contain publications containing several test results that can be included in the meta-analysis. These results were obtained by checking the robustness and differences of the models in conducting the analysis. For example, in one publication, researchers used two tax avoidance proxies to see the consistency of the effect of the independent variable on the dependent variable. Based on this development, the amount of data that can be developed for meta-analysis is 29 data. This data can be detailed based on the tax avoidance proxies and political connections used. BTD proxy is used for 7 data, Cash ETR proxy is used for 9, Current ETR proxy is used for 1, Difference ETR proxy is used for 2, DTAX proxy is used for 3, and the rest use GAAP ETR.

Meanwhile, there are five proxies used in political connections. First, connections with all company parts (commissioners, directors, and independent commissioners) are symbolized by ALL, with 13 data. Second, political connections with commissioners, which POLCOM symbolizes with 7 data. Third, political connections with the audit committee, which POLCOMDIT symbolizes with a total of 1. Fourth is a political connection with the director, which POLDIR symbolizes with a total of 7. Fifth, political connection with an independent commissioner, which POLINDCOM symbolizes with a total of 1.

FIGURE – 1: PRISMA diagram of the literature search



Authors	Tax Avoidance Proxies	Political Connection Proxies	Effect Size	[95% conf. interval]		%weight
Anggraini & Widarjo (2020)	BTD	POLCOM	-0.145	-0.255	-0.034	4.130
Anggraini & Widarjo (2020)	BTD	POLDIR	-0.096	-0.207	0.015	4.120
Iswari et al. (2019)	BTD	POLDIR	-0.173	-0.308	-0.038	3.700
Iswari et al. (2019)	BTD	POLCOM	-0.272	-0.484	-0.060	2.520
Oktavia (2020)	BTD	POLDIR	0.017	-0.002	0.036	5.370
Oktavia (2020)	BTD	POLCOMDIT	0.272	-0.109	0.653	1.150
Oktavia (2020)	BTD	POLCOM	0.223	-0.352	0.798	0.570
Amalia & Ferdiansyah (2019)	Cash ETR	ALL	-0.174	-0.295	-0.053	3.940
Anggraini & Widarjo (2020)	Cash ETR	POLDIR	0.152	0.041	0.262	4.130
Anggraini & Widarjo (2020)	Cash ETR	POLCOM	0.038	-0.073	0.150	4.110
Ferdiawan & Firmansyah (2017)	Cash ETR	ALL	0.106	-0.063	0.276	3.130
Putra & Suhardianto (2020)	Cash ETR	ALL	-0.015	-0.035	0.005	5.370
Rahmadani et al. (2020)	Cash ETR	ALL	-0.031	-0.120	0.059	4.500
Sudibyo & Jianfu (2016)	Cash ETR	POLDIR	-0.069	-0.912	0.774	0.280
Sudibyo & Jianfu (2016)	Cash ETR	POLCOM	-0.046	-1.130	1.038	0.170
Sudibyo & Jianfu (2016)	Cash ETR	POLINDCOM	0.050	-1.792	1.892	0.060
Putra & Suhardianto (2020)	Current ETR	ALL	0.060	0.040	0.080	5.370
Fasita et al. (2022)	Difference ETR	ALL	-0.273	-0.394	-0.152	3.940
Fasita et al. (2022)	Difference ETR	ALL	-0.137	-0.261	-0.012	3.880
Fasita et al. (2022)	DTAX	ALL	-0.051	-0.177	0.074	3.860
Fasita et al. (2022)	DTAX	ALL	0.052	-0.074	0.178	3.860
Firmansyah et al. (2022)	DTAX	ALL	0.194	0.072	0.316	3.930
Firdaus et al. (2020)	GAAP ETR	POLDIR	0.228	0.026	0.430	2.650
Firdaus et al. (2020)	GAAP ETR	POLCOM	-0.081	-0.288	0.126	2.590
Mubarok (2021)	GAAP ETR	ALL	-0.095	-0.188	-0.002	4.430

Putra & Suhardianto (2020)	GAAP ETR	ALL	-0.028	-0.048	-0.008	5.370
Putri & Aristantia (2022)	GAAP ETR	ALL	-0.116	-0.314	0.082	2.710
Sudaryono et al. (2019)	GAAP ETR	POLDIR	-0.084	-0.134	-0.034	5.100
Sudaryono et al. (2019)	GAAP ETR	POLCOM	0.027	-0.027	0.081	5.040

TABLE – 1: Characteristics of studies included in this meta-analysis

The Effect of Political Connections on Tax Avoidance

The heterogeneity test results using the p-value and I2 values obtained, p-value = 0.00 with a value of I^2 = 93.99%, so it can be concluded that the effect size results of the comprehensive data analyzed are different in various populations. Therefore, the random-effect model method is more appropriate to conclude from the summary effect results compared to the fixed-effect model because this model assumes that all studies in the meta-analysis provide the same effect size population, namely a single effect size. The results of the summary effect calculation obtained from the STATA software in Figure 2 show the summary effect results using the random-effect model method; the results obtained are 0.97 with a 95% confidence interval ranging from 0.94 to 1.02. The z-value and p-value show the relationship between political connections and tax avoidance in this case. The direction of the relationship between political connections and tax avoidance can be shown by the value of z = -1.23, which means that the relationship between the two is negative. While the p-value in the summary effect is 0.22 or above 0.05, it can be concluded that the relationship between the two is not significant in this case.

Figures 3 to 8 depict the partial tests of each proxy for tax avoidance. The conclusion of the association between political connections and tax avoidance using BTD proxies is depicted in Figure 3. The values of I^2 = 72.62 percent and p-value = 0.00 in Figure 3 demonstrate the data set's substantial heterogeneity. Figure 3 depicts the summary effect calculation results, which are -0.08 with a 95% confidence interval of -0.18 to 0.01. z = -1.73 indicates that the direction of the link between political ties and tax avoidance is negative, indicating that the association is negative. As the p-value for the summary effect is 0.08 or greater than 0.05, it may be stated that the association between the two is not statistically significant. The conclusion of the relationship between political connections and tax avoidance using the Cash ETR proxy is depicted in Figure 4. Figure 4 demonstrates that the utilized data is very heterogeneous, as evidenced by the values I^2 = 73.91% and p-value = 0.02. Figure 4's summary effect calculation yields a value of 1.01 with a 95% confidence interval of 0.93 to 1.09; z = 0.16 indicates that the direction of the link between political ties and tax avoidance is positive, indicating that the association is positive. As the p-value for the summary effect is 0.87 or greater than 0.05, it can be stated that the association between the two is not statistically significant.

Figure 5 illustrates the relationship between political connections and tax avoidance based on the Current ETR proxy. Because there is only one piece of data, the obtained findings are identical to those data. While Figure 6 illustrates the relationship between political ties and tax avoidance using the Difference ETR proxy, it should be noted that the data do not support this conclusion. I^2 = 57.66% and p-value = 0.12, as depicted in Figure 6, indicate that the heterogeneity of the employed data is modest. Figure 6's summary effect calculation yields a value of -0.21 with a 95% confidence interval of -0.34 to -0.07 z = -3.01, indicating that the direction of the association between political ties and tax avoidance indicates that the link is negative. As the p-value for the summary effect is 0.00 or less than 0.05, we may conclude that the association between the two variables is significant. Figure 7 depicts the DTAX proxy's analysis of the association between political connections and tax avoidance. Figure 7 demonstrates that the utilized data is very heterogeneous, as evidenced by the values I^2 = 73.63 % and p-value = 0.02. Figure 7's summary effect calculation yields a value of 0.07, with a 95%

confidence interval ranging from -0.07 to 0.21. The result of z = 0.92 reveals the direction of the link between political ties and tax avoidance, indicating that the association is positive. As the p-value for the summary effect is 0.36 or greater than 0.05, it can be stated that the association between the two is not statistically significant. Figure 8 depicts the conclusion of the association between political ties and tax avoidance as determined by the GAAP ETR proxy. Figure 8 demonstrates that the utilized data is very heterogeneous, as demonstrated by the values of I^2 = 73.44 percent and p-value = 0.01. Figure 7 depicts the result of the summary effect calculation with a 95% confidence interval ranging from 0.92 to 1.02. z = -1.17 indicates that the direction of the association between political ties and tax avoidance is negative, indicating that the link is negative. As the p-value for the summary effect is 0.24 or greater than 0.05, it can be stated that the association between the two is not statistically significant.

Figure – 2: Forest plot for the correlation between Political Connection and Tax Avoidance

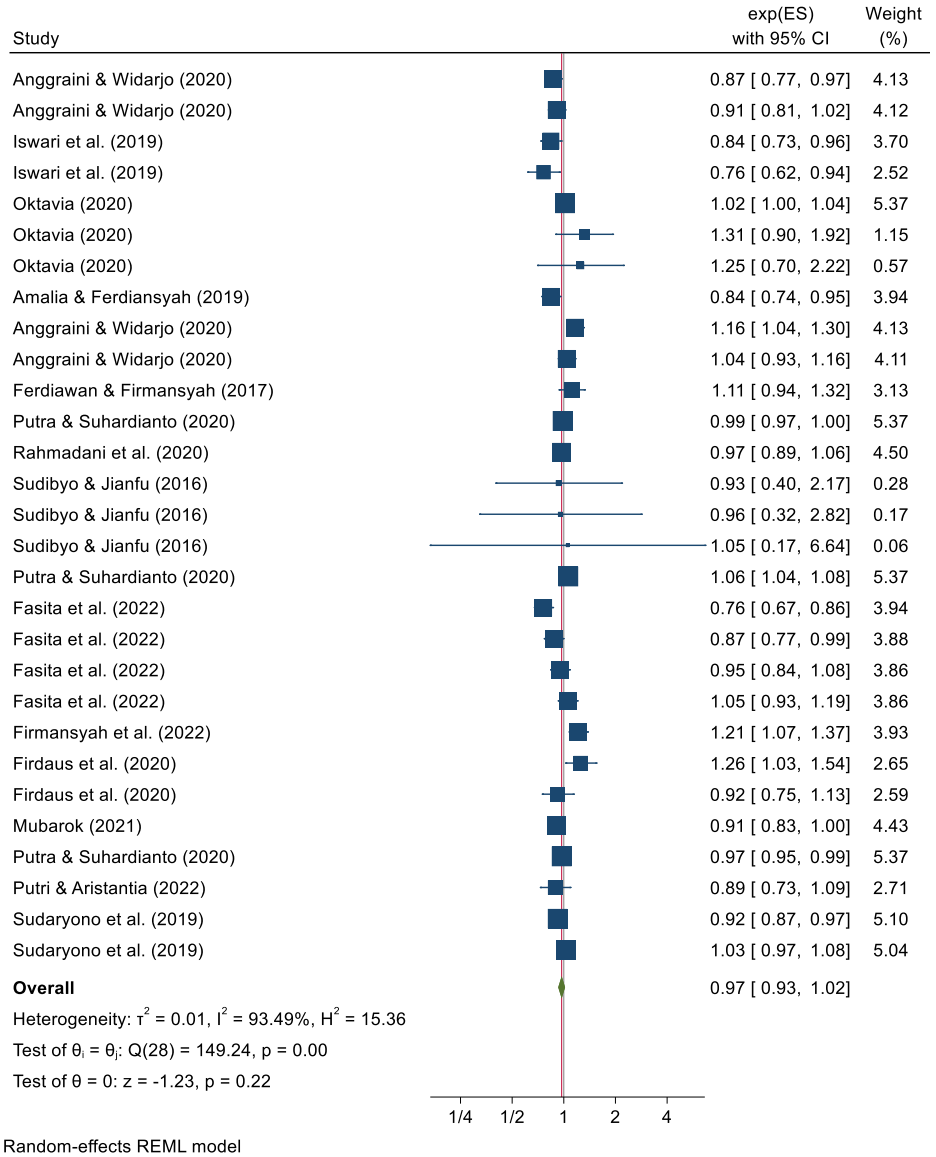


Figure – 3: Forest plot for the correlation between Political Connections and BTD Proxies for Tax Avoidance

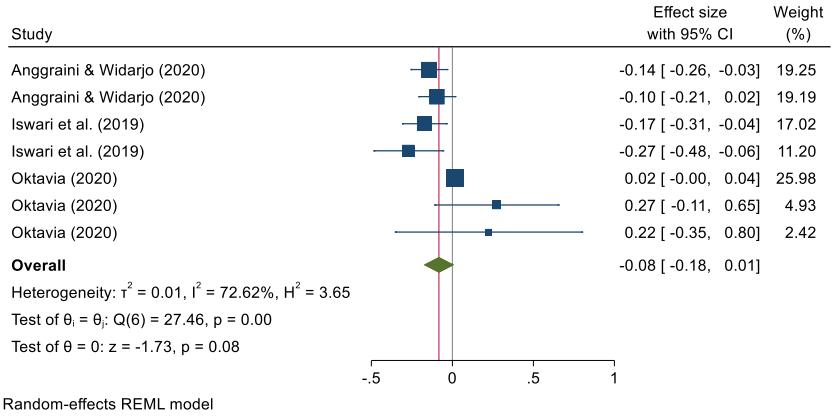


Figure 4. Forest plot for the correlation between Political Connections and Cash ETR Proxies for Tax Avoidance

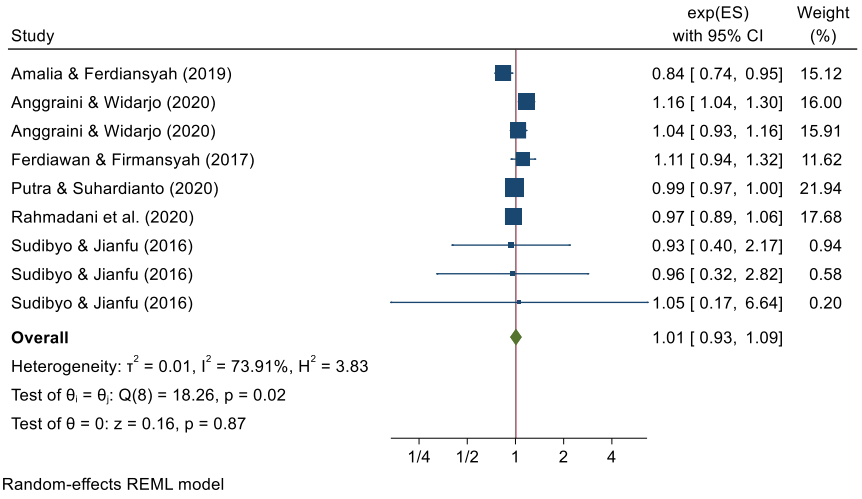


Figure – 5: Forest plot for the correlation between Political Connections and Current ETR Proxies for Tax Avoidance

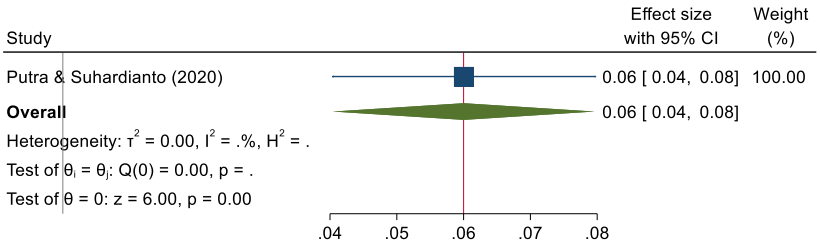


Figure – 6: Forest plot for the correlation between Political Connections and Difference ETR Proxies for Tax Avoidance

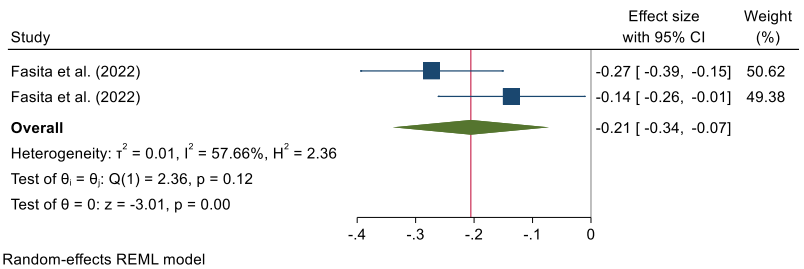


Figure – 7: Forest plot for the correlation between Political Connections and DTAX Proxies for Tax Avoidance

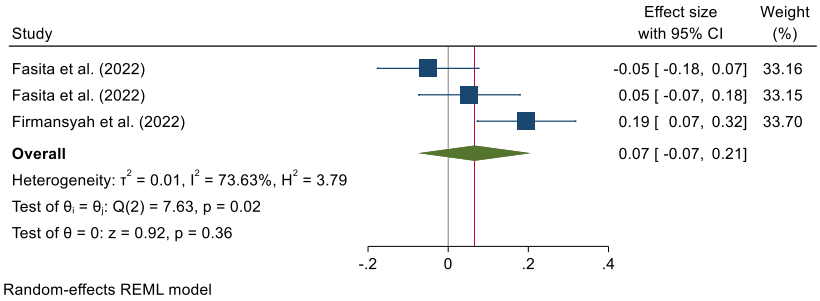
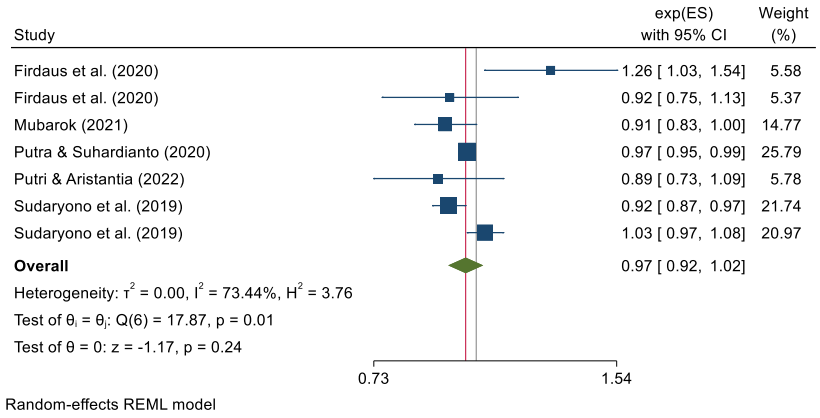


Figure – 8: Forest plot for the correlation between Political Connections and GAAP ETR Proxies for Tax Avoidance



Subgroup Analysis

Subgroup analysis is needed to test whether there is a difference in using proxies for tax avoidance and political connections. This is important for future researchers in selecting proxies for each variable. This follow-up analysis is essential if the study results do not find a significant effect in a series of heterogeneous trials. It is possible that with this analysis, the authors gain new insights regarding the importance of using a proxy in measuring a variable. Figure 9 presents a subgroup analysis for each of the tax avoidance proxies. The subgroup analysis compares the effect of differences in tax avoidance proxies on the significance of the effect of political connections and tax avoidance. In addition, the analysis can be used to see the heterogeneity of the test results contained in previous studies. The subgroup analysis results show a statistically significant effect of subgroups (p = 0.00), meaning that using different tax avoidance proxies will produce different significances regarding the effect of political connections on tax avoidance. The test results also show relatively high heterogeneity, with p-value = 0.00 and I^2 = 93.49%. This finding suggests that an appropriate proxy is needed for tax avoidance in examining the effect of political connections on tax avoidance in Indonesia.

Meanwhile, Figure 10 presents a subgroup analysis for each proxy for political connections. The subgroup analysis compares the effect of differences in the use of proxies for political connections on the significance of the effects of political connections and tax avoidance. In addition, this analysis can be used to see the heterogeneity of the test results contained in previous studies. The subgroup analysis results showed no statistically significant effect on subgroups (p = 0.57), meaning that the use of different political connection proxies

did not affect the significance of the analysis results. This finding suggests that researchers can use all proxies for measuring political connections in examining the effect of political connections on tax avoidance in Indonesia.

Figure – 9: Forest plot for subgroup analysis of the correlation between Political Relations and Tax Avoidance

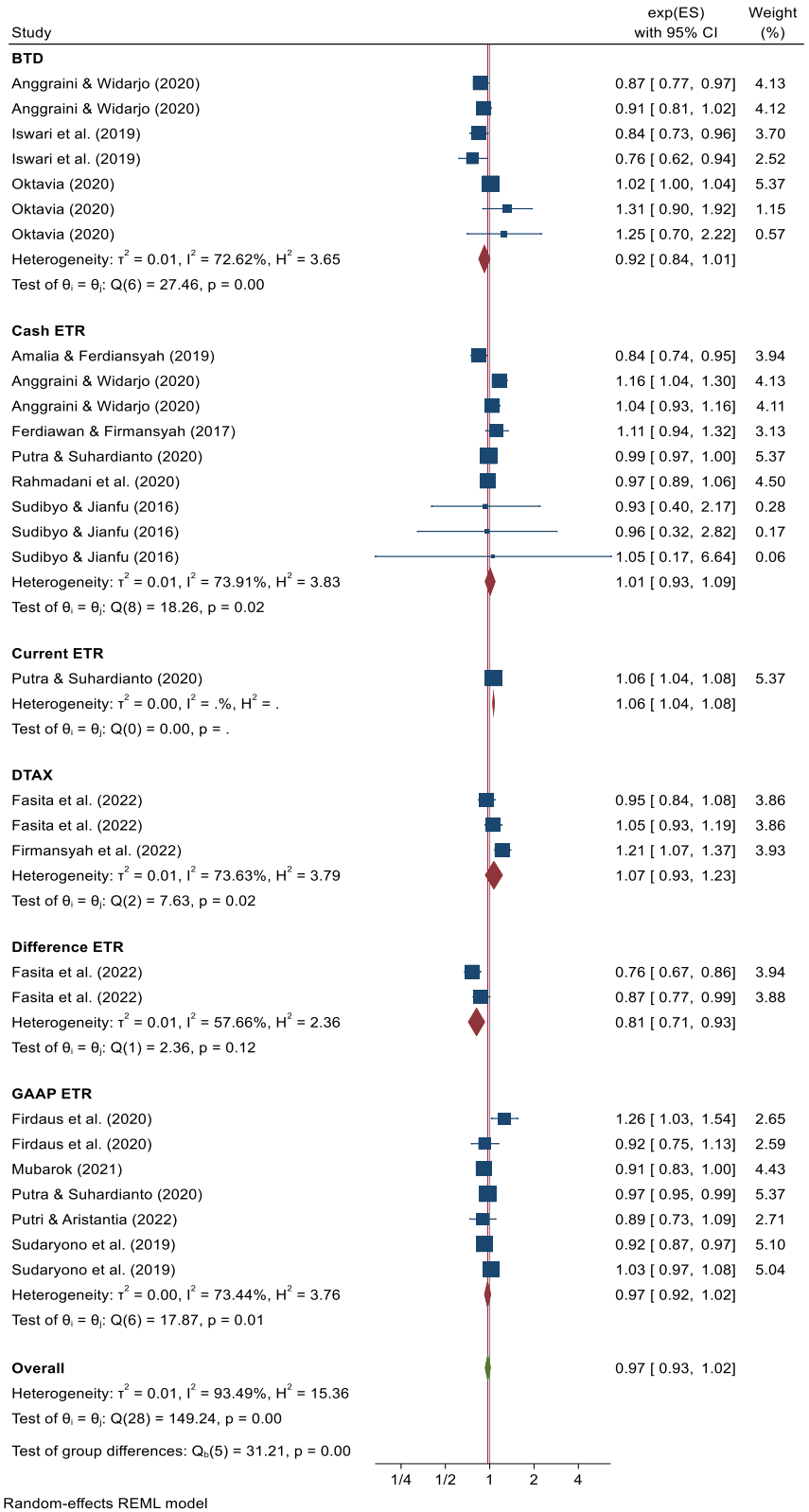
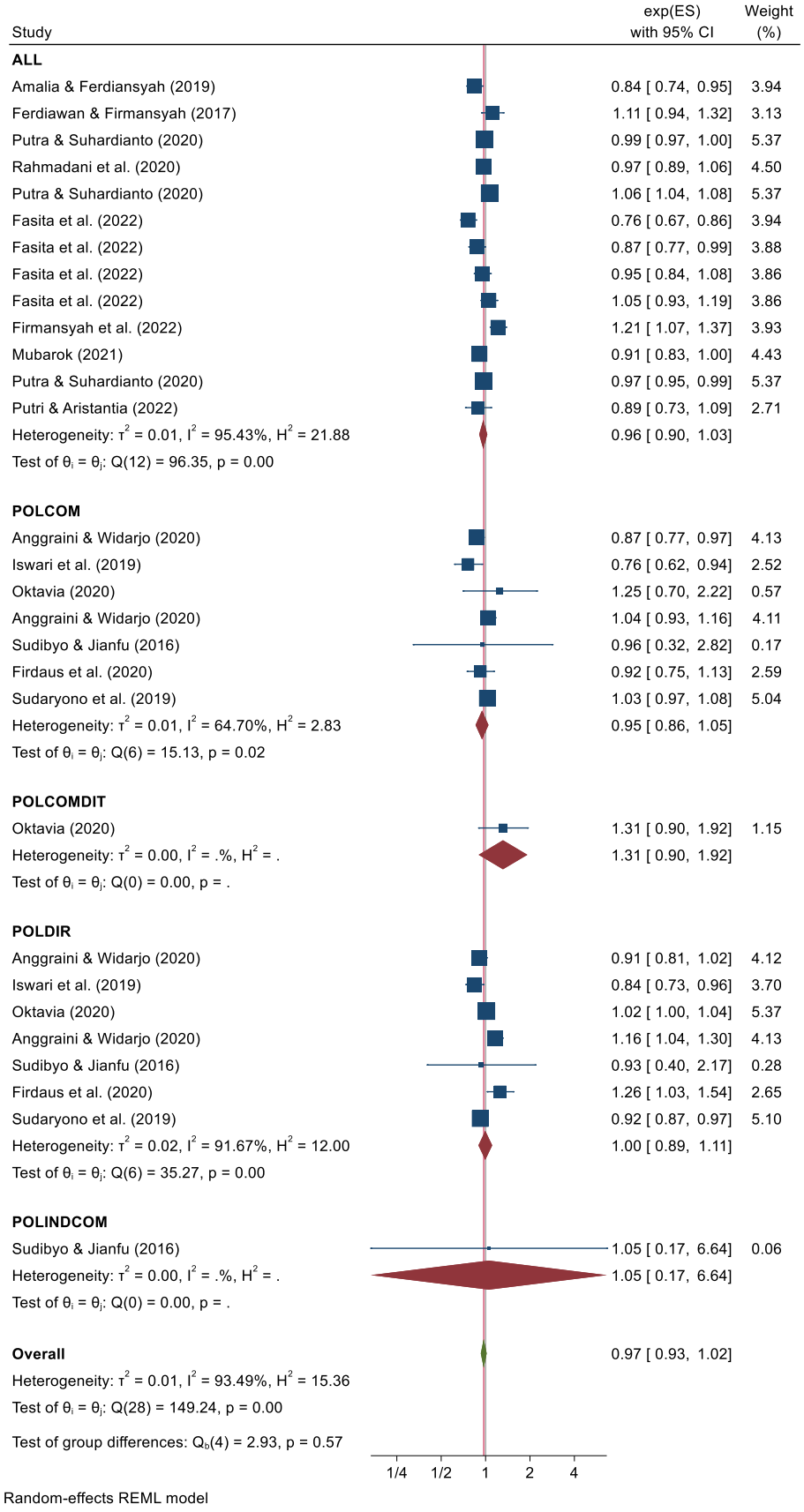


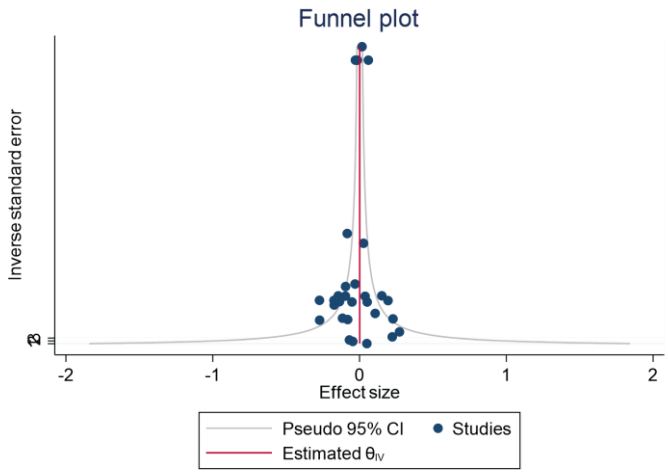
Figure – 10: Forest plot for subgroup analysis of the correlation between Political Relations and Tax Avoidance



Publication Bias

Visualization of the funnel plot in Figure 11 according to the technique proposed by Egger et al. (1997), considering the consequences of selective reporting. The y-axis of the funnel plot depicts the precision of the size coefficient estimate, while the x-axis depicts the size coefficient point estimate. A funnel-shaped funnel plot graph illustrates the presence or absence of selective publishing bias. In this context, symmetrical indicates that the more exact estimates are clustered around the underlying mean value of the impact size. In contrast, the less precise estimates are dispersed about the mean. In this investigation, the funnel plot shown in Figure 1 was generated by graphing the effect size on the x-axis and the sample accuracy (or inverse standard error) on the y-axis.

Figure – 11: Funnel Plot



According to the funnel plot, the articles utilized in this analysis are evenly distributed between the left and right tails. If the point distribution is focused on the right tail, the researcher selects more articles with a positive effect. In contrast, if the point distribution is concentrated on the left tail, the researcher selects more papers with a negative effect. When publication bias is present, the funnel plot will be asymmetrical and look like one side of the sample is missing. The conclusion derived from the portrayal of a funnel plot is that there is no publishing bias because the data are dispersed on the right and left tails.

Discussion

Previous researchers have extensively investigated the connection between political connection and tax avoidance. The collected results show that politically linked enterprises will benefit from a lower risk of discovery, access to knowledge on tax changes, lesser transparency, decreased political expenses, and other risk-based corporate activities. Long-lasting political relationships will make it difficult to eliminate the impact of politics on tax aggression. In a jurisdiction with a high level of corruption or a developing nation with a weak legal framework (such as Indonesia), political contacts will be strengthened by financial benefits such as reduced tax rates. Companies with political links will utilize their relationships to secure their businesses' crucial resources and government support.

The results of the meta-analysis conducted in this study show that there is no statistically significant relationship between political connections and tax avoidance. This is contrary to

previous research conducted by Kim & Zhang (2016), Adhikari et al. (2006), and Wu et al. (2012), which states that companies that have political connections have a negative relationship with ETR. However, our research found that such linkages are not always universally applicable, especially in the Indonesian context. The utilization of diverse tax avoidance indicators during research conducted in Indonesia could be why this correlation lacks a significant impact. Distinct tax avoidance indicators demonstrate distinct approaches to gauging tax avoidance practices, resulting in incongruous findings.

Additionally, the data source is also a crucial factor in determining research outcomes. Most of the data previously used was obtained from companies registered on the stock exchange. These companies often have greater resources and are better equipped to make tax savings. This observation concludes that the relationship between political connections and tax avoidance may be more complex and influenced by various contextual factors. Particularly in Indonesia, where the economic and political structure may differ from other countries, the influence of political connections on corporate tax policy may be more varied and not always direct. This linkage may be influenced by government policies, capital market regulations, and political and economic dynamics unique to Indonesia.

The subgroup analysis in this study confirms that differences in the selection of tax avoidance proxies significantly affect the statistical test results. This finding indicates no uniformity in the relationship between political connections and tax avoidance, which depends on the proxies used. For example, the proxies Book-Tax Differences (BTD), Difference in Effective Tax Rate (Difference ETR), and Generally Accepted Accounting Principles Effective Tax Rate (GAAP ETR) show a negative relationship with political connections, signaling that firms with political connections tend to be more aggressive in tax avoidance. However, other proxies show different results, with some even showing a positive relationship. This non-uniformity raises questions regarding the reliability and suitability of various tax avoidance proxies in assessing the relationship with political connections. It also demonstrates the complexity of understanding the dynamics of tax avoidance, especially in the context of political connections. For example, researchers' transformation of ETR has not been sufficient to produce a consistent understanding of this relationship. This inconsistency may be due to various factors, including differences in tax avoidance practices between firms, differences in the application and interpretation of tax regulations, and differences in how firms utilize their political connections. For example, firms with stronger political connections may be better able to manipulate tax regulations or have better access to information that can be utilized to reduce tax burdens. On the other hand, firms with weaker political connections may not have similar advantages and thus do not show the same pattern of tax avoidance.

CONCLUSIONS AND SUGGESTIONS

The findings indicate that tax avoidance is not significantly related to political connections. Furthermore, the subgroup test outcomes revealed no significant relationship between political connections and tax avoidance for all proxies except for ETR and Current ETR proxies. Nonetheless, we note that further exploration of these two proxies is necessary, and additional studies are required to incorporate more proxies as used in the other analyses. The subgroup testing results show that the measurement differences in tax avoidance proxies

significantly impact the study's outcomes. Conversely, using dissimilar political connection proxies has no significance in the study. It is anticipated that future research will conduct a sub-group analysis based on the company's industry to investigate further the variances in these metrics. To determine which sectors entail noteworthy political connections and tax avoidance. Further research could utilize clustering techniques based on the results of the meta-analysis.

In Indonesia, this meta-analytic study studying the association between political affiliations and avoidance is still in its early stages. This meta-analysis, however, has some drawbacks. First, prior research's tax avoidance proxies do not reflect the current proxies. This study only includes six proxies, but dozens of tax avoidance proxies have been generated. As a result, future studies should investigate using all of these proxies. Second, this study makes use of data from Indonesian researchers and businesses.

Future research is required to generalize the findings. Third, a procedure for the design of this study must be developed so that academics in the field of meta-analysis may check and assess it. Fourth, researchers must further identify the political link proxies employed by earlier researchers. Several studies employ dummy variables, whereas others employ natural logarithms. As a result, more research is required to uncover variances in these metrics. Future research will examine the relationship between political connections and tax avoidance on a regional or worldwide scale (rather than only in Indonesia). Thus, it is possible to see which locations greatly influence political relations and tax avoidance. As a result, it can be mapped country-by-country in the meta-analysis utilizing subgroup analysis. The findings of this study are likely to be addressed by relevant tax authorities by taking substantial tax avoidance proxies with political links (e.g., Difference ETR and Current ETR) into account as indications in CRM oversight related to political connections.

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